

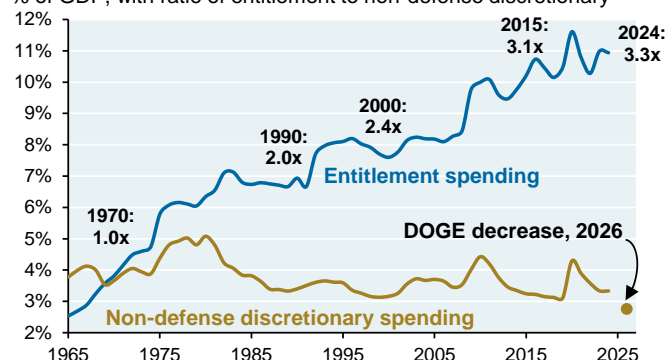
Dogespierre Has Left The Building: assessing DOGE's impact on US government spending; the Spanish Power outage; Trump Tracker update

During the French Revolution, Robespierre and the Committee for Public Safety indiscriminately guillotined political opponents, peasants, tradesmen and other citizens caught up in the mayhem. Robespierre's legacy is complex: his movement ended French feudalism and temporarily ended 800 years of French monarchy, and its mass conscription saved France from foreign invasion. But the Reign of Terror also left France destabilized, trapped in an endless cycle of political violence and eventually led to the rise and fall of Napoleon, the Bourbon Restoration of French kings and another 40 years of monarchy until the Third Republic was established in 1870.



What does the Federal government spend money on?

% of GDP, with ratio of entitlement to non-defense discretionary



Elon Musk (“Dogespierre”) and his DOGE team also brought down a proverbial guillotine with indiscriminate cuts to Federal employment, contracts, leases and grants. With Dogespierre reportedly stepping back to spend more time on his core businesses, we take an early look at DOGE’s impact on government spending. As things stand now, DOGE projects \$160 billion in savings: far below the \$2 trillion and \$1 trillion figures Dogespierre originally stated, and roughly the same figure I estimated in our Top Ten Surprises List for 2025 (projection #6, \$150 billion of DOGE savings). As shown above on the right, DOGE cuts move the needle but not very much.

Fiscal tightening has broad support by some analysts and economists given the pending “fiscal day of reckoning” in the early 2030’s¹. But while DOGE has drawn attention to some wasteful spending, it has overpromised and underdelivered on verifiable cuts; substantial deficit reduction by unilateral executive decree was never a realistic outcome since Congress controls spending. Furthermore, given DOGE’s indiscriminate approach, it may take years to fully assess negative effects from broad cuts to departments focused on public health, aviation, energy, cybersecurity, taxation and education.

In this piece we dig into DOGE published savings, the likely overestimation of these figures, negative fiscal feedback loops from firing IRS workers, conflicts of interest regarding Dogespierre and DOGE activities, and possible adverse consequences of DOGE spending cuts.

We start with a brief update of current US conditions from our Trump Tracker. After the DOGE section, we conclude with comments on the Spanish power outage and questions of grid inertia.

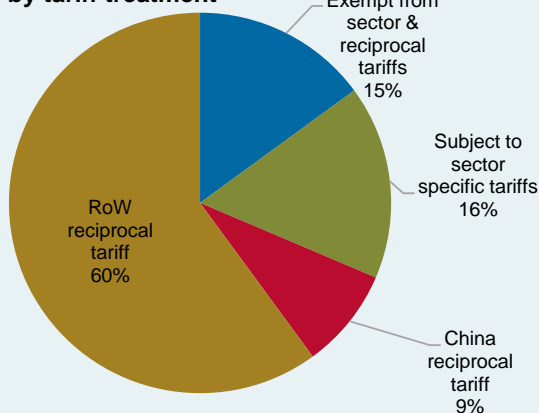
Michael Cembalest
JP Morgan Asset Management

¹ The fiscal day of reckoning occurs when entitlements plus interest on the Federal debt are projected to reach the level of Federal tax revenues. According to CBO data, this would occur in the early 2030’s. To see charts on the day of reckoning and other US fiscal issues, see our Federal debt monitor which you can find [here](#).

