

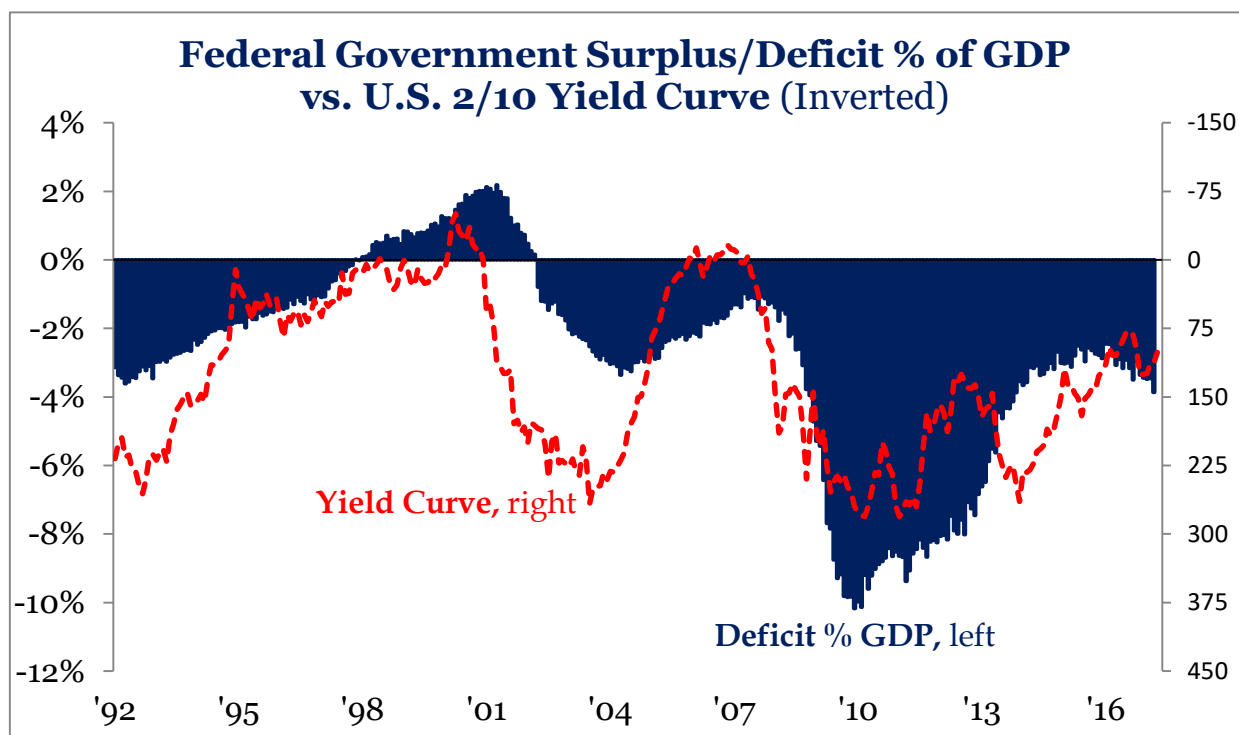


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WHO'S AFRAID OF THE BLS? THE COMING BUDGET BATTLE & PRIVATIZATION

In what must be considered, in fairness, a series of rather shaky performances from the Administration in front of the White House Press Corps, the Administration has, it seems, developed a break out star in the form of Mick Mulvaney, former congressman and current director of the Office of Management and Budget (OMB). Regardless of what side of the political aisle one might find oneself, it would be difficult to deny that Mr. Mulvaney has emerged as an extraordinarily articulate, poised, and passionate advocate of the idea that the government's budget should take into account the feelings, needs, and desires of those paying taxes. The fact that such considerations are viewed as controversial is yet another example of the alternative universe that Washington, D.C. has become.

