

Silicon Valley's War Profiteers

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After years of pushing sensationalized claims about foreign threats, Silicon Valley's military start-ups are set to score billions in funding for drones and AI-powered weapons in the nearly \$1 trillion defense budget.

Silicon Valley's military start-ups are closing in on a massive Pentagon payday after spending years pushing sensational, unverified claims of foreign threats. These start-ups, which manufacture cutting-edge lethal and surveillance technology, are eyeing the billions set aside for artificial intelligence (AI) and drone investments in the Pentagon's new, record-breaking nearly one-trillion-dollar budget.

To boost the autonomous weapons industry, the [House](#) and [Senate](#) have passed bills demanding that the Pentagon double down on AI, integrating it into routine tasks and using it to maximize "warfighter lethality." The bills also instruct the military to treat small drones like expendable ammunition rather than reusable aircraft — potentially triggering a massive increase in spending on the vehicles.

These budget items come despite lawmakers conceding that many of these technologies lack comprehensive operating doctrines and have led to cost overruns in the past.

Many of the military technology companies that stand to gain from these provisions and their allies in Washington, DC, have spent years saber-rattling about potential foreign threats that they claim only advanced weaponry and surveillance technology can solve. But the assertions made by the military tech industry have been largely over dramatized and under-scrutinized, according to policy experts.

Now, as the government slashes spending on social programs like [Medicaid](#) and [food assistance](#), the GOP-controlled Congress is set to spend big on their Silicon Valley benefactors with a bloated annual Pentagon budget that boosts spending on new-age military technology.

The National Defense Authorization Act for 2026, which sets [annual policy](#) for the Pentagon, recently passed the House of Representatives with at least \$4.7 billion designated for drone, artificial intelligence, and quantum computing investments, according to bill text reviewed by the Lever. The [version](#) subsequently passed by the Senate includes similar policy guidelines but boosts spending for drones and AI to \$5.6 billion. Both chambers will now have to reconcile the differences and agree on provisions in the final version of the bill.

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While defense budgets have funded drone and AI projects as part of various spending initiatives in the past, this is the first budget to prioritize [dedicated funding](#) for the technologies by listing such

autonomous systems under their own budget line item, indicating just how important these new kinds of weapons have become for the Pentagon.

The One Big Beautiful Bill, which Trump signed into law on July 4, delivered an additional \$8 billion in new contracts for the drone industry and another \$1.3 billion for technology to defend against drone attacks.

This new wave of defense technology investments is heavily backed by the Association for Uncrewed Vehicle Systems International, a lobbying group whose members include Amazon, Boeing, Honeywell, Lockheed Martin, RTX (formerly Raytheon), and other companies with ties to Trump allies, such as the president's son, Donald Trump, Jr.

These firms have played an integral role in developing military drone technology.

Venture capital firms like Andreessen Horowitz, Founders Fund, and Lux Capital have also invested heavily in drone companies with standing government contracts. The firms, which are investing an increasing share of their portfolio in lethal technology for the military, have backed at least fourteen companies with more than \$15 billion in Pentagon contracts. That includes missile and drone manufacturer Anduril, space exploration start-up Varda, aircraft manufacturer Hermeus, and Palantir, a tech company founded by Trump ally and Republican funder Peter Thiel that provides analytics and AI decision-making technology.

The defense bills follow a spate of federal actions boosting the AI and drone industries. In January, Trump signed an executive order removing regulatory and ethical barriers for artificial intelligence companies. He also released an AI Action Plan, a policy document full of industry wish list items.

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Then, following a June executive order called "Unleashing American Drone Dominance" that deregulated airspace and boosted drone manufacturing, Defense Secretary Pete Hegseth ordered the Pentagon to identify and rescind other regulatory restrictions constraining Pentagon drone production. The Pentagon also created a "joint interagency task force" to focus on drone warfare and streamline contracting for procuring drone weapons.

Such announcements and regulatory rollbacks sent stocks soaring for military contractors making drones, and private investment surged in related industries.

