cent on loans within families) to over 30 per cent on some small loans of finance companies. This range can be narrowed by studying the composition of personal debt. Of the $36 billion outstanding at the end of 1955, $14 billion was automobile paper.[12] The rates of most automobile paper were between 8 and 12 per cent, with that held by banks near the lower figure and by finance companies near the higher one. Another $6 billion was for other consumer goods paper, which has comparable rates. Personal loans constituted $8 billion. Of these the small loans which bore very high rates were offset to some degree by low rates on bank loans available to the best of the credit risks. Of the remaining, about half were charge accounts and the rest were service credit and repair and modernization loans. The rates on these categories tended to be relatively low, ranging from 6 per cent on regular charge accounts to 9 per cent on modernization loans. The average rate for personal debt suggested by these figures is about 10 per cent. A breakdown by type of holder is consistent with this estimate, since banks hold 33 per cent, credit unions 5 per cent, stores 25 per cent, sales finance companies 28 per cent, and others 9 per cent. It would be incorrect, however, to assume that all income classes pay the same rates. Generally, poorer people obtain small loans at very high rates and borrow from sales finance companies for their durable goods purchases; those with higher incomes are able to obtain bank loans and have charge accounts. To allow for this factor, we assume a rate of 12 per cent for consumer credit for those with the lowest income and a rate of 9 per cent for the rest.

Interest payments are deductible from federal income taxation. This implies that the actual rate which governs the choice of consumers is not the rate paid, but the rate adjusted for the saving in taxes. But the applicability of this reasoning is limited by the wide use of the standard deduction in income tax returns. Itemized deductions were made on only 8 per cent of the returns for $3,000 or less; 24 per cent for $3,000 to $5,000; and 40 per cent for $5,000 and over. Because the tax saving from this source is usually more significant in the case of mortgages, we use the borrowing rate after taxes only in the case of households with mortgages.

[12] U. S. Department of Commerce, *Survey of Current Business,* March 1956, p. S-16.