READING PASSAGE 2

*You should spend about 20 minutes on **Questions 14-26**, which are based on Reading Passage 2 on the following pages.*

Questions 14 – 20

*Reading Passage 2 has seven paragraphs, **A–G**.*

Choose the correct heading for each paragraph from the list of headings below.

*Write the correct number, **i–viii**, in boxes 14–20 on your answer sheet.*

List of Headings

i	Technological developments improve CRSP data
ii	Initial findings of the CRSP project
iii	A request and a far-reaching result
iv	Difficulties in collecting CRSP data
v	What the future holds
vi	Too much data for people to have an overall understanding
vii	Other university departments which depend on CRSP
viii	CRSP data not always being a useful basis for investment

14 Paragraph **A**

15 Paragraph **B**

16 Paragraph **C**

17 Paragraph **D**

18 Paragraph **E**

19 Paragraph **F**

20 Paragraph **G**

Investment in Shares vs. Investment in Other Assets

Which Gives the Greater Gain?

How one university collected the data to try and answer this question

A It all began in 1958 with a phone call from Louis Engel, a banker at Merrill Lynch, a US-based financial management company, who wanted to know how investors in shares had performed relative to investors in other assets such as low-risk investments with guaranteed returns. 'I don't know, but if you gave me $50,000 I could find out,' replied Jim Lorie, a dean at the University of Chicago's business school. Louis Engel soon agreed to provide the funding, and more. The result, in 1960, was the launch of the University's Center for Research in Security Prices. Half a century later CRSP (pronounced 'crisp') data are everywhere. They provided the foundation of at least one-third of all empirical research in finance over the past 40 years, according to a presentation at a symposium held this month. They probably influenced much of the rest.

B Getting the CRSP data together was a tough process in what were then the early days of computers. Up to three million pieces of information on all the shares traded on the New York Stock Exchange between 1926 and 1960 were transferred from paper in the exchange's archive to magnetic tape. A lot of time was spent adjusting prices to take account of complexities in the market. Lorie and his co-researcher, Lawrence Fisher, chose January 1926 as the start date because they wanted the data to span at least one complete business cycle from boom to bust, or vice versa.

C When these two economists published the first study based on the CRSP data in 1964, they reported that the annual compound return on the shares over the entire 35-year period was (depending on the tax status of the investor) between 6.8% and 9%. Acknowledging that good data on the performance of other assets were not available, the study claimed that the rate of return on shares was 'substantially higher than for alternative investment media', providing the first empirical support for the still-popular idea that shares outperform other investments over the long run. Fisher and Lorie also observed that many people chose to invest in assets with lower returns because they were cautious by nature and were concerned about the risk of loss inherent in investing in the stock market. Economists today call the amount of extra return that investors need to compensate them for this additional risk the 'equity risk premium', although they differ greatly on how big investors should expect it to be.

D After Fisher and Lorie's 1964 report there was no stopping the love affair between financial economists and the data that studying these numbers produced. Myron Scholes, now a Nobel laureate, became director of CRSP in 1974, and ensured the database was both kept up to date and made readily available to academic economists everywhere. In turn, this resource became ever more useful as computing power became more affordable. The CRSP database has since been expanded to include a full range of different types of investments. It has been replicated across the world.

E One of the earliest uses of CRSP data was by Eugene Fama, an economist at the University of Chicago, to support his 'efficient-market hypothesis'. He found that over a lengthy period share prices tended to rise and fall randomly, without showing much of a pattern. Markets are efficient, he said, because all relevant information is reflected in share prices at any given moment, meaning there are no predictable movements in prices for smart investors to exploit. Fama did concede that there was some evidence of temporary short-term predictability in share prices, however. That stipulation has resulted in a vast number of papers based on discovering such 'variations' through data mining. In theory, such anomalies are potentially lucrative for investors, but as believers in efficient markets observe with satisfaction, it seems that no sooner are such anomalies discovered and reported in journals than they typically disappear.

F However, the sheer volume of material means that financial economists are becoming increasingly specialised, which may have costs as well as benefits. Some economists worry that much of this statistical analysis is creating some interference that drowns out serious thinking about the big questions, such as why the financial system nearly collapsed in 2008 and how a repeat can be avoided. Robert Shiller, an economist at Yale University and a long-time sceptic about the efficient-market hypothesis, feels that with the creation of the CRSP database economists suddenly believed that finance had become scientific. According to Shiller, conventional ideas about investing and financial markets – and about their vulnerabilities – seemed out of date to the new empiricists. He worries that academic departments are full of economists who are so specialised in data analysis that they fail to see and understand the whole. They get a sense of authority from work that contains lots of data. To have seen the 2008 global financial crisis coming, he argues, it would have been better to 'go back to old-fashioned readings of history, studying institutions and laws. We should have talked to grandpa.'