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If contractors utter the phrase "unmanned aerial vehicle," the Pentagon cuts them a giant check, said Bill Hartung, a senior research fellow at foreign policy think tank the Quincy Institute, who has studied Pentagon contracting for decades. "Anytime there's a criticism [of the drone industry] . . . the answer from Silicon Valley is always 'got to beat China.' It's a way to end the conversation."

Artificial Intelligence to Increase "Warfighter Lethality"

The defense bills are the first step in outlining the policy that will govern how the Pentagon operates next year. Included in the bills are stipulations outlining how Congress wants the Defense Department to use drones and AI, including demands for department-wide AI usage and increased research on related technologies.

In particular, lawmakers want AI to help fly warplanes and drones, calling for military leaders to “prioritize integration of hardware-lite AI-enabled pilot augmentation systems to achieve measurable safety improvements and cost reductions.”

The Senate bill includes an entire section on “Data and Artificial Intelligence,” calling for AI to be incorporated into a broad swath of Pentagon operations from cybersecurity to logistics.

Additionally, representatives want AI systems to have the freedom and flexibility to increase “warfighter lethality.” As the House bill notes: “In the future, a single operator could manage multiple unmanned systems across multiple domains to close kill chains, which could optimize lethality and operational efficiency. To enable this future, unmanned systems must be developed with open standards and interoperability in mind.”

Relatedly, a line in the Senate version encourages improvements in “artificial intelligence-driven battle management.”

Still, lawmakers acknowledge in the defense bill that AI-powered weaponry systems present ethical conflicts, stating that “the rapid fielding of autonomous and semiautonomous weapon systems could affect the requirement for a human decision-maker to authorize every use of force.” The bill requires military officials to present a briefing on how the Pentagon will adopt a doctrine to “ensure humans authorize each use of force in autonomous and semiautonomous systems,” among other actions.

Finally, the bill calls for AI to be used for surveillance and reconnaissance as well as to improve record-keeping and cybersecurity — even as current AI usage among top military officials has apparently already posed cybersecurity risks.

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“The committee is concerned that the Joint Staff is accelerating the use of artificial intelligence-enabled decision aids, including large language models, in routine, nonlethal workflows without a comprehensive understanding of best practices, measurable outcomes, and attendant ethical or cybersecurity risks,” the bill states.

These new AI efforts could lead to major new infrastructure investments. The House bill calls for relaxed regulations for AI data centers for the Pentagon and private sector, and small nuclear reactors that could power these facilities — core demands from tech companies and industry groups, according to letters sent to the Trump administration.

Amazon, the shopping and cloud services behemoth, is also a major military contractor and has been investing in “small modular [nuclear] reactors” to power its data centers.

In the House bill, lawmakers concede that these centers require massive amounts of water to cool computers and huge electricity loads to power them.

“The Department of Defense is the single largest energy consumer in the United States and is one of the largest owners and operators of data centers,” the bill states. “As the Department continues digital modernization, the demand for data centers to support emerging technologies such as artificial intelligence, machine learning, and quantum computing will only further increase the Department’s energy consumption to cool facility servers.”

“Lack of Structured Doctrine” for Drones

The drone industry, which includes commercial vehicles controlled by remote pilots, fully automated systems operated by artificial intelligence, and “counter-unmanned aerial system” drone-killing weapons, is still a burgeoning field populated by a number of fledgling start-ups. Private investment has propped up the sector with \$2.5 billion in venture capital funding across nearly three hundred American drone technology companies in just the past two years.

But with such a competitive market and a limited customer base, many start-ups have struggled to become profitable. That’s where the Pentagon’s new budget comes in.

The defense bills call for greater investments in unmanned aerial crafts and underwater vehicles as well as increases for technology and ammunition to counter drone attacks, technologies they claim are ushering in a new age of warfare that requires fewer troops on the battlefield.

“The emergence of this capability represents a military advancement on par with the introduction of the machine gun or the deployment of aircraft carriers,” wrote House lawmakers, adding small drones should be treated “similarly to ammunition or artillery shells.”

While the Pentagon and Congress appear eager to ramp up spending and production on small drones, they lack formal doctrines outlining how these machines can be used.

