Teacher Answer Key

Case Study

1. The oil fund invests globally to generate returns that finance Norway's social programs while preserving wealth for future generations.

2. High taxes fund extensive services (healthcare, education) but spark debate over incentive effects and tax burdens.

Multiple Choice

1. A

2. C

3. B

Matching

1-B, 2-D, 3-E, 4-A, 5-C

Fill-in-the-Blank

1) profit, 2) inefficiencies, 3) taxation/regulation

Short Answer (Sample Responses)

Q1: Without profit incentives, planners may underinvest in R&D and lack market signals for innovation.

Q2: Stimulus spending, unemployment benefits, and bailouts can sustain demand and prevent deeper downturns.

Q3: Balancing sufficient revenue for services against maintaining incentives for work and investment is complex.