Trump Tracker update

At the top of the page we include a link to our Trump Tracker, which is a collection of high frequency charts on US conditions. Here's an update:

- Current economic data continue to hold up well (Dallas Fed Weekly Economic Index, Conference Board coincident indicators, LMI Logistics Managers Index)
- Personal spending gains are steady, fueled by real gains in disposable income and some demand pulled forward in advance of tariffs
- In contrast, many leading indicators are weakening: new orders less inventories (although April data was a bit better), CEO optimism and capital spending surveys, China->US shipping activity and freight rates, consumer surveys of sentiment/jobs/ income, share of credit card holders making minimum payments
- Price/wage inflation is mostly benign, although the following have risen recently: prices paid component of ISM manufacturing survey, Q1 PCE inflation, owners equivalent rent and processed materials PPI
- So far this year, pre-tariff US import prices are mostly unchanged, even for categories subject to 25% tariffs. As a result, US importers and consumers are effectively paying for tariffs, not exporters to the US. On a related note, the White House announced that if Amazon were to explicitly disclose the impact of the China tariff alongside imported goods on its website, it would be considered a "hostile and political act"
- Tariff collections as a share of GDP may reach the highest levels since the Civil War. Our latest tariff estimates incorporate substitution assumptions regarding the 125% reciprocal tariff on China, as well as the inclusion of projected Section 232 tariffs on semiconductors, pharma, lumber and copper. As shown below, the end-game negotiated reciprocal tariff on China might not move the needle that much, since according to our assumptions it would only apply to 9% of US imports
- Market-based US recession indicators range from 20%-60%
- Consensus S&P 500 profit growth expectations for 2025 have declined from 14% to 8%, but on the positive side, Microsoft Azure guidance suggests that AI demand continues to accelerate with reasoning models ramping up. Microsoft Azure revenues were up 35% in Q1 vs 32% guidance
- US Border Patrol southwest border encounters have declined close to zero after peaking at 250,000 people in December 2023. In retrospect, most things the Biden administration said about the ability to control border flows turned out to be false. Biden in April 2024: "When the border has over 5,000 people a day trying to cross the border because you can't manage it, slow it up. There's no guarantee that I have that power all by myself without legislation". This statement followed Biden's open invitation to asylum seekers in 2019: "I would in fact make sure that there is, that we immediately surge to the border all those people are seeking asylum. They deserve to be heard. That's who we are. We're a nation that says, if you want to flee and you're fleeing oppression, you should come."

US imports by tariff treatment

Source: USITC, White House, JPMAM, April 30, 2025

US Border Patrol southwest land border encounters

Monthly encounters

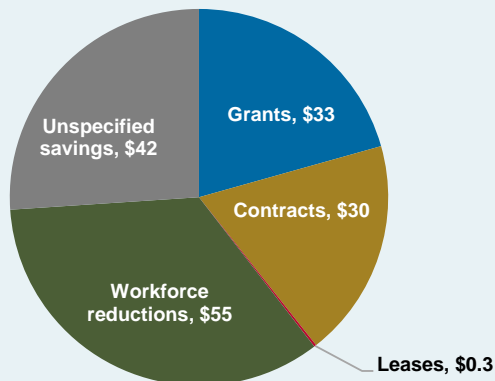


Source: CBP, DHS, JPMAM, March 2025

Doges pierre has left the building: a first look at DOGE's impact on government spending

As of April 20, DOGE cited total savings of \$160 billion with itemized grant savings of \$33 billion, contract savings of \$30 billion and real estate savings of \$311 million. Total itemized savings are well below total savings; we suspect that a large part of the gap is made up of workforce reductions which are included in DOGE's total savings figure but which it does not itemize.

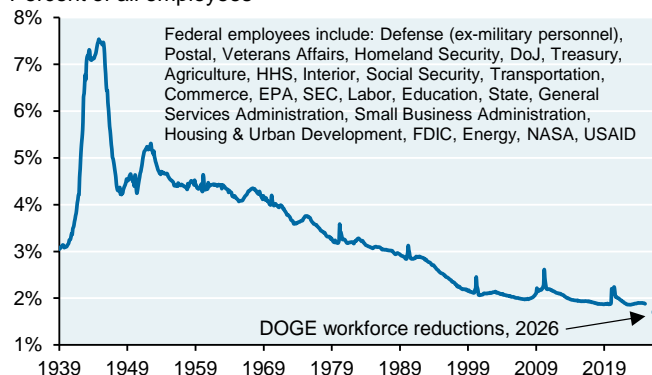
Breakdown of \$160 billion estimated DOGE savings, 2026
US\$, billions



