



WEEKEND READING

Shedding the light on what's happening - our world - our finances - our times

Don't Mess Up a Good Thing

Move fast and break things

The Trump Administration has claimed the US Federal Government (of which it is a part) is populated with a bloated, inefficient work force that exploded under the Biden Administration, holding the situation as so desperate, one needs a chain saw. President Trump created the Department of Government Efficiency DOGE (happens to match a popular crypto meme coin) and appointed Tesla Founder Elon Musk as department head to rectify the wrongs. Mr. Musk appeared to follow his Twitter takeover playbook, to 'Move Fast and Break Things' firing entire divisions. The results have been well documented.

We're all for government efficiency and lower costs. Here in Canada the economic drag of government regulations has had a clear effect. Is the bloated government employee narrative true? Did the number of US Federal Government employees' balloon under the Biden Administration? Is the US Federal Government employee roster becoming an outsized percentage of the US work force? Could significant cost savings be had by taking a chain saw to the roster lists?

Some facts please

How many people work for the US Federal government?

<https://usafacts.org/articles/how-many-people-work-for-the-federal-government/>

Federal employment peaked in May 1990 at 3.4 million.

Monthly number of federal government employees, Jan 1939–Nov 2024



Data is seasonally adjusted. October and November 2024 data are preliminary. Spikes are due to hiring temporary Census workers.
Source: [Bureau of Labor Statistics](#) • [Get the data](#) • [Embed](#) • [Download image](#) • [Download SVG](#)

Source: USAFacts.Org

Less than 2% of jobs are in the federal government.

Monthly shares of total employment comprised by the federal government, 1939–2024



Data is seasonally adjusted. Spikes are due to hiring temporary Census workers.
Source: [Bureau of Labor Statistics](#) • [Get the data](#) • [Embed](#) • [Download image](#) • [Download SVG](#)

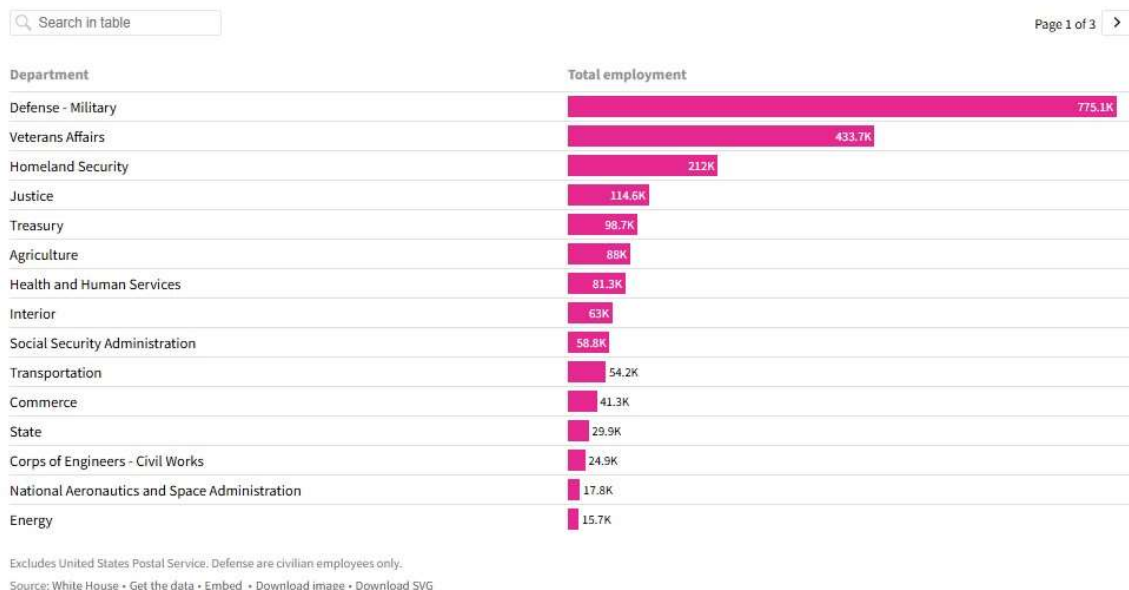
Source: USAFacts.Org

If the Goal is to cut government employees significantly, where do they work now?

US Federal Govt Headcount by Department Page 1

The federal government has 2.3 million full-time employees.

