

# INTERNATIONAL BUSINESS TIMES

## Will High Federal Debt Lead To A Financial Crisis? US Debt Hits \$107,000 Per Household

Jackie Salo

September 14, 2015

Federal debt now surpasses more than \$13 trillion -- or about \$107,000 per U.S. household, according to a new report from the Cato Institute. The libertarian think tank's report, titled "Washington's Largest Monument: Government Debt," suggests that mounting national debt could lead to a financial crisis.

Released this month, it blames an imbalance between spending and tax revenue for the mounting debt because the federal government spends hundreds of billions of dollars more each year than it takes in. As a result, federal debt has doubled over the past seven years.

"High and rising debt harms the economy, and it will impose a large burden on future taxpayers," the report states. "It could lead to a financial crisis, like we have seen in Greece and other nations."

Researchers said budget cuts would lead to capital formation and less pressure to impose higher taxes in the long term. Growing federal debt prevents economic growth and stability, and imposes an unfair future burden on taxpayers, researchers said. "Today's federal debt ratio is easily the highest in America's peacetime history," the report states.

Federal debt could become impossible for Americans to tackle in the face of unforeseen military needs or another economic depression. "The best way to prepare for the nation's uncertain economic future is to cut spending and end deficits, and then to begin paying down the debt before the next crisis hits," the report contends.

The report claims that misspending has also greatly contributed to the federal debt, since the budget is often allocated toward subsidy and benefit programs, which researchers said reduces work incentives and savings.

Two-thirds of Americans believe that making spending cuts to the federal budget should be a top priority, according to the study. In the report, the researchers suggest that lawmakers should be encouraged to be more fiscally responsible.

"Congress should take a pruning knife to the budget and identify programs in every department to terminate," according to the report.