G Scholes responds to this criticism with the contention that the usefulness of this empirical analysis is proven by the fact that demand for it continues to grow. At CRSP's 50th-anniversary symposium, plans were unveiled to publish indicators on an expanding range of investments, as well as for growth and value stocks. These indicators, CRSP claims, will be more academically rigorous and cheaper than existing ones. For believers in the efficiency of markets, that should be enough to ensure CRSP's continuing success.

Questions 21 – 23

Look at the following statements (21–23) and the list of economists below.

*Match each statement with the correct economist **A, B, C** or **D**.*

Write the correct letter in boxes 21–23 on your answer sheet.

21 A traditional approach may have helped predict a financial downturn.

22 Some people invest conservatively and as a result make less money.

23 It may be possible to forecast share prices but not over the long term.

List of Economists	
A	Fisher and Lorie
B	Myron Scholes
C	Eugene Fama
D	Robert Shiller

Questions 24 – 26

Complete the summary below.

*Choose **ONE WORD ONLY** from the passage for each answer.*

Write your answers in boxes 24–26 on your answer sheet.

The beginnings of CRSP

In 1958 a **24** _____ working for a financial management company telephoned Jim Lorie to ask how well investments in shares performed in comparison to investments in low-risk assets. Lorie offered to find out and as a result the University of Chicago's Center for Research in Security Prices (CRSP) was launched. Compiling the CRSP data was difficult because **25** _____ were still being developed and information that had previously been on **26** _____ needed to be put onto magnetic tape.

题号	段落	答案	定位句（第X段）	解释（为什么匹配该标题）
14	A	**iii**	“**It all began in 1958 with a phone call**… The result… was the **launch** of … CRSP… CRSP data **are everywhere**… **influenced** much of the rest.”（第A段）	A段从“一个电话的**请求**”起笔，到促成CRSP成立并对后世研究产生广泛**影响**，完全对应“**A request and a far-reaching result**”。
15	B	**iv**	“Getting the CRSP data together was **a tough process** in the early days of **computers**… millions of pieces … transferred from **paper to magnetic tape** … **adjusting prices**… **complexities** in the market.”（第B段）	讲述数据搜集的**困难**：技术早期、数据量巨大、从纸本转磁带、价格校正复杂，所以选“**Difficulties in collecting CRSP data**”。
16	C	**ii**	“When… published the **first study**… they reported the annual compound **return**… **first empirical support** for the idea that shares outperform…”（第C段）	C段呈现**首次研究结果**与“股票长期更优”的结论，正是“**Initial findings of the CRSP project**”。
17	D	**i**	“Myron Scholes… ensured the database was **kept up to date** and **readily available**… as **computing power** became more affordable… database has since been **expanded**…”（第D段）	强调**技术/计算能力提升**与数据库**更新扩容**，对应“**Technological developments improve CRSP data**”。
18	E	**viii**	“Prices… rise and fall **randomly**… **no predictable movements**… some **temporary short-term predictability**… anomalies… typically **disappear**.”（第E段）	Fama认为市场有效、规律一旦被发现就**消失**，用CRSP挖到的“规律”**未必能长期指导投资**，故选“**CRSP data not always being a useful basis for investment**”。
19	F	**vi**	“the **sheer volume** of material… economists becoming **increasingly specialised**… fail to **see and understand the whole**… should have **talked to grandpa**.”（第F段）	批评数据**太多**导致只见树木不见森林，无法把握整体，对应“**Too much data for people to have an overall understanding**”。
20	G	**v**	“Scholes **responds**… demand… **continues to grow**… plans… to **publish indicators**… will be more rigorous and **cheaper**… ensure CRSP’s **continuing success**.”（第G段）	展望CRSP**未来计划**与前景，匹配“**What the future holds**”。

21–23 人名观点配对

题号	答案	定位句（第X段）	解释
21	**D（Robert Shiller）**	“to have seen the 2008 crisis coming, it would have been better to **go back to old-fashioned readings of history… We should have talked to grandpa**.”（第F段）	Shiller主张用更**传统**的方法（历史、制度、法律）或能更早预见金融下行。
22	**A（Fisher and Lorie）**	“many people **chose to invest in assets with lower returns** because they were **cautious**… concerned about the **risk**…”（第C段）	他们指出：一些人因**保守**而投资低回报资产，**因此赚得更少**。
23	**C（Eugene Fama）**	“over a lengthy period prices… **randomly**… **no predictable movements**… **some temporary short-term predictability**.”（第E段）	Fama认可**短期**可能可预测，但**长期**不能预测，完全对应题干。

24–26 概要填空（ONE WORD ONLY）

题号	答案	定位句（第X段）	解释
24	**banker**	“a **banker** at Merrill Lynch… who wanted to know how investors in shares had performed…”（第A段）	1958年打电话的人身份即**banker**。
25	**computers**	“a tough process in what were then the early days of **computers**.”（第B段）	困难原因：**计算机**仍在早期发展阶段。
26	**paper**	“information… were transferred from **paper**… to **magnetic tape**.”（第B段）	之前在**纸张**上的信息需转成磁带。