Source: DOGE, workforce reduction estimates from JPMAM, April 20, 2025

Federal employees as share of all employees

Percent of all employees



Source: FRED, JPMAM, March 2025

Reductions in Federal employment

- As of early April, DOGE actions led to the firing of 216,670 Federal workers according to estimates from Challenger, Gray & Christmas. In its report, Challenger shows March 2025 firings as the third highest month on record since 1989, exceeded only by COVID-induced firings in 2020. These figures do not include 75,000 people that accepted buyout offers. If we assume \$175k as total employment cost per worker (using Office of Personnel Management data), 300k in workforce reductions would save \$50-\$55 billion per year; we use this estimate in the pie chart (green slice)
- DOGE termination and rehiring of nuclear plant inspectors and aviation safety employees are indicators of an indiscriminate approach to terminating Federal workers. There may be other critical services and functions adversely affected by DOGE in some way that we are not aware of yet
- From Russell Vought, Trump's Office of Management and Budget Director in a 2023 speech: "We want the bureaucrats to be traumatically affected. When they wake up in the morning, we want them to not want to go to work, because they are increasingly viewed as the villains. We want to put them in trauma"²

Termination of Federal grants and contracts

- By requiring manual review and approval of previously routine payments, grant awards have reportedly slowed substantially. Some reports indicate that only Trump appointees can approve disbursements even if a career official has approved it; and that DOGE engineers deleted many federal officials' permissions to post grant opportunities, leaving that responsibility solely with the DOGE team
- DOGE has cancelled ~500,000 government credit cards and placed a \$1 limit on others; and placed restrictions on government agencies from communicating with outside vendors. In other words, even for contracts and grants that remain, it will be harder for government employees to carry out basic tasks

Zero-sum game reallocation of Congressionally appropriated spending

According to the Impoundment Control Act of 1974, there are limits on a President's ability to decline to spend funds that Congress appropriates for a specific purpose. Trump spokespeople argue the Act is unconstitutional and the Administration may challenge it in court. Assuming the Act is upheld, the Administration might end up reallocating certain spending cuts to new contracts within the same agency or to some other agency. If that's the case, DOGE's estimates of savings would be overstated.

² If Edgar Allen Poe were alive today, he might write a short story in which Vought's daily existence is gradually impacted by real-world consequences of DOGE spending cuts until it becomes unbearable

Likely overestimation of DOGE spending cuts

DOGE reports of spending cuts are reportedly inflated by large errors and by the inclusion of savings from assumed termination of contracts that have not been agreed to yet. A DOGE tracker run by researcher Judd Legum found that of \$61 billion of itemized savings, only \$12 billion was verified as cancelled funding; and also found other examples of overestimation³. Many DOGE skeptics come from the conservative side of the aisle:

- The libertarian Cato Institute, which never met a spending cut it didn't like, said DOGE is "just spinning their wheels, citing in many cases overstated or fake savings. What's most frustrating is that we agree with their goals. But we're watching them flail at achieving them"
- The right-of-center American Enterprise Institute questions the DOGE approach of assuming that uncertain events are certain and then claiming maximum possible savings. In one instance, DOGE estimated savings to the penny on contract for HR services that hadn't even been accepted and negotiated yet; a George Washington University professor who studies Federal contracting described the approach as "garbage"
- From the fiscally conservative Manhattan Institute: "DOGE is not a serious exercise", with its analysts estimating that DOGE has only saved \$5 billion to date, and that it will end up costing more than it saves
- Harry Kraemer, an executive partner with Madison Dearborn Partners and a professor at Northwestern University's Kellogg School, believes that DOGE-related savings could be overstated by up to 80%

Negative feedback loop effects: the impact of IRS firings on Federal tax collections

Planned IRS staffing cuts of ~20k employees (a quarter of its workforce) are expected to erode voluntary compliance and reduce tax dollars recovered due to fewer audits. These workforce reductions are on top of 4k IRS employees that accepted deferred resignation offers earlier this year and 7k probationary IRS employees laid off in February. Yale's Budget Lab estimates that a reduction of ~22k employees would save \$2 bn in salary costs each year but would result in \$22 bn less in tax collections, for a net annual revenue loss of ~\$20 bn (\$200 bn over ten years). Another angle: ~70% of the IRS positions cut so far have been in enforcement, and the CBO estimates that for every \$1 cut to enforcement the Treasury loses \$5-\$9 in revenue from uncollected taxes.

