

## **Federal Debt Held by the Public Totals \$107,000 Per Household**

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The federal debt held by the public totals more than \$13 trillion, or about \$107,000 per household in the United States, according to a report released this month by the Cato Institute. The report, titled “Washington’s Largest Monument: Government Debt,” suggests that growing debt, which has doubled over the past seven years, poses a burden on future taxpayers and could lead to a financial crisis.

According to Cato, financing government debt through tax collection creates distortions since much of federal spending goes to subsidy and benefit programs, which reduce work incentives and savings.

One economist says that “it costs taxpayers \$3 to provide a benefit worth \$1 to recipients.”

In addition to misallocating resources, growing debt may cause private investment and saving to decline. “Businesses may be reluctant to make long-term investments if high and rising debt creates fears of tax increases down the road,” states the report.

Debt held by the public is a different measure than the widely reported gross debt measure, which is now more than \$18 trillion.

Many Americans are increasingly concerned about the expansion of the federal debt and two thirds believe that it should be a top priority for Congress.

“America may face unforeseen military challenges or endure another deep recession in coming years, which would make deficits worse than the CBO currently projects,” states the report. “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.”