

# THE AMERICAN PROSPECT

---

MONEY, POLITICS, AND POWER

## Rule by Contractor

DOGE is not about waste and efficiency—it's about privatization.



BY BRETT HEINZ  
APRIL 3, 2025



Credit: ZACH D ROBERTS/AP PHOTO

*This article appears in the **April 2025** issue of The American Prospect magazine. **Subscribe here.***

Elon Musk spent more than \$290 million on last year's elections, most of which benefited the candidacy of President Donald Trump. The world's richest man was richly rewarded for his support: a position as presidential adviser and the de facto head of the newly created Department of Government Efficiency (DOGE).

DOGE has been marketed as an organization aimed at cutting wasteful spending and increasing government efficiency, but it has quickly become apparent that this is not its primary function. Instead, DOGE has spent the first weeks of Trump's second presidential term haphazardly dismantling the civil service, politically targeting spending that Musk and Trump dislike, centralizing decision-making power in the White House, and causing major disruptions to government operations that will decrease their overall efficiency. Still, one important aspect of this strategy has gone largely unexamined: the elevation of government contractors like Musk into government policymakers.

### *More from Brett Heinz*

Musk has acquired much of his tremendous wealth from the government he is now dismantling. Tesla Motors relied on significant support from the Department of Energy, which was criticized as government waste by Republican presidential candidate Mitt Romney. SpaceX continues to receive billions of dollars each year in contract awards from NASA and the Defense Department, representing one of the company's largest streams of income. Overall, Musk's business ventures have benefited from more than \$38 billion in government support, not including a new contract from the Federal Aviation Administration to upgrade its information technology systems.

To hear Musk describe it, he is part of the solution, not the problem. He has argued that "there's a vast federal bureaucracy that is implacably opposed to the ... president and the Cabinet," and thus that there is a need for a "thrashing of the bureaucracy as we try to restore democracy and the will of the people." In this understanding, Musk is not a money-motivated billionaire riddled with conflicts of interest, but rather a selfless entrepreneur bringing private-sector efficiency to a sclerotic, wasteful government and "the Parasite Class" that depends on it.

This view of government efficiency is impressively backwards. The civil service that Musk is attacking consists of millions of regular workers doing their best to transform the complexities of government into positive outcomes for the American people. The only parasitic class benefiting from government inefficiency consists of for-profit government contractors like Musk, who grow rich off of taxpayer dollars by providing overpriced

services to compensate for a lack of state capacity, all while using their billions to rig the system in their favor. Allowing contractors like him to decide how the government spends money is both an affront to democracy and an open invitation to further corruption.

### **Private-Sector Bureaucracy**

Most Americans are unaware of just how much their government has already been privatized. It was estimated in 2017 that more than 40 percent of the people working for the government are not actually government employees. They're contractors from private-sector companies, hired to take over a particular public-sector task. In some areas of government, contractors run rampant: There were 1.5 contractors for every U.S. soldier in Iraq and Afghanistan in 2019.

Although the federal government has been asked to take on more responsibilities over time, the size of its workforce has remained shockingly flat. Federal employment was 4.3 percent of the overall workforce in 1960 and is down to just 1.9 percent today. Even in raw numbers, there were fewer federal employees in 2015 than in 1984. As a general rule, government agencies are understaffed, not bloated.

The gap between our workforce and the increasing demands placed upon it has been filled by a fast-growing industry of government contractors. Between 2013 and 2023, total spending on federal contract awards rose by nearly 65 percent.

Although DOGE's disruption has unnerved many government contractors about the status of their existing contracts, some view the project with excitement. "We recognize that in the short term there could be some disruption to the market, but in the long term we are really well aligned," said Booz Allen Hamilton CEO Horacio Rozanski. David Berteau, president of a trade association that represents contractors, sees DOGE as "a tremendous opportunity." Jennifer Taylor, CEO of the Northern Virginia Technology Council, said that "if we see a trend toward private-sector expansion similar to the Reagan era, our tech ecosystem will be ready to respond."

If we truly wanted a more efficient government, it would mean reducing the number of contractors.

One important reason for the trend toward privatization is the long-standing, bipartisan belief in Washington that private-sector contractors are inherently more efficient than

government employees. The Reagan administration **embraced** contracting with open arms, despite early warning signs, and eventually initiated a formal **commission on privatization**. This was followed up by the “National Partnership for Reinventing Government,” through which President Bill Clinton **promised** that he would “make our Government work better” with the help of the business world. This private-sector fetish remains strong within the Trump administration, which has **encouraged** government workers “to move from lower productivity jobs in the public sector to higher productivity jobs in the private sector.”

Despite how widespread this perception of contractor efficiency is among policymakers, there has never been much strong evidence for it. In 1994, a Defense Department inspector general report **noted** that “Federal agencies often contract for services at a cost that is 25 percent to 40 percent greater than if Federal employees had been used to perform the services.” A 2011 report by the watchdog group Project on Government Oversight **found** that private contractors are often greatly overpaid in comparison to government workers. And in the situations where waste and abuse is identified in government programs, for-profit contractors are **often the culprits**.

The truth is that federal bureaucrats are frequently engaged in energetic efforts to make government work better, while for-profit contractors seek to maximize profits by selling the government the lowest-quality goods and services possible at the highest prices possible. Their relentless short-termism and monopsonistic customer base often result in poor product quality, as best displayed by the recent failures of **Boeing**.

Their inefficiency is only one of many reasons to be skeptical of contractors. Because they are not government agencies, contractors are **exempt** from transparency requirements like the Freedom of Information Act. They also violate the law with shocking regularity: Contracting giant RTX (formerly known as Raytheon) averages more than five **legal penalties** a year due to its crimes, ranging from fraud and corruption to **illegal arms exports**.