Possible conflicts of interest: DOGE, Dogespierre and agency funding cuts

Several news outlets cite potential conflicts of interest regarding DOGE spending cuts applied to the EPA, the Office of Vehicle Automation Safety (which has ordered dozens of Tesla recalls and delayed rollout of self-driving software) and other agencies that regulate Dogespierre's businesses.

- The EPA has cited Tesla for mishandling hazardous waste (including 112 violations Tesla received between 2019 and 2024 at its Fremont facility), and has cited SpaceX for polluting wetlands. Trump and EPA administrator Lee Zeldin have proposed reducing the EPA's budget by 65%
- Starlink is competing to replace Verizon on a \$2.4 billion contract with the FAA to upgrade its systems for managing US airspace. DOGE staffers have directed FAA funds to a new initiative called "Project Lift" whose employees have been made to sign non-disclosure agreements for reasons which remain unexplained
- Cuts to the National Highway Traffic Safety Administration have disproportionately targeted the division which oversees risks related to autonomous vehicles, one of Tesla's key business initiatives
- USAID had launched an investigation into its relationship with Starlink before it was effectively dismantled
- Other government agencies that were actively investigating Dogespierre according to a House Judiciary Committee press release: the CFPB, DOL, USDA, FEC, DOI, DOD and SEC
- In early February, Trump fired the Director of the Office of Government Ethics, the department that would oversee potential conflicts of interest

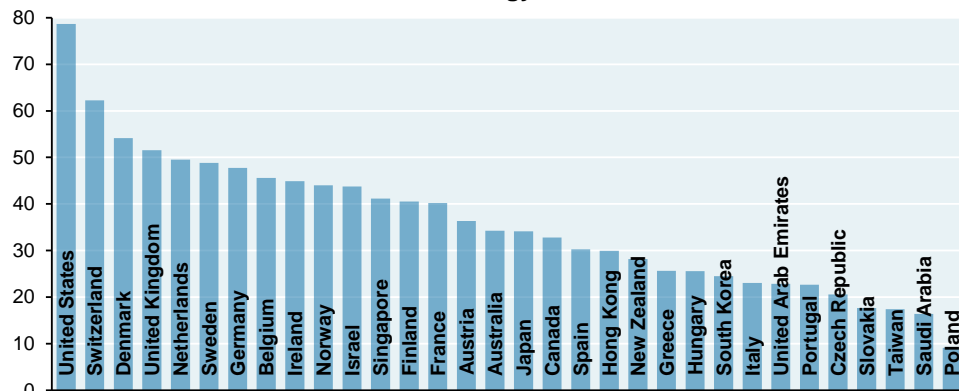
³ Legum claims that DOGE bases its saving estimates on the *Potential Award Amount*, the value of a contract if all options, renewals, extensions and expansions are exercised, rather than the *Current Award Amount* which represents actual planned expenditures. In other words: according to Legum, DOGE attributes savings to funds the government may never have disbursed in the first place

There's no such thing as a spending cut that does not have any negative impacts at all; that's why they're hard to legislate. Yet they do happen: historical initiatives to curtail government spending include the Tax Equity and Fiscal Responsibility Act of 1982, the Gramm-Rudman Hollings Act of 1985, the Budget Enforcement Act of 1990 and the Budget Control Act of 2011. Each had some negative impacts but were adopted given the overriding importance of manageable debt levels. That said, each Administration has its own priorities when cutting spending, and the DOGE cuts below are important to understand in that context.

Impact of DOGE cuts on scientific research

DOGE has ordered a 35% cut to NIH funding, and Trump's 2026 budget proposal will reportedly seek a 40% cut to the NIH budget and a 44% cut to the CDC budget. The big question: what impact might such cuts have on the ability of the US to sustain its leadership position with respect to healthcare innovation?

