

20. Assume the Australian economy is experiencing the following economic conditions:
- inflation = 2.0%
 - economic growth = 1.5%
 - unemployment = 6.5%.

On the basis of the data, the Reserve Bank of Australia (RBA) would **most** likely

- (a) leave the cash rate unchanged as price stability is its main objective.
- (b) increase the cash rate to reduce the level of aggregate demand.
- (c) sell government bonds to the public to increase liquidity in the financial sector.
- (d) reduce the cash rate to increase the level of aggregate demand.