

## Handout for September 2020 Newsletter The Economics of Wealth in FRED®

### Purpose.

1. Create a plot of net worth by wealth quantiles.
2. Change the units of the series to an index and customize the date axis.
3. Describe and discuss patterns in the evolution of food retail sales over time.

**Pedagogical Rationale.** This assignment requires that you first look for data and plot them into a graph. Next, you will change the units of the series and customize the date axis. Lastly, you will describe and discuss patterns in the evolution of the data series. These tasks will develop your proficiency in searching for, transforming, and interpreting data.

**Grading.** Your grade will be determined by (a) how precisely you complete the search and transformation data tasks and (b) how accurately you interpret the data.

### Steps to Search for and Transform the Data.

1. Access <https://fred.stlouisfed.org/> and browse data by “Release.” Search for “Distributional Financial Accounts.”
2. Click on “Levels of Wealth by Wealth Percentile Groups.”
3. From the table, select the “Total Net Worth” series held by each of the four listed wealth quantiles. Those are the top 1%, the next 9%, the next 40%, and the bottom 50%.
4. Click on “Add to Graph.”
5. Click on EDIT GRAPH and select EDIT LINE 1.
6. Change the units by selecting “Index (Scale value to 100 for chosen date).”
7. From the drop-down menu next to the selection “Select a date that will equal 100 for your custom index,” choose “U.S. recession: 2007-12-01 Start” and click on “Copy to all.”
8. Tick the box next to “Display integer periods instead of dates,” and in the boxes labeled “Integer start/end” type “0” and “40.”
9. Repeat the previous step to edit lines 2, 3, and 4.
10. Select the FORMAT tab and choose “Mark type: Square” for each line.

### Writing Prompts. Answer the following questions:

1. Briefly describe the concepts of “assets” and “liabilities” and give an example of each. Next, describe the concept of “net worth” and explain how a person can have “negative net worth.”
2. In the graph, each line represents the change in net worth of a particular population group between the fourth quarter of 2007 (the zero date) and the fourth quarter of 2017 (the date numbered 40). Which two groups experienced the largest losses in net worth between date zero and date five?
3. Between the fourth quarter of 2007 (the zero date) and the second quarter of 2011 (the date numbered 14), which population group experienced the largest loss of net worth?
4. Which population group took the longest to rebuild its net worth after the recession that started in the fourth quarter of 2007?

Would you like to learn more about this topic? Read [“How Recessions Have Affected Household Net Worth, 1990-2017: Uneven Experiences by Wealth Quantile”](#)