Exercise 1

The Great Depression

The economic boom that the United States enjoyed after the end of World War I ended in the 1920s with the Stock Market Crash of 1929. During the years of business prosperity in the 1920s, the value of stock on the New York stock market grew steadily. ❶ Many people bought "on margin," investing a small amount of cash and borrowing the rest to be paid back when the stock prices increased, as everyone came to believe it was bound to do. For example, if a share of stock sold for $100, the buyer might put up $10 in cash and borrow $90. When the stock rose to, say, $120, the buyer could sell, pay back the borrowed $90 (with interest) and still pocket a comfortable profit on the $10 investment.

But what if stock prices dropped? If the share he/she bought at $100 dropped to $80, the buyer not only lost the $10 investment but could not pay back the full loan. The buyer lost his/her investment, the person from whom he/she borrowed lost and both would be headed towards bankruptcy. This is what happened in October 1929. Stock prices dropped, and then individuals lost their investments. Then banks began to fail. As banks and businesses went bankrupt, unemployment rose. ❷ As the crash of the stock market became a reality, chaos spread quickly across the nation. A recession began and by 1931, it had turned into America's worst recession.

❸ The various factors that precipitated the stock market crash range from frenzied speculation and the overpriced nature of stocks to the unevenness of prosperity and the farmers' depressed status. A rise in interest rates in England, designed to attract investment money away from Wall Street and to England, also had an effect as investors moved money from stocks to English bonds to get these higher earnings. ❹ Perhaps the most important factor was psychological – a desire to get rich quick, which led to gambling with borrowed money, which is one way of looking at buying "on margin."

* prosperity: (n.) the situation of being successful and having a lot of money
* share: (n.) one of the equal parts of a company that you can buy as a way of investing money
* pocket: (v.) to get an amount of money
* bankruptcy: (n.) the state of being unable to pay your debts
* recession: (n.) a period when trade and industry are not successful
* precipitate: (v.) to make something happen quickly
* unevenness: (n.) unfairness

1 Which of the sentences below best expresses the essential information in sentence ❶?

(A) Based on the common belief in continued rising stock value, stock purchase using borrowed money was widespread.

(B) By investing just a small amount of money on buying stocks, many people could make a large profit.

(C) When the stock prices rose, everyone paid back the money they had borrowed to purchase a stock.

(D) Many people bought stocks on credit because everyone believed it was a right thing to do.

2 Which of the sentences below best expresses the essential information in sentence ❷?

(A) There was a huge gap between the stock market and reality across the country.

(B) The economic situation got more chaotic as the stock prices became realistic.

(C) There was a sudden fall of the stock market as national chaos was spreading.

(D) When stock value suddenly dropped, the whole country fell into complete disorder.

3 Which of the sentences below best expresses the essential information in sentence ❸?

(A) Wild speculation, overly high stock prices, and the gap between the rich and the poor all contributed to the recession.

(B) Unrealistic speculation precipitated by an overheated economy was part of the factors that brought about the recession.

(C) The stock market crash happened when the farmers, whose status was largely ignored, showed strong opposition.

(D) The stock market crash was quickened as the overpriced stocks were unfairly distributed.

4 Which of the sentences below best expresses the essential information in sentence ❹?

(A) Those who started gambling to make money were the biggest cause of the depression.

(B) People's desire to make quick money most strongly affected the depression.

(C) One of the things people desired to do was gamble with borrowed money.

(D) Psychology can best explain the reason why people get addicted to gambling.

Strategy in focus: finding essential information

※ Bạn phải xác định được ý tưởng nào là trọng tâm trong các ý tạo nên câu văn. Trước hết, bạn nên chia câu được cho ra thành các đơn vị ý nghĩa và tập phân biệt các đơn vị quan trọng và các đơn vị không quan trọng. Tham khảo câu được cho ở câu hỏi 4.

Perhaps the most important factor was psychological – a desire to get rich quick, / which led to gambling with borrowed money, / which is one way of looking at buying "on margin."

A — Perhaps the most important factor was psychological – a desire to get rich quick,

B — which led to gambling with borrowed money,

C — which is one way of looking at buying "on margin."

Câu này có thể được chia thành 3 đơn vị ý nghĩa; xét về mức độ quan trọng thì A>B>C. Vì vậy, A chắc chắn phải có trong lựa chọn trả lời đúng; B và C có thể hoặc có thể không nhưng không thể bỏ A để thay thế bằng B hoặc C được.

* Thông tin sau dấu nối (–), trong các ví dụ (giới thiệu bằng such as) hoặc mệnh đề quan hệ bắt đầu bằng which đều là thông tin không quan trọng đối với toàn bộ câu được cho.