

**Marubeni Washington Report****Elon Musk's Increasing Influence****A Sign of Trump's Emphasis on the Economy**

Marubeni America Corporation, Washington Office

General Manager, Yusuke Inoue

[inoue-y@marubeni.com](mailto:inoue-y@marubeni.com)

- Elon Musk became close to Trump during the election campaign. Politically, he is a libertarian who respects individual freedom and has supported the Democratic Party in the past, but voted for Republican Trump in the 2024 presidential election. After the election, he was appointed head of the Department of Government Efficiency (DOGE) along with Vivek Ramaswamy .
- DOGE's goals are 1) to remove regulations, 2) to reduce government management, and 3) to reduce costs. Although it has been pointed out that DOGE has a conflict of interest with Musk's business, he has previously stated that the government is hindering innovation, and he believes that promoting deregulation will lead to competitiveness.
- With his high profile and ability to communicate, Musk is likely to have a significant influence within the Trump administration. The appointment of Musk is a sign that Trump places importance on the economy, and Musk has also shown his political skills.

Immediately after his election, President-elect Trump announced key personnel changes for his administration. Among the appointments were close aides who supported his election campaign, federal and local Republican politicians, and influential figures in the business world, the appointment of Elon Musk as head of the Department of Government Efficiency (DOGE) alongside businessman Vivek Ramaswamy attracted attention. Here, we would like to consider the aims and influence of Musk, who quickly became close to Trump during the election campaign and is now involved in the administration.

**1. Who is Elon Musk?**

Elon Musk is known as the CEO of electric vehicle (EV) manufacturer Tesla and the founder of space development company SpaceX. As of the end of 2024, he is the world's richest man with a personal fortune of \$442.1 billion. Born in South Africa in 1971, he moved to Canada at the age of 17, went to the United States two years later, and obtained U.S. citizenship in 2002. In 1995, he founded Zip2, which helps newspapers go online, and after selling the company to Compaq in 1999, he founded X.com, the predecessor of PayPal, which he also sold to eBay in 2002, thereby increasing his assets. Recently, he has founded The Boring Company, which plans to build underground tunnels to avoid traffic congestion, xAI , which develops AI , and Neuralink, which develops BMI (brain-machine

interface) technology to connect the brain and computers . He is also known for acquiring and taking private the former Twitter in 2022 and renaming it X.

Musk's vision is said to be to save the Earth and humanity. For example, his investments in electric vehicles and renewable energy offer a solution to the climate change problem by promoting the energy transition. In his space development business, he aims to migrate humans to Mars , with the aim of securing a way for humanity to survive even if the Earth is destroyed in the future. With regards to AI, he warns that safety considerations must be taken into account, but aims to expand human potential through the use of technology.

In terms of his political stance, he is said to be a libertarian who respects individual freedom. He previously supported the Democratic Party, voting for former President Obama in 2008 and 2012, Hillary Clinton in 2016, and President Biden in 2020, but revealed that he voted for Republican candidate Trump in the 2024 presidential election. His support for Trump was influenced by dissatisfaction with the Democratic Party's left-leaning policies, and it is said that the turning point was the restrictions on behavior during the COVID-19 pandemic. At the time, Tesla's factory in California was forced to suspend operations by order of the local government.

Musk is critical of the Democratic Party's tolerant attitude toward labor unions and immigration policies, and is said to have a strong aversion to the left-wing ideas of the Democratic Party due to the fact that his transgender child has undergone a gender reassignment surgery. In addition, while GM, Ford, and Stellantis participated in the EV summit hosted by the Biden administration in 2021, Tesla was not invited, which also became a hot topic. This was said to be the result of the Biden administration's consideration for labor unions, but this incident led to Musk's intensified criticism of the Biden administration. According to the Federal Election Commission , Musk provided more than \$260 million to Trump's election campaign this time. He also appeared at election rallies with Trump and managed grassroots election campaigns.

Incidentally, Vivek Ramaswami, who co-founded DOGE with Musk, is an Indian-American who has been successful as a biotech entrepreneur and investor. He ran as a Republican candidate in the 2024 presidential election, and although he attracted a certain amount of attention in the early stages, he withdrew from the nomination race in January and quickly declared his support for Trump. He originally advocated an America First policy that surpassed Trump's, and pledged to strengthen the protection of the southern border and to prohibit US companies from expanding their business in China. A major pillar of his campaign promises was the drastic reduction of bureaucratic organizations, and he

advocated the abolition of the Department of Education, FBI, IRS, etc., a 75% reduction in federal employees, and budget formulation led by the White House.

