

Elon Musk Government Cuts Only Harm His Competitors

Elon Musk's mass government cuts could make private companies millions

Defense and tech firms – including Musk's own – await potential contracts as Doge decimates US agencies

The world's richest man, [Elon Musk](#), has vowed to oversee a radical hollowing out of government agencies, asserting this week that some should be “deleted entirely” as he defunds public programs and lays off federal workers. While the immense cuts are framed as a means of removing waste, they may also become a boon to private companies – including Musk's own businesses – that the government increasingly relies on for many of its key initiatives.

Musk and his allies in the “department of government efficiency” (Doge), the unofficial committee acting as the operations arm of his cost-cutting efforts, have targeted a range of major government departments. They have moved to close the United States Agency for International Development, slashed the Department of Education and taken over the General Services Administration that controls federal IT structures. Doge staffers have also gained access to the treasury department, as well as set their sights on the Department of Defense, energy department, Environmental Protection Agency and at least a dozen others.

While Doge begins to make deep cuts throughout the government, Musk and those acting on his behalf have called for [implementing new artificial intelligence systems](#) in federal agencies and [completely overhauling American weapons](#) programs. As humanitarian [aid groups reel](#) from Musk's cuts, tech and defense firms are seeing a chance to integrate themselves deeper into the new [Trump administration's](#) agenda.

Trump and Musk launch mass layoffs at several US federal agencies

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Musk's plans have already excited Silicon Valley mainstays such as Palantir, whose executives praised Doge on an earnings call last week and talked about how the disruption by the billionaire's strike squad was good for the company. Palantir already has won hundreds of millions of dollars in [US military contracts](#) in recent years for AI-related projects.

"I think Doge is going to bring meritocracy and transparency to government, and that's exactly what our commercial business is," Palantir's chief technology officer, Shyam Sankar, said on the call. Sankar claimed the cost cutting would target straggling software projects, which he called "sacred cows of the deep state".

"This is a revolution, some people are gonna get their heads cut off," Palantir's CEO, Alex Karp, added. "We're expecting to see unexpected things and to win."

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From left, Priscilla Chan, Mark Zuckerberg, Lauren Sanchez, Jeff Bezos, Sundar Pichai and Elon Musk attend Donald Trump's presidential inauguration in the US Capitol in Washington, on 20 January. Photograph: Chip Somodevilla/AP

Other CEOs and tech executives have similarly praised Musk and told investors that Doge's plans represent an opportunity for their companies. Brian Armstrong, CEO of the multibillion-dollar cryptocurrency exchange Coinbase, [lauded Doge](#) last week for its "great progress" and suggested putting government expenditures on blockchain technology. Defense contractors like Lockheed Martin and Northrop Grumman [spoke favorably of the effort](#) on recent earnings calls, while the Predator drone-maker General Atomics Aeronautical Systems [wrote a letter directly to Musk](#) last month asking him to speed up the way the Pentagon handles defense contracts.

As companies seek to benefit from Doge's reshaping of the government, Musk also has extensive contracts [worth billions of dollars](#) through his own companies like SpaceX that are potentially set to expand under the new administration.

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Musk's decimation of government agencies has [drawn comparisons to the frenzied cuts he made after acquiring Twitter](#) in 2022, but the long-term effect of Doge may more closely resemble how SpaceX enmeshed itself with Nasa to the point where it [now handles the majority](#) of the United States' space launches. Already, products like Musk's satellite communications provider Starlink have become so integral to government programs that the US now [relies on them](#) for everything from [use in foreign conflicts](#) to domestic disaster relief.

SpaceX won its first Nasa contract in 2006, [receiving \\$278m](#) to help with cargo flights to the International Space Station. The company's innovations in rocket technology allowed for cheaper spaceflights and more launches, undercutting older aerospace competitors. As Nasa increasingly outsourced its needs to private companies in the late 2000s, SpaceX continued to partner with the agency on about \$15bn worth of contracts in the years since. The Pentagon awarded the firm hundreds of millions of dollars in satellite contracts, expanding its influence and creating a crisis at the agency when Musk [refused to let Ukraine use Starlink](#) to launch an attack on Russia.

SpaceX now [controls over 60% of the world's active satellites](#), while last month Nasa [tapped the company](#) to rescue two of its stranded astronauts. What began as outsourcing supply runs turned into some of the United States' marquee agencies depending on Musk, even before he became a fixture of the Trump administration.

Removing checks on Musk's conflicts

Donald Trump has given Musk enormous power to reshape the government, including on Tuesday issuing an executive order that requires agencies to [coordinate with Doge](#) on staffing decisions and cuts.

Musk's influence in the White House also puts in peril the numerous [federal investigations against his companies](#) for a range of alleged wrongdoings that includes violating federal labor and securities laws. Trump has already [dissolved one watchdog agency](#) investigating Tesla. Government accountability groups have warned that Musk's

myriad of potential ethical conflicts and a lack of transparency around his actions in government carry the risk that he will use his power for political corruption.

“You don’t need to be any kind of ethics expert to appreciate the massive problem there is with a billionaire who helped fund the president’s campaign and has government contracts of his own being given the power to root around in agency systems that impact how and when government contractors are paid,” said Donald Sherman, executive director of the Citizens for Responsibility and Ethics in Washington (Crew), a watchdog organization.

Crew is one of several advocacy groups that [have filed lawsuits](#) alleging Doge is violating federal transparency laws. Unions have also sued, but a judge [allowed Musk and Trump’s](#) buyouts to continue.

[Elon Musk’s six major conflicts of interest with the federal government](#)

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Musk and Doge’s takeover of federal agencies has coincided with Trump removing many of the government officials that act as checks on ethical conflicts and malfeasance.

Shortly after taking office, Trump fired [18 inspectors general](#) at different agencies whose role was to act as guards against abuses from government officials.

“Trump got rid of the independent watchdogs who could investigate what Musk and his minions are doing at these agencies and then has let him run amok,” Sherman said.

Musk holds the role of “special government employee” which also allows him to sidestep the usual financial disclosures that would pertain to an official at his level of power, and [on Tuesday White House officials stated](#) that while Musk plans to make such a filing it will be confidential and not available to the public.

The [Trump administration](#) has repeatedly dismissed any concerns over ethical concerns with Musk’s role. Speaking with reporters last week, the White House press secretary, Karoline Leavitt, stated: “If Elon Musk comes across a conflict of interest with the contracts and the funding that Doge is overseeing, then Elon will excuse himself from those contracts.”

Procurement laws prevent government officials from self-dealing to their own businesses and awarding contracts that come with ethical conflicts. But these laws are nuanced and may only apply to the people with direct decision-making power over who gets those government contracts, Sherman of Crew said. This leaves open a gray area where Musk's sprawling influence could pressure government officials to greenlight contracts that benefit him or decide against those that reward his competitors. "That portion of the law is not designed for the level of capture of our government functions that President Trump has allowed Mr Musk to accomplish," Sherman said.