

Table 11 presents the asset-debt position of households with incomes greater than \$5,000. It shows a wide prevalence of debt, which results from lumping all incomes above \$10,000 into one bracket. Since debt for consumption purposes falls rapidly in the higher brackets, in our subsequent analysis the figures for the bracket over \$10,000 are applied only in the range \$10,000 to \$15,000. Also, in the higher brackets, the relevance of the borrowing rate ceases, because the rate of return on assets increases while the borrowing cost falls, until at some point on the income scale, the borrowing rate is no longer marginal—the return on assets playing the role instead. When that point is reached, consumer credit is likely to be in the form of charge accounts owed as a matter of convenience, and mortgages owed—in part—in order to raise funds for investment purposes.

Table 11 also shows the interest rates applicable to debtors in these income classes. As in Model A, rates of 9 per cent on short-term debt and 5 per cent on mortgages are used in deriving these rates, but in the case of the upper-income classes, it is assumed that interest payments are deducted from the tax liability and the rates are adjusted accordingly.

To derive the rates of return which upper-income families earn on their assets, we estimate asset holdings by income class and the rates applicable to each asset category. Table 12 shows in what form upper-income classes receive property income as reported in income tax returns.

TABLE 11. *Debt Position of Families with Incomes Over \$5,000*

Income class (\$ thousand)	Per cent owed more than \$100 of short-term debt *	Per cent owed mortgages only *	Per cent owed neither kind of debt	Interest rate applicable to debtors (per cent)
5 to 7.5	56	11	33	6.2
7.5 to 10	52	22	26	5.6
Over 10	41	22	37	4.9

* 1956 Survey of Consumer Finances, *op. cit.*, pp. 701-03.

In the case of business and professional income, part is actually managerial wages or income earned for supplying professional services. While we have no direct data on this breakdown, the Department of Commerce has estimated that, in 1949, 11.3 per cent