Executive branch civil employment, by agency, 2023

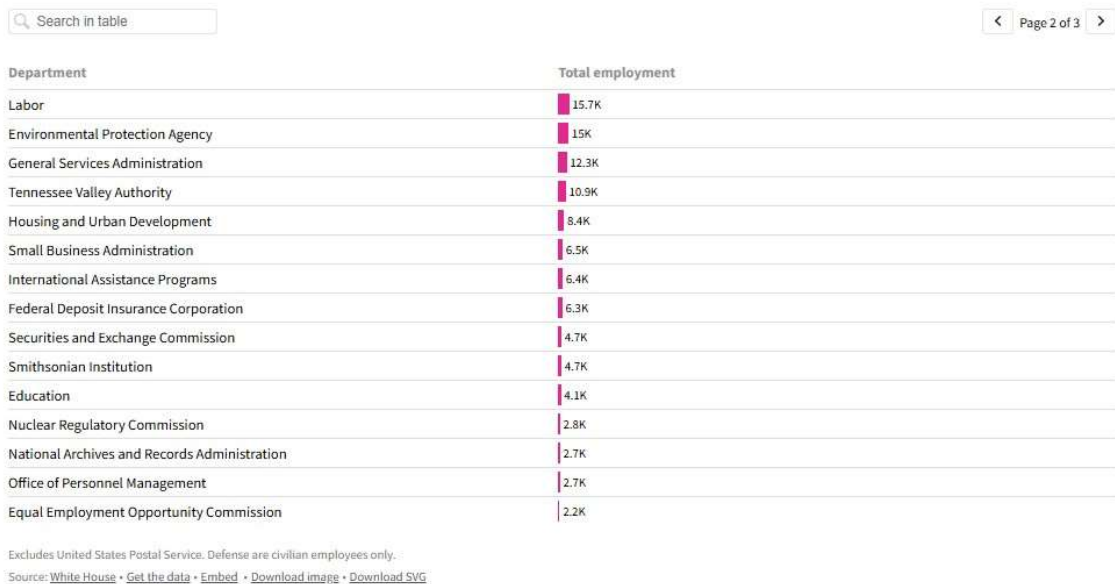


Source: USAFacts.Org

US Federal Govt Headcount by Department Page 2

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Source: USAFacts.Org



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Department	Total employment
Bureau of Consumer Financial Protection	1.7K
US Agency for Global Media	1.6K
Federal Communications Commission	1.5K
National Science Foundation	1.5K
Federal Trade Commission	1.2K
National Credit Union Administration	1.2K
National Labor Relations Board	1.2K
Other Defense - Civil Programs	1K

Excludes United States Postal Service. Defense are civilian employees only.
Source: White House • Get the data • Embed • Download image • Download SVG

Source: USAFacts.Org

The US Agency for Global Media (2nd from the top, page 3) has 1,600 employees. The Equal Opportunity Commission (bottom page 2) has 2,200 employees. The Department of Education has 4,300 employees. Agriculture has 88,000. Eliminating all four entirely would reduce the headcount by 3.2%. Far and away the largest departments are Defense, Veteran’s Affairs and Homeland Security. If the budget deficit needs fixing, (and it does!) where does the US Federal Government spend money and where are potential cuts?

<https://usafacts.org/government-spending/>

The 2024 Budget spent roughly \$6.8 trillion. The 2024 deficit was \$1.83 trillion. The largest departmental spend is Defense at \$1.3 trillion, broken down at \$877 billion on National Defense (the military) and \$323 billion for **Veteran’s Affairs** (retired military). The largest single-line item is Social Security at \$1.5 trillion. Paired with Economy and Standard of Living \$695 billion, these two entitlements total \$2.195 trillion. Foreign aid in 2023 was \$68.2 billion of which \$16.6 billion went to Ukraine. NOTE: Arms grants to Ukraine are typically valued by militaries at replacement cost – making for great headlines and political points (cheered or jeered depending on which side of the politics). Much of the hardware was outdated and set for scrap. The portable anti-aircraft FIM-92 ‘Stinger’ has been a major factor in removing Russian helicopter gunships and direct-fire air attacks from the battlefield. The Stinger first entered service in 1970 and is no longer in production. FGM-148 Javelin anti-tank missile entered service in 1990. If not donated to Ukraine, the military would not have received and the US Federal Government wouldn’t have saved that value. Rather than the much-quoted \$61 billion granted in 2024, a new study estimates the true cost is closer to \$18 billion.