## **2. DOGE's Aim**

Musk and Ramaswami co-authored an article on DOGE's aims in the Wall Street Journal on November 20th. They pointed out that most law enforcement and discretionary spending is decided not only by the democratically elected president and political appointees appointed by the president, but also by government officials in the executive branch. To resolve this situation, President Trump ordered DOGE to downsize the federal government, mainly by (1) rolling back regulations, (2) reducing government administrative tasks, and (3) cutting costs. As many of the existing regulations are likely to exceed the authority granted to them by Congress, DOGE aims to reduce existing laws within the scope of the president's authority rather than enacting new laws.

If the regulations are substantially repealed, it will be possible to significantly reduce the number of government employees who enforce them. The president has strong authority to carry out large-scale layoffs and relocation of government agencies, and he also welcomes voluntary resignations by forcing employees to work five days a week. He also claims that government procurement has become a mere formality, and that bold cost reductions are possible through review. There is debate about how much cost reduction is actually possible, but it seems that he believes that it is possible to reduce costs by up to \$2 trillion, or at least \$500 billion per year. He claims that he will achieve results that will make DOGE unnecessary by the deadline of July 4, 2026, the 250th anniversary of the founding of the country.

Musk has repeatedly made statements to the effect that the government is hindering innovation. In particular, he is extremely angry about the tightening of regulations based on government rules that have not been enacted by Congress, and in the cutting-edge business fields in which Musk is involved, the time it takes to realize them is likely to vary greatly depending on whether or not there is regulation. Therefore, DOGE is based on the recognition that deregulation not only leads to more efficient government, but is also an important factor for industrial development.

## **Will DOGE be successful ?**

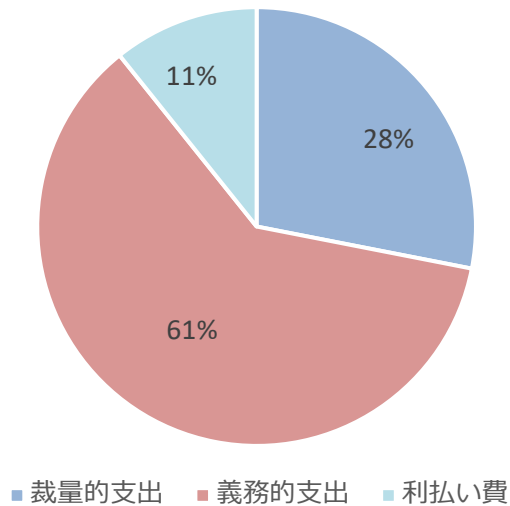
If DOGE's goals are to 1) repeal regulations, 2) reduce government administrative tasks, and 3) reduce costs, as announced in the WSJ, we can expect some results. First of all, the

US budget deficit is \$1.7 trillion in 2023, and government debt is \$36 trillion (121% of GDP), which is a significant increase from before COVID-19. Many people agree with eliminating waste in government, and there are supporters among Democratic lawmakers. It is also easy to gain public understanding of promoting innovation through deregulation and ensuring the US's advantage in growth areas. In addition, Trump has appointed conservative Russell Vought as director of the Office of Management and Budget (OMB), who will play an important role in drafting the President's budget message and evaluating the functions of government agencies. Vought is the main planner of "Project 2025," a compilation of conservative policies, and is skeptical of government organizations. On the other hand, in the United States, the power to decide the federal government budget lies not with the president, but with Congress, which is elected by the people. The president begins budget deliberations by submitting his own budget proposal, but Congress does not have to follow the president's wishes. In addition, the Congressional Budget and Withholding Control Act, enacted in 1974 under the Nixon administration, contains laws that restrict the president's withholding of the government budget. Under these existing systems, the question remains as to the extent to which DOGE, which is under the president and has not been approved by Congress, has the authority to reform government organizations. As Congress was thrown into chaos by the extension of the interim budget at the end of last year, the White House is expected to intervene in the budget process more than ever under the Trump administration, but it is generally believed that bold spending reforms will be difficult to implement without the cooperation of Congress. It is also true that the \$2 trillion that Musk has set as his goal for cutting spending is a very high hurdle. To begin with, federal government spending for fiscal year 2023 is \$6.1 trillion, of which 60% is mandatory spending such as social security, 10% is interest payments, and discretionary spending is only about 30%. Also, considering that half of discretionary spending is defense spending, there are only a limited number of areas that can be cut to begin with. Cuts to social security and public health insurance are politically difficult to implement because of the strong image that they will sacrifice the elderly and other vulnerable people, and laying off government employees and making drastic cuts to the budget could have a negative impact on the current economy.