The Senate bill includes an overall directive for the Pentagon to boost US-based drone production, which includes a definition of “small unmanned aerial vehicles used as tactical loitering munitions.”

In particular, lawmakers want to rapidly expand production of small, low-cost drones, similar to the ones commercially available for citizens. These kinds of drones have been upgraded with explosives and other deadly provisions in the Russia-Ukrainian war to kill individual soldiers and demolish freight lines. These drones usually cost a fraction of the price of larger unmanned drones and are often not expected to be reused more than once.

In July, Hegseth released a memo calling for drones lighter than fifty-five pounds to be treated as “consumable commodities, not durable property.” This reclassification allows for lower-level officers to purchase smaller drones and for officials to purchase drones from a variety of vendors at a quicker pace, according to the military-focused outlet Defense One.

The new defense bill would for the first time codify this reclassification into law, noting that such small drones can be used “similarly to ammunition or artillery shells.” The change could potentially open up millions in new funding intended for artillery purchases to boost production.

One of the companies standing to benefit from new drone spending is Unusual Machines, a drone and part manufacturer that installed Donald Trump, Jr. on its advisory board in November 2024. A few months earlier, the company announced it would expand its operations from commercial sales to military drones.

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“The committee notes that the Department of Defense has neither established formal doctrine for the employment of small, expendable drones nor has it created a designated military occupational specialty, additional skill identifier, or standardized training pipeline for operators of these systems,” the House bill states. “The committee believes that the lack of structured doctrine, personnel pathways, and training requirements undermines lethality and inhibits effective integration, standardization, and operational safety across the Armed Forces.”

“I’m a Technical Wizard, Just Trust Me”

The investors who stand to benefit from the increased military-tech spending spent months lobbying Congress and appearing at congressional hearings to warn of national security risks from foreign adversaries, most commonly drones from China and Iran.

Congress has held four separate hearings dedicated to drone technology and its national security implications since April. The hearings exclusively featured industry representatives and military hawks, with few expert witnesses rebutting the military-industrial complex’s claims.

Despite repeated warnings of foreign drones spying on US-based citizens and stealing trade secrets, an independent audit found no evidence of Chinese drone espionage.

One panel featured a representative from the Association for Uncrewed Vehicle Systems International, one of the drone sector’s top lobbying groups, which spent approximately \$70,000 lobbying on the Pentagon bill and other issues so far this year.

The association’s president and CEO, Michael Robbins, claimed in a July Homeland Security Committee testimony that a “Chinese . . . drone was even used in the attempted assassination of President Trump,” during the July 2024 assassination attempt. The claim was likely referring to the fact that the shooter reportedly may have used a Chinese-made drone hours before the event to surveil the site.

One of the congressional hearings was dedicated to the issue of foreign drones being flown over US military bases to collect intelligence. But in the hearing, the main incident cited involved a Canadian national living in the United States who was apprehended for flying a drone with a camera over a Space Force base in Florida. The individual was charged for suspected espionage and deported back to Canada after he took a plea deal that made no mention of any evidence of foreign espionage.

Drone and AI profiteers have been issuing similar warnings in other venues. Palantir’s executives have routinely taken to the media to warn about impending drone threats from China and the need for more public investment in AI. Andreessen Horowitz has echoed these sentiments in comment letters to regulators.

Despite repeated warnings of foreign drones spying on US-based citizens and stealing trade secrets, an independent audit found no evidence of Chinese drone espionage. A report from the National Oceanic and Atmospheric Administration found that it would be unlikely that most commercial drone models could remotely transmit data back to overseas adversaries. And a report from Booz Allen Hamilton, a management consultant and Pentagon contractor, reached similar conclusions.

Critics of US defense policy who've been following these matters have come away with the conclusion that many facets of drone warfare are being overhyped. While China has indisputably outpaced the United States in drone production, controlling 80 percent of global production, some experts question why this issue should become a funding priority for American taxpayers.

“There’s a lot of claims flying around with absolute statements that the first country that fully applies AI to weaponry will dominate, as if there’s just this end point we are racing toward,” said Hartung. “It’s sort of like [tech leaders are saying] ‘I’m a technical wizard, just trust me.’”

Contributors

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