Healthcare innovation: science & technology score



Source: FREOPP World Index of Healthcare Innovation, 2024

Some history on the NIH: it has employed or funded research of 174 Nobel Laureates and 214 winners of US Lasker Awards for contributions to medicine and biomedical research. Millions of people with rheumatoid arthritis, lupus, Crohn's disease, psoriasis and multiple sclerosis have better treatment options due to NIH work on TNF/JAK inhibitors and B-cell therapies; survival rates for melanomas and other cancers rose sharply after NIH-funded research on immune checkpoint inhibitors; the NIH funded research on proglucagon, the protein precursor of GLP-1s which offer promise of a healthier life to roughly half the US adult population which is either obese or suffering from diabetes; the NIH funded several mRNA vaccine research grants; and the 50 million Americans suffering from chronic pain may one day benefit from recent NIH funded work on Piezo channels.

More DOGE cuts: programs related to seniors, mental health, paralysis, rural communities, public health emergencies, critical infrastructure and firefighter accident prevention

- The Trump administration reportedly plans to eliminate dozens of programs including protective services for vulnerable seniors, chronic disease self-management education, resource centers for people who have been paralyzed or lost a limb and one that tries to help older people prevent falls. These programs fall under the Administration for Community Living, a component of HHS scheduled for elimination that aims to help older adults and people with disabilities remain in their homes and communities
- Other programs scheduled to be eliminated: Substance Abuse and Mental Health Services Administration which operates the 988 Suicide/Crisis Lifeline; Health Resources and Services Administration, responsible for ensuring access to health care for isolated rural families; the Administration for Strategic Preparedness and Response which responds to and prepares for public health emergencies; and several DHS-affiliated national security centers focused on flooding/hurricane risks to critical infrastructure
- When a firefighter dies in the line of duty, federal health workers assess what went wrong to avoid similar accidents in the future. At least two-thirds of the employees at the National Institute for Occupational Safety and Health were notified they will be fired, including almost all members of the Firefighter Fatality Investigation and Prevention Program. Some may be rehired temporarily but only through June

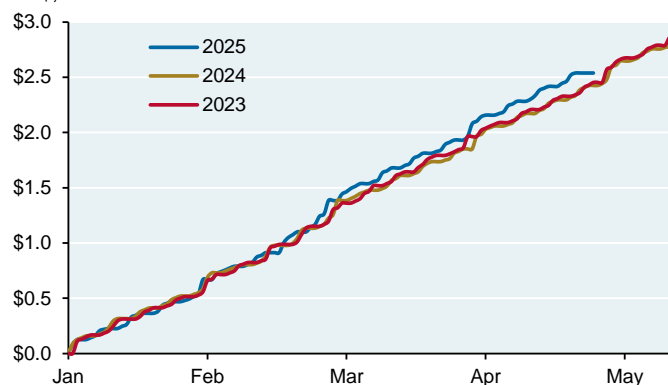
Limited DOGE impact so far on government spending, but that's not a great barometer

A chart on cash withdrawals from the Treasury General Account shows that 2025 is not that different from 2023 or 2024, but **this is not a fair barometer for assessing DOGE efforts for two reasons**. First, 2025 includes payouts on deferred resignations through September, other severance payments and partial year workforce payments. In other words, 2026 will be a better year to measure the normalized impact of DOGE cost reductions. Second, if DOGE spending cuts were large and offset by spending increases elsewhere, that would be no fault of the DOGE team.

That said, DOGE cuts of \$160 billion to non-defense discretionary spending would be just 0.5% of GDP and 2.3% of projected 2026 government spending, even if we take DOGE savings estimates at face value (which we probably shouldn't). If our projections are correct, Trump's Reconciliation Bill will increase the fiscal deficit relative to the CBO baseline rather than reduce it, and may swamp whatever DOGE savings turn out to be.

Cash withdrawals from the Treasury General Account

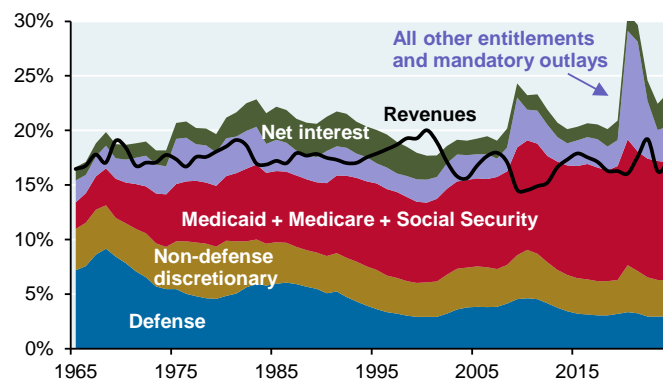
US\$, trillions



Source: Treasury General Account, JPMAM, April 25, 2025

Breakdown of US Federal spending vs revenues

% of GDP



Source: CBO, JPMAM, 2025

Other DOGE information: the “five accomplishments” email, Tesla waivers, background checks and “Big B*lls”