Naturally, even if there is agreement on the general theory of government efficiency and fiscal discipline, it is not easy to reach a consensus on the specifics. Downsizing the federal government and cutting spending are not a matter of amount, but a matter of values and budget allocation, and it is clear that various interests will clash not only between

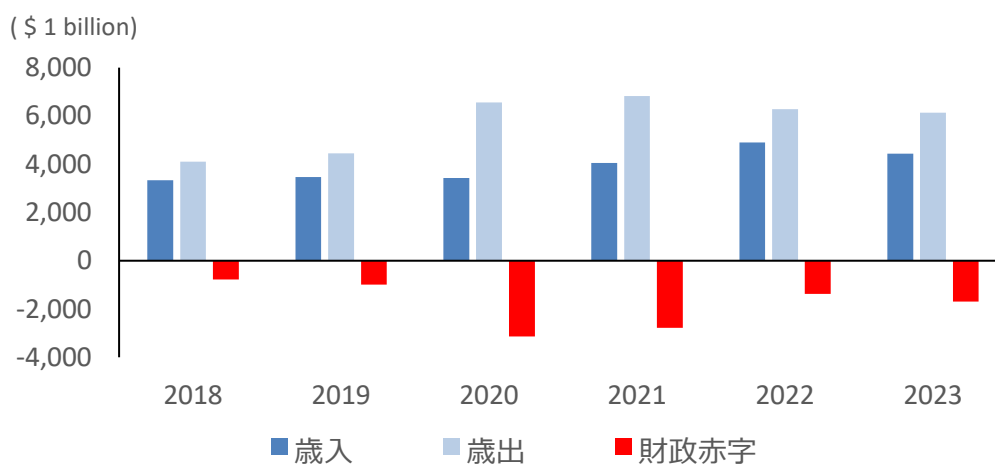
Republicans and Democrats, but also within the Republican Party. Musk has a track record of reducing the workforce from 8,000 to 1,500 in six months after acquiring Twitter in October 2022, but this will be a test of whether reforms based on clear goals and action will work in government organizations.

Figure 1: Composition of expenditures



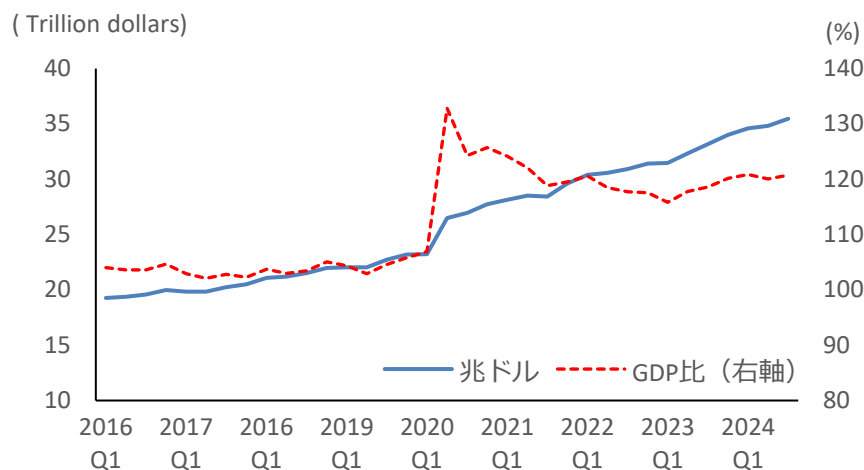
Compiled by the Washington Office based on data from the Congressional Budget Office (CBO ) and other sources

Figure 2: U.S. Budget Deficit



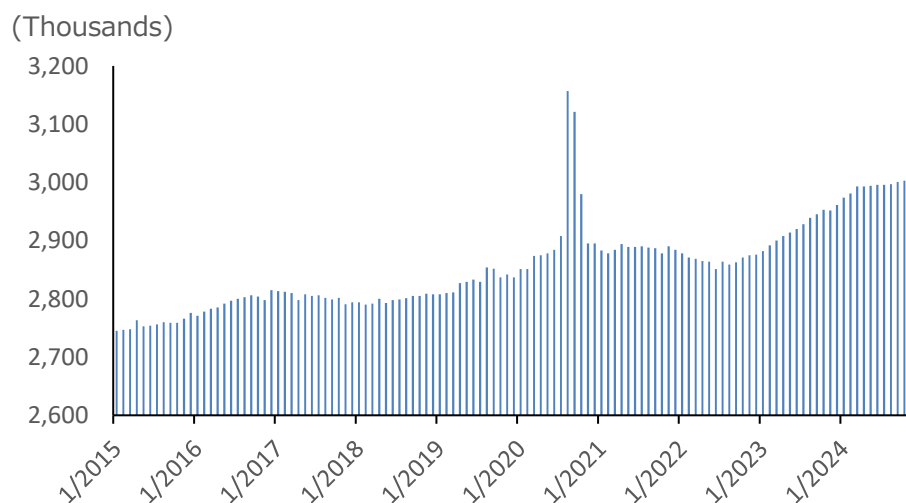
Compiled by the Washington Office based on data from the Congressional Budget Office (CBO ) and other sources

