Survey of Consumer Finances provides relevant data on this question; they are summarized in Table 5. It shows, for each income class, what percentage of spending units have a significant amount of short-term consumer debt and mortgages.

TABLE 5. *Asset-Debt Position of Consumer*

	Income class		
	$0 to $3,000 (per cent)	$3,000 to $5,000 (per cent)	Over $5,000 (per cent)
Owed more than $100 of consumer debt	33	52	52
Owed mortgages only	5	8	11
Owed neither kind of debt	62	40	37

Source: 1956 Survey of Consumer Finances, "Consumer Indebtedness," *Federal Reserve Bulletin,* July 1956, p. 702.

To derive the interest rates on which consumers make their marginal borrowing-saving decisions, we must estimate the rate of return earned on their assets and the rates paid on their debts. Let us assume that the interest paid on the assets held by debt-free households is 3 per cent, a rate typical of the savings accounts and U. S. government bonds into which most households in the lower-income brackets put their savings. To take account of the higher returns earned on common stock by 15 per cent of the class with incomes above $5,000,[10] we increase this rate to 3.75 per cent for the class with no debts.

A rate of 5 per cent is applied to mortgage loans. This rate is somewhat above that charged on loans guaranteed by the Federal Housing Administration or the Veterans Administration, but corresponds to rates on conventional first mortgages and allows for the considerably higher rates which prevail on second mortgages.[11]

As for interest on short-term consumer credit, rates vary widely, from less than 6 per cent on some personal bank loans (and 0 per

[10] 1955 Survey of Consumer Finances, "The Financial Position of Consumers," *Federal Reserve Bulletin,* June 1955, p. 621.

[11] This rate corresponds to the findings of Morton for 1947. See J. E. Morton, *Urban Mortgage Lending Experience,* National Bureau of Economic Research (Princeton: Princeton University Press, 1956), pp. 80-81.