

From the desk of Chief Economist Beth Ann Bovino

The \$40 trillion question: What would Janet Yellen think?

It wasn't news that the U.S. government's total gross federal debt reached \$40 trillion last week. It wasn't even that, as a percentage of GDP, it's in triple digits. What caught my attention is how quickly \$1 trillion can be added to the sum.

The pace is the bigger worry. From 1982 to 1999, it took an average of 635 days, or just under two years, for debt to rise by another \$1 trillion. Since 2020, that timeline has shrunk to about 152 days.

In other words, the debt clock is not just ticking; it is moving a lot faster.

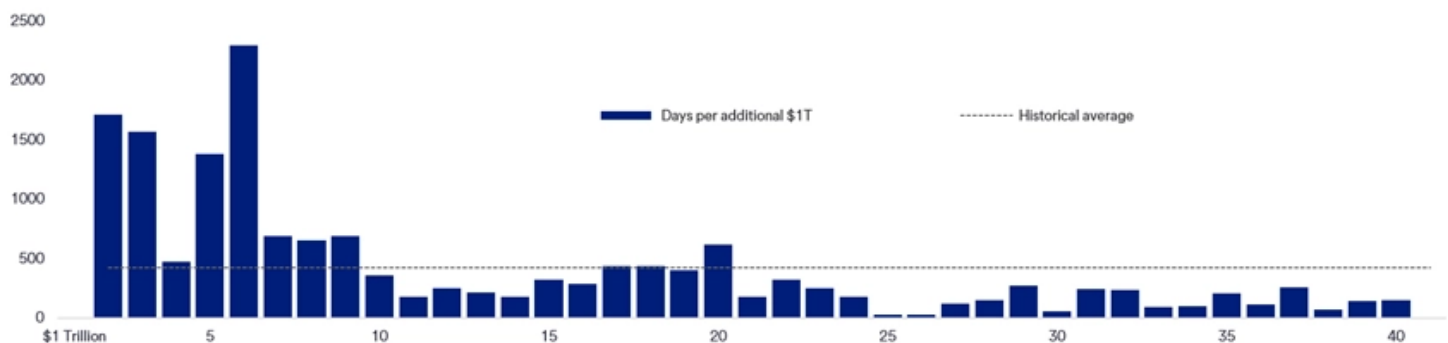
"The real issue is the combination of faster debt growth, rising interest costs, and investor patience that may not last forever."

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Beth Ann Bovino, chief economist, U.S. Bank

I keep coming back to former U.S. Treasury Secretary Janet Yellen's warning when the federal debt passed \$38 trillion. She noted that rising debt relative to GDP could strengthen the conditions for fiscal dominance, where government financing needs begin to limit the Fed's ability to run monetary policy cleanly and independently.

Days between each additional \$1 trillion of federal debt



Source: U.S. Bank Economics, Bloomberg, U.S. Treasury Department

The debt level alone is not the whole story. The real issue is the combination of faster debt growth, rising interest costs, and investor patience that may not last forever. Markets have mostly shrugged off the debt buildup so far. But if confidence slips, higher term premiums, inflation expectations, and long-term rates could follow.

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