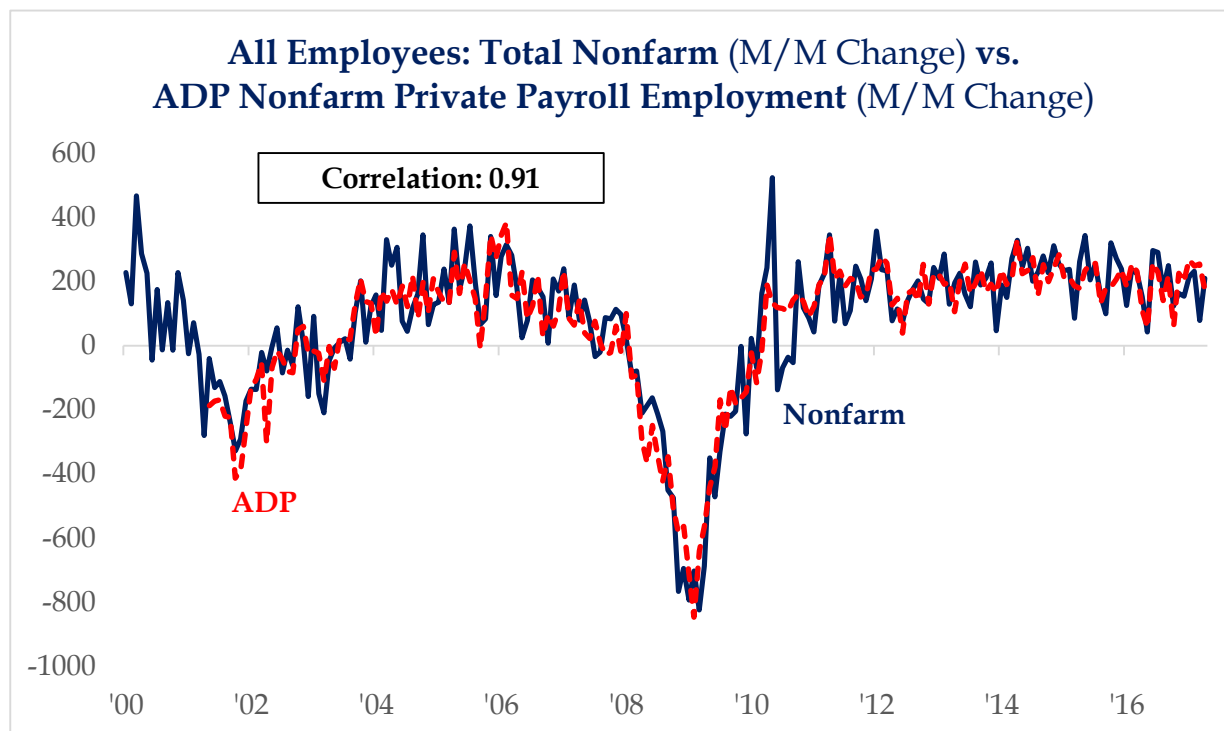
Ever since Mr. Mulvaney first stood behind the podium to foreshadow the Administration's budget priorities, the "deep state" and the fourth estate alike have alternatively taken turns hyperventilating about the potential *costs* of the federal government actually attempting to spend money within *our* means as taxpayers. No one feels good or comfortable about cutting funding of a program like Meals on Wheels, regardless of its efficacy or the depths of the country's profligacy. Still, the debate became absolutely wet-your-pants funny, at least for me, when the former commissioner of the Bureau of Labor Statistics took to the op-ed pages of *The Wall Street Journal* to decry a potential budget cut to a bureau that currently has 2,500 employees and an operating budget of \$640 million. In what should culminate with her receiving the tone-deaf bureaucrat of the year award, the commissioner called on CEOs to stand up for the agency and information it provides "before it's too late." As the CEO of a small company that provides its own economic data, I view "too late" as going out of business. What "too late" in the public sector means is unclear for an agency that quotes its signature data point in "non-farm" payroll terms. There is no doubt that this distinction was important when the Bureau was created in 1888 and nearly 50% of the labor force worked in agriculture. It seems a little outdated for an outfit spending several hundred million bucks of other people's money today.



