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The number 40 appears frequently throughout history and is often the standard bearer that curiously marks so many milestone moments. The expression *life begins at forty* is a stock phrase, referencing the start of middle age. In Genesis the story of Noah's Ark spoke of it raining for "forty days and forty nights". The Lenten period is 40 days long -the same number of years the Israelites spent in the wilderness after the exodus from Egypt. In England, various property and franchise qualifications were based on 40 shillings, most notably the "forty-shilling freeholder" prerequisite for voting. A quarantine lasted 40 days - the word itself derives from the Italian *quarantena*, meaning forty days.

This past week saw the number 40 again figure (pun intended) prominently in media, as the US National Debt reached an eye-popping $40 Trillion ($117k for every American citizen). Even more staggering is this stratospheric number was achieved by quadrupling the debt in just 18 years. As wealth creates wealth, so does debt create debt, and this year half the money borrowed by the Federal government is done just to pay interest on the country's debt. **So the US is financing their financing**, an untenable situation.

Both major political parties (The Democrats and Republicans) are predictably pointing fingers at each other, but the reality is that major tax reform and social programs were passed into law with bi-partisan support. After Social Security and Medicare, interest on the national debt ranks third, and now consumes almost 14% of the US federal budget. This is more than national defense or Medicaid. Foreign investors own about a third of the debt, meaning that the United States is exporting approximately US $350B yearly to foreigners, with zero net benefit to their country.

There are two stark choices here: increase taxes or decrease spending. Neither are politically popular options, so both parties are kicking the proverbial can down the road. But that road is shorter in distance than the political cycles between Presidencies. While US politicians may be hesitant to take action, the bond market has already taken steps to reign in runaway spending. Yields on 10 and 30 year government bonds have increased by 50 basis points, making the cost of borrowing higher for every American. This includes mortgages, corporate borrowing, car loans, home-equity borrowing and credit card rates: all of which are inflationary and subtract from US discretionary spending (the driver of economic growth in the US and the world). As with individuals with poor credit scores, lenders are asking for a premium for what was once considered a risk free asset (US government bonds).

The rallying cry of the American Revolution was “no taxation without representation”. This 250 year-old mantra has seemingly been replaced with “no taxation *with* representation”. Yet combined with spending cuts (such as indexing Social Security to life expectancy), a value-added tax (VAT) of just 5% would generate $1T in revenue (US consumers spend $20T annually). The US is unique in that it has no national sales tax, sharing this distinction with countries including Iraq, Libya, Afghanistan and North Korea. If politicians exercised here-to-fore unseen discipline and directed this exclusively to debt repayment, America in just two score (paraphrasing President Lincoln)would owe nothing to no-one.

Something has to happen here, and sooner than later. A US facing a margin call would be a disaster on par with the Great Depression. Fiscal discipline is required and the bond market has already taken steps to do what members of the House and Senators have failed to: do what all of us do year-over-year, namely live within our means. The final words on this were penned and published in 1600 in Shakespeare's Hamlet:

"Neither a borrower nor a lender be..."

Thanks for reading!

Martin

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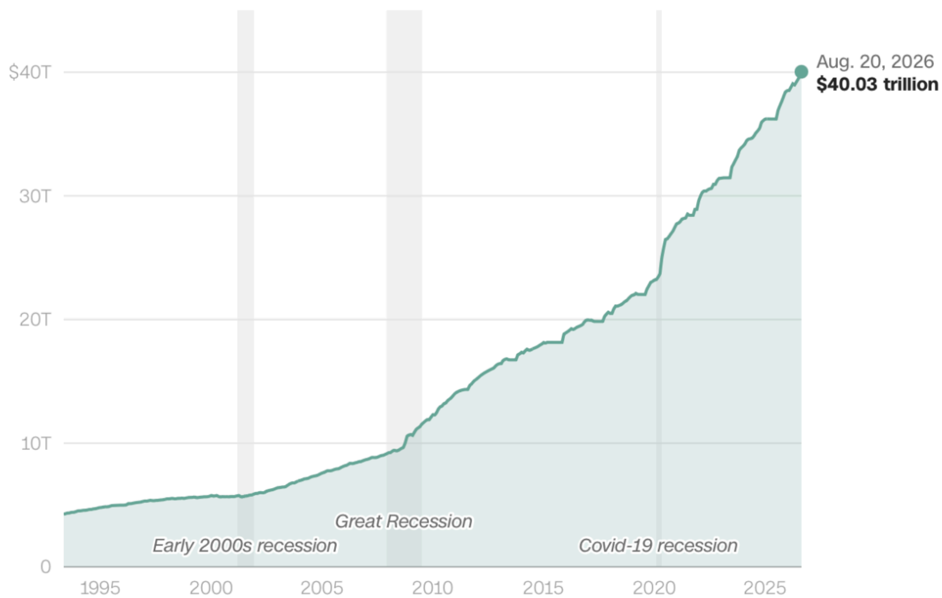
The US government owes **$40.03 trillion**, as of the latest data. That's **$2.85 trillion, or 7.7%,** more than the same date a year earlier.

Total US debt, by month since 1993



Note: Each point is the total debt at the end of a month, and the last point is the most recent daily figure (latest: Aug. 20, 2026). The amounts are not adjusted for inflation, so some of the rise reflects prices going up rather than new borrowing.

Sources: US Treasury, Bureau of the Fiscal Service; recession dates from the National Bureau of Economic Research

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