<https://cepr.org/voxeu/columns/new-analysis-economists-ukraine-cost-us-aid-ukraine-less-half-official-figures>



“Our analysis concludes that in three years of full-scale war, the total monetary value of US aid delivered to Ukraine’s government amounts to \$50.9 billion, of which \$18.3 billion comprises military aid, with the remaining \$32.6 billion direct budget support in the form of expense reimbursement through the World Bank and collateral for loans. These figures differ from the appropriation amounts by a factor of two to three”

The Ukraine War has revealed weaknesses in European and US preparedness, but that’s a kindness, not the fault, of the Ukrainians. Given the security achieved by Ukrainian containment of Russian aggression in Eastern Europe within the context of the annual US Defense direct military spending, even the higher \$61 billion figure is small beer. There may be policy reasons to cease supporting Ukraine, but fiscal savings isn’t one of them.

We doubt DOGE will be able to cut enough employees to move the deficit needle – although it might ‘make great television’. The tough choices would be beyond the workforce head count leaving defense and entitlements . Cutting entitlements will be particularly unpopular with Trump’s voter base as NPR explained in January 2024

‘What Republican party elites don’t understand about Trump voters’ – NPR Jan 22, 2024

<https://www.vpm.org/npr-news/npr-news/2024-01-22/what-republican-party-elites-dont-understand-about-trump-voters>

This brings us to Trump’s support for tariffs. Tariffs typically are applied to accomplish a specific industrial policy goal. Defending an industry, and the jobs of workers who vote, from foreign competition.

Tariffs 101: What are tariffs and how do they impact international trade? – Economic Development Corporation Canada - Nov 28, 2024

Who pays the tariff?

Buyers are usually responsible for paying tariffs. Tariffs are a tax on imported goods, paid by the person or company that imported them. Many importers pass these costs down to consumers by charging higher prices.

While tariffs are collected by the government that imposes them, tariffs aren’t paid by one government to another.

<https://www.edc.ca/en/article/how-tariffs-work-for-business.html#:~:text=Tariffs>

With Trump's tariffs, Illinois farmers worry about losing corn sales to Mexico – Reuters – Mar 4, 2025

<https://www.reuters.com/markets/commodities/with-trumps-tariffs-illinois-farmers-worry-about-losing-corn-sales-mexico-2025-03-04/>



Mr. Trump has claimed, that ‘other countries’ will pay tariff revenue to the US Federal Government. Exporters don’t pay tariffs. Canada, China and Mexican exporters aren’t paying the tariffs. US importers of foreign goods are going to pay the tariff chargers directly to the US Fed Government. Tariffs are an internal tax designed to change internal consumption behaviours. If successful, tariffs would discourage imports (competition), meaning the imported good, and the associated tariff revenues, cease. If the tariffs don’t discourage imports that’s because the buyers are willing to pay a higher price to get the stuff. In both cases, the tariff is paid by a US entity and the cost of the good at issue will rise.

<https://www.cnn.com/2024/09/09/politics/fact-check-trump-vance-tariffs/index.html>

If tariffs are just another form of taxation hurting consumers, why the love?

President Trump has promised tariffs will pay for tax cuts. The Trump Administration is enacting permanent extensions to the 2017 Tax Cuts and Jobs Act tax cuts set to expire in 2025. Will it work? **The US Tax Foundation** (generally supportive of lower taxes) warns tax cuts will dramatically increase the US Federal deficit. They also looked at the impact of Trump’s tariff policies, predicting a contraction in GDP and loss of 309,000 jobs. This from an entity whose mandate is balanced budgets. History says tariffs increase costs above the percentage applied. Inflation is sticky.