Way back in the dark ages when I was a strategist in training, I helped build and run the company survey effort for ISI, Ed Hyman’s brainchild. Every week we would *call* hundreds of companies and investors to determine whether revenues and pricing in a variety of industries was strengthening or weakening and to determine the sentiment of both bond and stock investors. Our “bureau” consisted of a dopey 28-year-old fresh out of business school (that would be me) and one earnest and professional young woman by the name of Charlene. Our “budget” for this effort consisted of two good salaries, phone charges, and hard work. We conducted fifteen industry surveys and two investor surveys each week. At the time, even I understood the irony of a massive government agency like the BLS occasionally calling *us* for the results of our survey of temporary employment agencies. The product was enormously popular with institutional investors and greatly helped to inform the firm’s economic forecasts. Today, at Strategas, we rely on the efforts of our own supply chain expert Norbert Ore, former head of the Institute for Supply Management, to produce Strategas’ Leading Indicator of Manufacturing each month by surveying 60 large companies. We receive no government funding but the firm’s 58 employees do pay an inordinately large amount of their incomes in taxes.

I have nothing against the 2,500 hard-working souls who work at the Bureau of Labor Statistics who produce surveys, indices, and statistics on prices, employment, compensation, and productivity. Still, I can’t help but think about the fact that a private

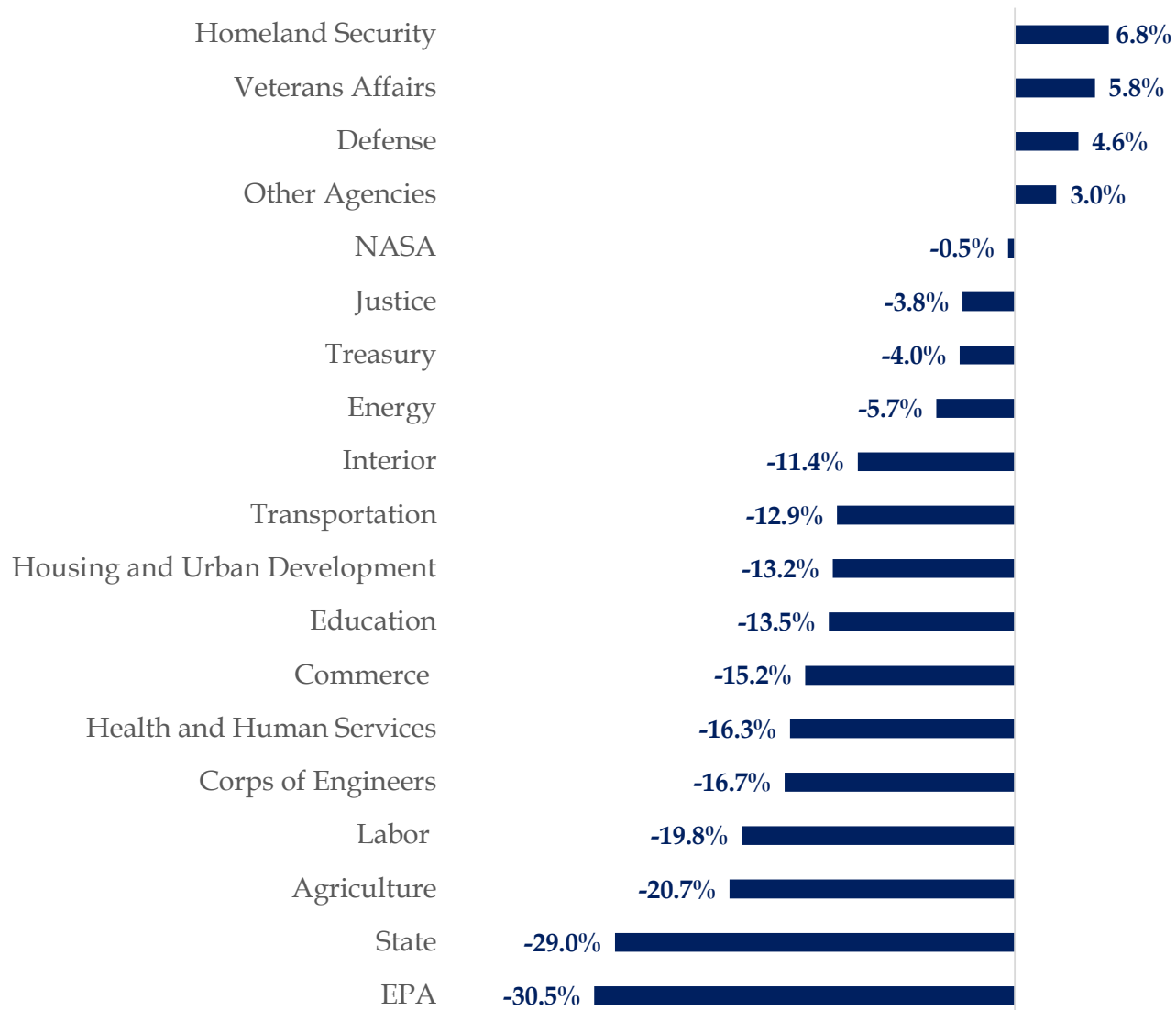
company, ADP, provides a window into the state of the labor markets every month *for free* and two days earlier, too. In case you're wondering, the correlation between the ADP and BLS data has been about 91% since it was introduced in 2001. Given the fact that two other private companies, Paychex and Intuit, now have their own employment surveys, it would be hard to claim that any CEO is really at a loss for data.



