TABLE 6. *Interest Rates Faced by Households in Their Saving-Spending Decisions*

	Interest rates for 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	12.0	8.3	7.3
Owed mortgages only	4.0	3.9	3.5
Owed neither kind of debt and held savings	3.0	3.0	3.2
Unable to borrow at reasonable rates	12.0	..	..

Source: See text.

The table also gives the average rate for each income class and the distribution of tax savings caused by an increase of the personal exemption. The final figure, computed by weighting the average rates applicable to the three income classes by their shares of tax savings, is equal to 5.87 per cent.[14] This is the rate which our quantitative analysis suggests as the proper measure of value to consumers of the tax savings made possible by an increase in the exemption of the personal income tax.[15]

[14] The use of income classes as defined by the Internal Revenue Service in combination with the definitions of the Survey of Consumer Finances introduces a slight upward bias into the estimate. The Survey's "spending unit" includes all related persons living together who pool their incomes, while the Internal Revenue Service gives its figures in terms of tax returns. Since some spending units will file several tax returns, relatively fewer spending units will fall into our lowest-income class. This bias is accentuated by the fact that our tax data pertain to 1951, when incomes were lower than in 1955. Data for the distribution of income from the two sources suggest that as many as one-half of the returns filed in the lowest-income class in 1951 should be assigned to "spending units" in the next income class in 1955. Similarly, the data suggest that one-third of all returns filed in the middle-income class in 1951 belonged to "spending units" in the highest class in 1955. On these assumptions, our estimate for the interest rate would fall to 5.70 per cent. This probably overstates the bias since the Survey's sample appears to underrepresent low-income "spending units."

[15] Our analysis has not endeavored to impute a rate of return to the investments made possible by the increased savings of consumers. Presumably, a return greater than the borrowing cost is earned on these investments, which serves as an inducement for the investor. An estimate of this extra return requires identification of the marginal borrowers to whom these investible funds