https://en.wikipedia.org/wiki/Tax_Cuts_and_Jobs_Act

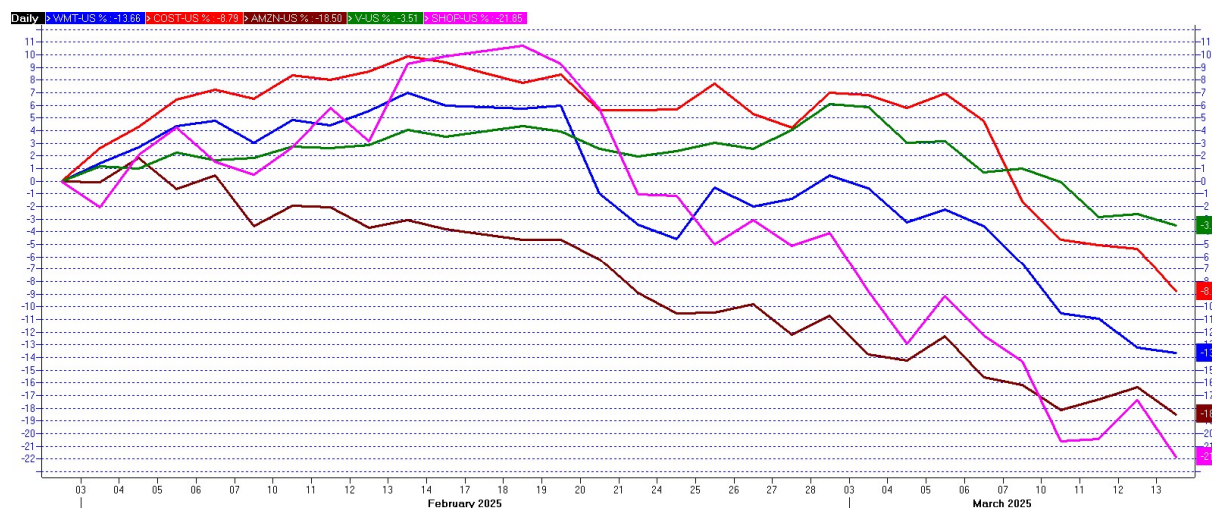
<https://taxfoundation.org/research/all/federal/trump-tax-cuts-2025-budget-reconciliation/>

<https://taxfoundation.org/research/all/federal/trump-tariffs-trade-war/>

What are consumer stocks saying?

% change Jan 31 to Mar 13, 2025 for selected consumer stocks. Mar 13, 2025 12:10 PM.

Walmart (WMT-\$84.674 -13.6%) Costco Wholesale (COST-US-\$894.16 -8.6%) Amazon (AMZN-\$193.64 -18.2%) Visa (V-\$329.65 -3.35%) Shopify (SHOP-\$91.28 -21.2%)



Source: Refinitiv, NBF, Hilberry

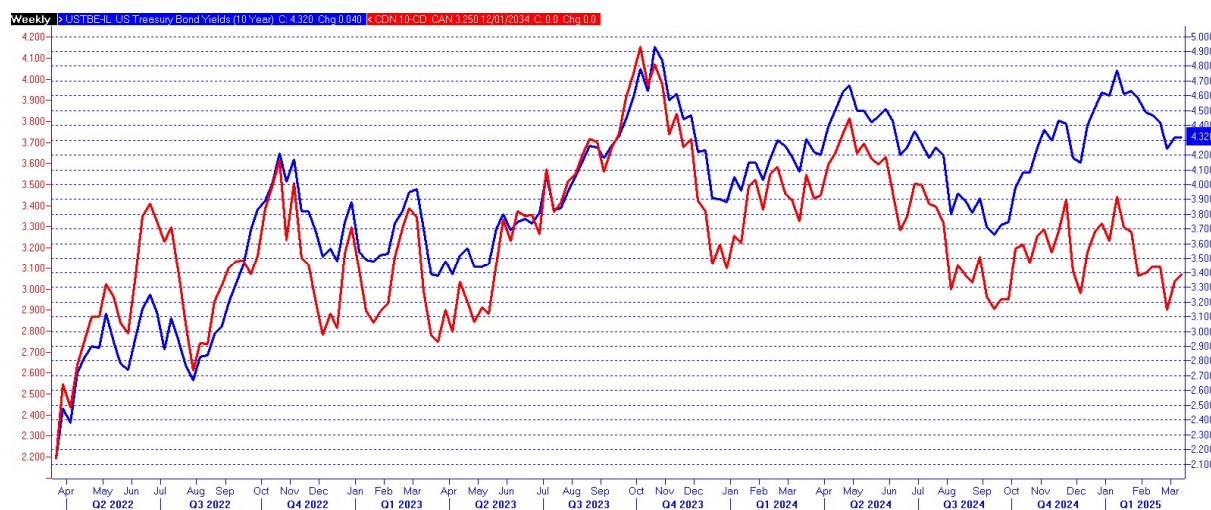


DISCLOSURE: We hold Walmart personally, for family members and for client accounts over which we have trading authority. We have traded in this security within the past 60 days. The above is for general interest information purposes only and is not a solicitation to purchase securities.