Remember the “what were your five accomplishments last week” mandate from DOGE to Federal employees? Some agencies have stopped requiring the messages, while others require the emails but don't check for compliance or track/analyze any of the responses. Some federal workers who still comply either send lightly modified versions of the boilerplate each week, or submit nonsense replies in a foreign language.

Some New York lawmakers have moved to revoke a legislative waiver that let Tesla directly operate five New York dealerships with a plan to redistribute them to Rivian, Lucid and other EV companies. Dogespierre responded to the plan with a now deleted tweet saying that “it is improper for lawmakers to target a single person or company”. There are so many things one could say here; no wonder he deleted it.

I don't have room to go through the details, but if you're into multi-encrypted cross-border networks, DDOS cyberattacks and the kind of people that actually received DOGE security clearances, read this [Wired](#) article.

What happens next? The ~100 DOGE employees that are expected to remain in place have taken control of the Office of Personnel Management, which manages the Federal workforce. The January 2025 executive order that established DOGE stipulated that government agencies shall host a DOGE team consisting of a team leader, an engineer, a human-resources specialist and a lawyer until DOGE's scheduled expiration in July 2026.

What's next for Dogespierre? I'm not going to comment on Tesla earnings and sales declines since there's plenty of people already doing that. I will say that xAI Grok 3 is an impressive piece of work: it reportedly outperformed Gemini-2 Pro, Claude 3.5 Sonnet, ChatGPT o3 mini and Deep Seek R1 on blind tests related to ELO scores, reasoning, code generation and test-time computing. However, it still lags the ChatGPT's base o3 model on certain math and science tasks. Grok 3 DeepSearch 1,000-2,000 word answers are also no match for Open AI's Deep Research mode which thinks for 30 minutes and generates 75,000 word responses. That said, Grok 3 overall capabilities stand up well against Claude, ChatGPT, Gemini and DeepSeek. Like Dogespierre himself, Grok 3 also has an “Unhinged Mode”, available to Premium users only.

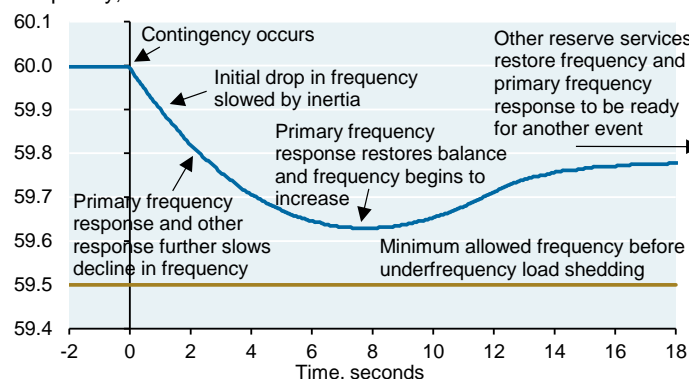
The already-being-weaponized issue of the Spanish power outage

Spanish grid operator Red Eléctrica clarified that: (a) the outage was probably not the result of a cyberattack or atmospheric disturbance, and (b) at one point, Iberian Peninsula electricity generation actually fell to zero. Some grid watchers have mentioned loss of “grid inertia” as a suspect given Spain’s high reliance on solar power.

To understand what this is all about, let’s review the way grids relying on synchronous generators normally function. Electricity grids operate within a very tight frequency range around 60 hertz, often just ± 0.3 hertz in either direction (± 0.1 hertz in larger grids). If some event results in a loss of generation, the kinetic inertia in fossil fuel, nuclear and hydroelectric rotating generators is automatically substituted for a few seconds; this occurs organically since changes in large rotating machines can’t happen instantaneously. Inertia provided by the rotating machine mass is transmitted through the electromagnetic coupling to the interconnected grid. This slows the decline in system frequency until an automatic Primary Frequency Response is triggered which typically involves increased output from online generation sources. If this response does not occur in time and system frequency falls below a certain threshold, automatic load shedding would take place instead. In an extreme case, computers governing the grid could trigger an uncontrolled sequence of generator shutdowns. The chart on the left is an example from NREL of how grid inertia works after a power contingency event.