Figure 3: Government Debt Situation



Compiled by the Washington Office based on data from the Congressional Budget Office (CBO ) and other sources

Figure 4: Federal Government Employment Trends



\* The increase in 2020 is due to the once-every-10-year census.

Source: FRED, compiled by Washington Office

#### 4. Musk's influence and the US economy

As mentioned above, Musk made huge donations to help Trump win the election and actively cooperated with his election campaign. Since Trump's election, he has been staying at Mar-a-Lago in Florida, where the Trump campaign is based, and has been reported to

have participated in meetings with important people. Attention is focused on Musk's intentions and future influence, as he has already devoted a lot of money and time to politics.

It is possible that Musk will enjoy economic benefits by getting closer to Trump. At first glance, it seems puzzling that Trump, who is critical of EVs, would be close to Musk, the CEO of Tesla. However, Musk has called for the abolition of all tax deductions and government subsidies, and such policies could be seen as advantageous for Tesla, which is already ahead in EVs. In addition, many of the business fields in which Musk is involved receive government transactions or subsidies, or are subject to some form of government regulation. The company with which he is most closely involved is SpaceX, which has won more than \$19 billion in government contracts to date, including the development of a lunar lander with NASA, cargo transportation to the International Space Station (ISS) , a satellite communications contract with the Department of Defense, and the provision of high-speed broadband services in rural areas through the Federal Communications Commission (FCC) . Given these relationships, some have criticized Musk's involvement in politics as a conflict of interest and ethical problem.

On the other hand, it cannot be said that Musk is necessarily getting more involved in politics for his own business. It seems that he also aims to realize a more ideal world by reflecting his own views in policies, such as spreading economic policies based on libertarian ideas and correcting excessive left-wing ideas in social issues and foreign policy. In fact, he has been voicing his opinions on a variety of issues, including the political situation outside the United States.

With his high profile and his ability to communicate as an X owner, Musk is likely to have a significant influence within the Trump administration. Musk's ideas are not necessarily mainstream within the administration, but so far he has been successful in getting his ideas across. For example, during the congressional negotiations over the end of the year budget expiration, Musk suddenly expressed his opposition to the stopgap budget, which temporarily raised the possibility of a government shutdown. However, the expansion of the government budget was ultimately halted to a certain extent, and even the restrictions on investment in China were removed in the interim budget that was passed. Also, in the debate over H-1B visas that drew attention at the end of the year, it became clear that the ideas of mainstream MAGA and Musk did not necessarily coincide, but Trump supported Musk's position in that situation.

As the world's richest man, Musk's ideas and values may not mesh with those of Trump's support base of ordinary workers, and it is important to note that political friction may

continue to arise in the future. However, the appointment of Musk can be seen as an indication of Trump's emphasis on the economy. As long as the economy continues to expand and there is an optimistic outlook for the future, bold reforms will be more readily accepted, so the success or failure of the Trump administration will depend in part on the direction of the US economy. Trump himself also wants deregulation and the weakening of bureaucratic organizations, so even if the relationship between the two deteriorates, it is highly likely that many of the policies supported by Musk will continue. Considering these points, there is no doubt that Musk is one of the key people in the Trump administration.

End

---

## **Marubeni America Corporation Washington Office**

1717 Pennsylvania Ave., NW, Suite 375, Washington, DC 20006

<https://www.marubeni.com/jp/research/>

### **(Disclaimer)**

- This document has been prepared based on publicly available information, but we do not guarantee its validity, adequacy, or completeness.
- Any gains or losses arising from decisions made in accordance with the information are the sole responsibility of the person making the decision, and the Company does not bear any responsibility whatsoever.
- The contents of this document are subject to change without notice.
- The individual text, photographs, illustrations, etc. (hereinafter referred to as "information") contained in this document are copyrighted works of our company and are protected by copyright under Japanese copyright law and international treaties such as the Berne Convention. Except for cases permitted by copyright law, such as personal use and citations by individuals, copying, distributing, modifying, translating, adapting, publicly transmitting, or making available for transmission of the information contained in this document without the permission of the copyright holder is a violation of copyright law.