Is Canada about to be invaded? What does US Big Money think?

We've had calls with clients worrying US intentions may not be honorable. A '51st State' shotgun wedding has been threatened. Canada represents less than 4.7% of the global bond market. If Canada was about to be invaded, our Federal Government debt would be plunging in price sending Canadian bond yields skyrocketing. The Canadian bond market is pricing in a slowing Canadian economy vs. the US, not a hostile marriage.

US Fed 10-yr yield (blue 4.32%) vs Canada 10 yr-yield (red 3.07%) 3 years.



Source: Refinitiv, NBF, Hilberry Mar 13, 2025

What are we doing with all the crazy?

We are convinced we don't know what Trump will do next. The chaos has us reluctantly reducing risk. We might miss out on some sharp rebounds. So far, our mix of higher-than-average cash, investment grade bonds and high-quality stocks has reduced our participation in the -10% peak-to-trough decline hit on Thursday. Anxiety is high with the economic signals mixed.

'Monthly Economic Monitor – US' National Bank March 2025

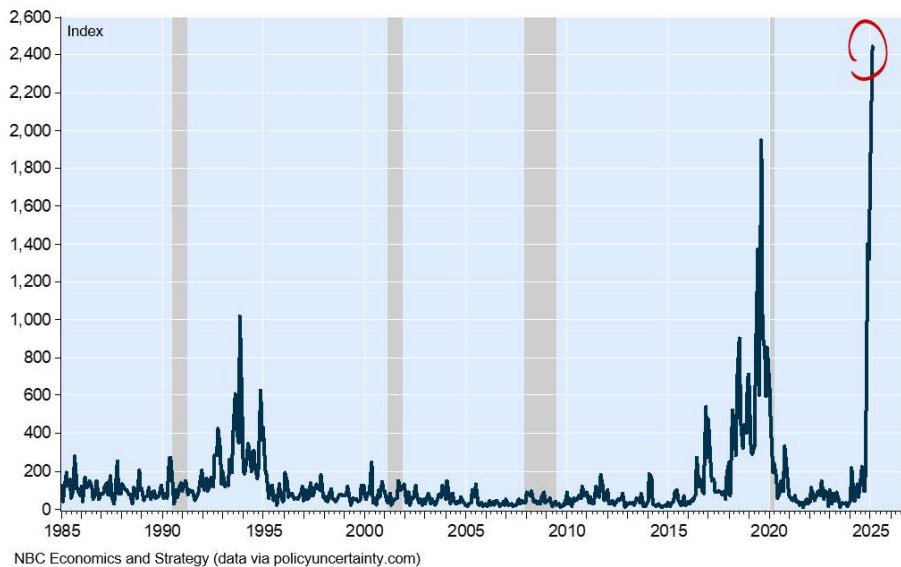
The intensification of the trade war comes at a delicate moment

<https://nbf.bluematrix.com/links2/pdf/f6cdb11d-3686-4960-9244-cea01c3497fa>



World: Uncertainty has surged since the beginning of the year

Global Trade Policy Uncertainty Index



Source: NBC Economics and Strategy

Warren Buffet advised to *'Be greedy when others are fearful and fearful when others are greedy'* This is typically a great time to buy. Ultimately that's what we'll do. Not just yet.

Have a Great Weekend

Steve & Anna Hilberry



Steve Hilberry
Wealth Management Advisor, CIM

Anna Hilberry
Wealth Management Advisor, CIM

FOR THE RECORD Marh 13, 2025 close

DOW INDUSTRIALS:	40,813
S&P 500:	5,521
S&P/TSX COMP:	24,203
WTI:	\$66.84
LOONIE IN \$USD:	\$0.6927 \$US



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Sent by
 Montreal Office
 National Bank Financial
 Wealth Management
 800 Saint-Jacques Street
 Office 79721
 Montreal, QC H3C 1A3
 Ph: 514-879-2222

Toronto Office
 National Bank Financial
 Wealth Management
 130 King Street West
 Suite 3200
 Toronto, ON M5X 1J9
 Ph: 416-869-3707