### **King Contractor**

Perhaps the greatest danger posed by government contractors is their threat to democracy. Last year, the **top ten** government contractors in the U.S. **spent** \$70.7 million on lobbying the government that funds them. They also spent \$8.5 million on political contributions to federal candidates last cycle, circumventing the **ban** on contractor donations through phony “**employee PACs**.” Altogether, the ten largest contractors alone spent nearly \$148,000 *per member of Congress* trying to convince the government to buy more of their products.

The reason we have a ban on contractor participation in election campaigns in the first place is simple: Because contractors *benefit* from public policy, it would be an obvious conflict of interest to allow them to *influence* public policy. When given the power to shape the government, these companies naturally seek to expand their profits and their power, subsuming all other concerns to enriching their shareholders.

This is not just a theoretical concern. Last year, I co-authored [a report](#) with the Quincy Institute's Ben Freeman examining messages that contractors sent to military policymakers through a unique Pentagon program called the Secretary of Defense Executive Fellowship (SDEF), in which military officers spend nearly a year at a major corporation (often a government contractor) and then make policy recommendations based on their experiences. Unsurprisingly, we found that contractors used this program to push their agendas on senior military officials, calling for more subsidies, reduced transparency, deregulation of their industries, and more Pentagon privatization.

Fellows at international arms companies called for looser arms export rules. A fellow at McKinsey encouraged the Pentagon to use consultants more often. And a fellow at Elon Musk's SpaceX argued that the government "could save upwards of a billion dollars a year in launch costs" if they gave more contracts to ... SpaceX.

Government contractors used the SDEF program not just to advocate for more outsourcing, but also to **advocate** for placing more decision-making power in their hands. One SDEF fellow called for the Pentagon to promote "more industry participation in solutions" by creating a "forum of industry CEOs" to "help craft National Security Strategy." Another argued that the military should "involve industry in [the] 'problem' definition."

In other words, this perspective says that contractors should not be limited to trying to solve the government's problems; they should also be able to decide for government what the problem is in the first place. Contractors don't want to just take orders from the government, but to function as a para-state capable of influencing the orders that the government gives them. Like Musk's dream of building self-driving cars, the industry dreams of a self-contracting contractor. Musk himself is test-driving this concept.



Credit: TED SOQUI/SIPA USA VIA AP

### The Self-Contracting Contractor

The threats this dynamic poses to democracy have taken on existential importance under Musk's reign of terror at DOGE. It should not be dismissed as coincidence that many of his early efforts have been focused on government agencies in which he has a financial interest. Although Musk **promised** to "recuse [him]self" if any of his work at DOGE poses a conflict of interest—a self-regulating contractor—his record so far casts serious doubt upon this pledge.

The first agency targeted by DOGE was the U.S. Agency for International Development, which had been **reviewing** its relationship with SpaceX as a contractor. Next in line was the Consumer Financial Protection Bureau, whose commitment to consumer welfare made them **an obstacle** to Musk's plans for a digital payment service on his social media platform, X.

Two weeks after reports that Musk's DOGE had **infiltrated** the State Department, it was revealed that the agency had a **purchase order** for \$400 million for "armored Teslas." Further

reporting showed that the contract was quietly revised and backdated to make it look like it was made during the Biden administration; the order is now on hold.

Musk's Teslas have been **plagued** by safety concerns, so DOGE **fired** government workers responsible for automobile safety. Last year, Musk **clashed** with the Federal Aviation Administration over fines levied against him; this year, his **invasion** of the agency was followed up by news that they had agreed to a **new contract** with his wireless Starlink service, run by SpaceX. In addition, the firing of inspectors general at the Defense Department **may have** disrupted an investigation into SpaceX's contracting practices.

Many of these activities **should be illegal** under U.S. law, which bars federal employees from involving themselves in matters "that will affect [their] own financial interests." But Musk has never concerned himself with **following the law** before, and he is not starting now. By labeling him a "special government employee," the White House is holding him to a **lower ethical standard** than most of the government workers that he is firing. And despite all of the concerns about contractor corruption that Musk's conflicts have raised, some **agencies** within the Trump administration are seeking even more opportunities for "a stronger private/government partnership in managing the workforce of the future."

Musk is the most prominent, but far from the only, government contractor hoping to hijack the Trump upheaval for his own purposes. Peter Thiel, co-founder of the controversial contractor Palantir, has **defended** the idea of "a political framework that operates outside the checks and balances of representative democracy." The Trump administration has begun **hiring** Palantir officials for government roles. Another Trump supporter is Palmer Luckey, the founder of the up-and-coming defense tech contractor Anduril, which **fantasizes** about "changing the practices and culture" of the Defense Department. Palantir and Anduril have **formed a consortium** to bid on military contracts together, and in February Anduril **took home a \$99 million contract** with the U.S. Air Force, as well as a **\$22 billion contract** previously granted to Microsoft for virtual reality headsets at the U.S. Army.

It is often said that the government should be run "**more like a business.**" The case of DOGE shows us that the opposite is true. If we truly wanted a more efficient government, it would mean reducing the number of contractors and hiring *more* civil servants, who are often more cost-efficient and always more accountable and transparent. Instead, Musk is doing the opposite, providing greater opportunities for his businesses and allies to step in and offer overpriced contracting work of a questionable quality.

Unlike a business, a government has responsibility for the well-being of its citizens. Arbitrarily firing thousands of workers to save a few pennies might pass as wisdom when running a website, but it has disastrous results for government. DOGE's current trajectory would paralyze democratic governance, leaving space for private contractors to fill the void and charge more money for worse work. When the man in charge stands to benefit from this outcome, one cannot help but ask if that was the point all along.

This article appears in [Apr 2025 Issue](#).