

**MANHATTAN GMAT**

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CAT Exam #3

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[<< Return to Exam Overview](#)

AWA ESSAYS: Analyze Argument

ESSAY QUESTION:

The following appeared in the personal finance section of a popular magazine:

"The average price of an acre of land in the United States is now 50 times what it was in 1970, and nearly 200 times what it was in 1920. The nation's population is projected to keep increasing, even as the amount of land remains constant. Therefore, people who are approaching retirement should invest heavily in real estate in order to ensure their financial security."

Discuss how well reasoned you find this argument. In your discussion be sure to analyze the line of reasoning and the use of evidence in the argument. For example, you may need to consider what questionable assumptions underlie the thinking and what alternative explanations or counterexamples might weaken the conclusion. You can also discuss what sort of evidence would strengthen or refute the argument, what changes in the argument would make it more logically sound, and what, if anything, would help you better evaluate its conclusion.

YOUR RESPONSE:

The argument suggests that people in united states who are approaching retirement should invest heavily in real estate to ensure their financial stability. The reason that it provides is that the land prices have been increasing historically and such trend will continue in future. Also the amount of land is limited. It therefore concludes that investment in real estate is a good option. The argument here suffers from various weaknesses and can be attacked on several grounds. There are several assumption made in this argument whose validity is suspect. The argument would have been much well reasoned if more information would have been provided.

Firstly, the argument discusses the historical data. This data suggests that the land prices have increased in past. They have increased 50 times since 1970 and 200 times since 1920. However, there is no assurance that such trend will continue into the future. For example, a war or a natural calamity may reverse such a trend and the property prices may drop.

Secondly, the argument does not discuss other factors that have led to increase in land prices in past. For example, the trend of increasing prices may have been due to inflation. Inflation may be increasing the price of real estate but at the same time value of money may also be decreasing. So what one dollar was

worth in 1920 may be much less worth today. Therefore, in real sense it may be the case that the actual value of property may have declined. The argument does not discuss this aspect.

Thirdly, the argument suggest that land amount is limited. Indeed, this may be true but argument does not consider modern building practices which enable the construction vertically rather than horizontally. This means that it is possible that in future skyscrapers may be much more preferred than structures of today. This may mean that limited land amount will only have little or no impact on the property prices.

Fourthly, the argument suggests that people approaching retirement should invest heavily in real estate. However, such an argument ignores other avenues of investment that may be available to old people such as pension plans or tax free bonds. Moreover, the argument does not discuss the risks attached to the real estate investment. It does not allow for the possibility that there may be other safer investment available. Furthermore, it does not provide any justification why real estate is specifically good option for retiring people.

To conclude, it may be said that argument makes a lot of flawed assumption. It takes a leap of faith and without discussing assumptions in details, jumps to the conclusion. It does not explain why the historical trend should be still valid, what other factor may contribute towards real estate price and what other investment areas which are perhaps less risky may be available to investing public which is approaching retirement. Perhaps if these assumptions were clearly stated and more information was provided to support such assumptions, the argument would have been much more reasonable and less susceptible to criticism.

[<< Return to Exam Overview](#)

[Exit](#)