Recovery from a power system contingency event

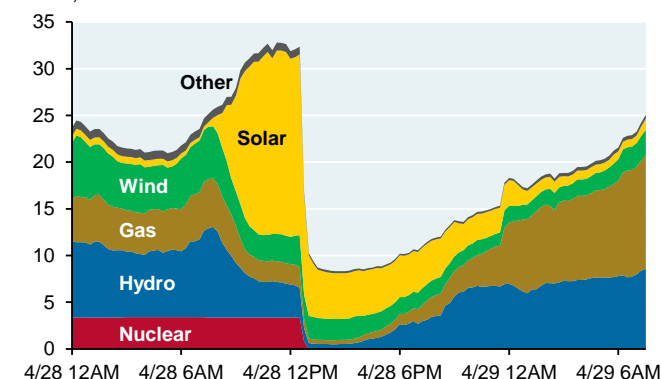
Frequency, hertz



Source: "Inertia and the power grid", Denholm et al, NREL, May 2020

Spain electricity generation by source, 15 min increments

Power, GW



Source: Fraunhofer Institute, JPMAM, April 29, 2025

In contrast, wind and solar power don’t offer inertia from rotating generators. **But this feature of inverter-based renewable power has been known since its inception, and grid operators plan for this.** In US Western and Eastern Interconnections, there’s enough inertia from existing synchronous generators so that addition of more renewables does not create substantial frequency management problems.

The issue is more pronounced in ERCOT, which ranks #1 in US wind and #2 in US solar and battery installations. ERCOT does at times curtail renewables due to stability issues arising from too many grid-following inverters that deliver no inertia. But ERCOT also relies on “fast frequency response” to manage frequency disruptions. This is jargon for something simple: automatic forced load-shedding for 5-10 minutes with no advance warning, applied to industrial customers with non-critical demand (shutting off power to large refrigerated warehouses). ERCOT pays customers for participating in the program, which is oversubscribed. In other words, grids with high levels of renewables currently manage frequency disruptions through curtailment and load-shedding.

Inverter-based resources like solar, wind and batteries can also provide fast frequency response but their controllers need to be programmed to do so and grid codes need to require it. Such “grid-forming inverter” projects are under construction or in operation in Australia, Asia, Europe, North America and the Middle East.

Given Spain’s high reliance on wind and solar power (42% of generation in 2024), it’s reasonable to assume that like ERCOT, inertia replacement approaches have been planned and implemented. While it’s possible that Spain’s inertia replacement mechanisms did not function properly (i.e., frequency fell to the point of triggering a cascading collapse in generation), there’s not enough information to identify this as the most likely suspect at this point. Other factors potentially at work: failure of protective circuit breakers which take generation capacity offline when there are transmission line or generation failures, and other equipment failures that are not specific to any one type of generation.

Whatever the cause of the outage, most likely solutions in a country like Spain will be increased investment in grid stability equipment, including more storage (UK has 18 GW of solar and 6 GW of battery, while Spain has 32 GW of solar and less than 1 GW of battery) and **interconnection** (Spain's ratio of import capacity to peak demand is 15% compared to France 23%, Germany 31%, Sweden 32%, Netherlands 33%, Norway 28% and Switzerland 63% according to the EU ACER). Solutions may also include grid forming inverters that can be installed on batteries, solar and wind plants as well as synchronous condensers. If your preferred solution is gas turbines, be aware that their costs have risen from \$1,200 per kW in 2023 to \$2,600 - \$2,800 per kW according to NextEra's latest earnings call, with GE Vernova and Siemens citing multiyear backlogs for new equipment.

The best thing I have read on the subject comes from David Spence, Professor of Energy Law at UT Austin: "It sucks that we can't all just learn something from the Iberian blackout. It sucks that every element of it will be weaponized in a fight over the energy transition. There was a time when we all would have taken this event to learn lessons about how improve the way we manage the grid. But no longer...One side is poised to deny that the lack of rotational resources had anything to do with the outage, and the other side is poised to claim that this demonstrates that a high renewables grid is inherently unstable. I don't know what we will learn from this but it sucks that it has to be processed through the prism of partisan or ideological war".

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