Inevitably, there will be a counterargument that such a small level of discretionary spending on a small agency like the BLS will make no difference in the context of the country's broader profligacy. While this is obviously true, every great journey starts with a single step. A country that finds itself with \$20 trillion in debt, even one possessing the world's only reserve currency, will eventually be forced to make some hard choices. If we can't make difficult decisions about extraneous parts of the federal government now, how on Earth will we be able to make them for truly essential parts of the budget later on? In this regard, Mr. Mulvaney's biggest and most immediate fight won't be with the American people at large but with the government machinery that has the greatest vested interest in maintaining unsustainable levels of spending. Privatization of many government functions would appear to be both wise and inevitable.

Jason DeSena Trennert

Percentage Change From Current Spending In Trump Budget Proposal by Department/Agency



REMEMBERING MEMORIAL DAY AS MORE THAN JUST THE START OF SUMMER

Starting several years ago, Strategas' "Poppy Project" has been wildly successful and a great source of pride to everyone within our firm. The practice of wearing poppies in the United States has been far less ubiquitous than it remains in Canada in the United Kingdom since Congress passed the Uniform Monday Holiday Act in 1968. Many veterans groups believe that changing the original date from the original May 30 to the last Monday in May has diminished its meaning among the American people. In a 2002 Memorial Day address, the VFW stated "Changing the date merely to create three-day weekends has undermined the very meaning of the day. No doubt, this has contributed a lot to the general public's nonchalant observance of Memorial Day." So don't forget! Wear your poppy proudly in remembrance of those who made the ultimate sacrifice for a grateful nation.

In Flanders Fields



by

John McCrae, May 1915

*In Flanders fields the poppies blow
Between the crosses, row on row,
That mark our place; and in the sky
The larks, still bravely singing, fly
Scarce heard amid the guns below.*

*We are the Dead. Short days ago
We lived, felt dawn, saw sunset glow,
Loved and were loved, and now we lie
In Flanders fields.*

*Take up our quarrel with the foe:
To you from failing hands we throw
The torch; be yours to hold it high.
If ye break faith with us who die
We shall not sleep, though poppies grow
In Flanders fields.*