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While New York Bleeds, Washington Thrives

At the same time Wall Street is losing jobs and prestige, the nation's capital is gaining steam as it ramps up to fight the recession

By [Peter Coy](#)

Look out, New York. Washington is gaining on you.

As the nation's most populous metro area feels Wall Street's pain, the fourth-largest—Washington—is barely sensing the recession. In fact, [Moody's Economy.com](#) estimates that metro Washington's economy will actually grow 2.5% from mid-2008 through mid-2010. New York's economy is expected to shrink 4.2%.

It wouldn't be the first time that Washington benefited from a national crisis. Back in 1930 the District of Columbia was a quiet Southern town, scoffed at by New York sophisticates. But as the federal government ramped up to fight first the Great Depression and then World War II, its population grew 65% in two decades, vs. just 14% for New York City.

This time Washington is getting a boost from government spending to fight the recession and fix the financial system, as well as the ongoing expenses of fighting wars in Iraq and Afghanistan and promoting homeland security. While President Barack Obama pointedly left Washington for Denver to sign the \$787 billion [stimulus package](#) on Feb. 17, locals expect the metro area to garner a big share of the dollars.

Where Home Sales Rise

"Oversight alone will [mean] tons of new jobs," enthuses Jill Landsman, a spokeswoman for the Northern Virginia Assn. of Realtors, who says the pace of home sales has picked up over the past year even as prices have continued to fall.

Job-seeking Wall Streeters who jump on [Amtrak's](#) Acela to Washington may be dismayed to find that the maximum pay for an FDIC bank review examiner is close to \$180,000. That's great for most folks, but paltry next to the [bonus-swelled compensation](#) many bankers are used to. The pay can be a lot better, though, at the Beltway Bandit consulting firms that are ramping up to assist the FDIC, Treasury Dept., and others. Consulting jobs for senior specialists in finance "can pay north of \$200 an hour," says Andrew Reina, a practice director for risk consultant [Ajilon Solutions](#).

Companies such as Computer Sciences Corp. ([CSC](#)), Science Applications International Corp., or SAIC ([SAI](#)), and [Booz Allen Hamilton](#) employ tens of thousands of people in the Washington area and continue to expand. Even before the current crisis, professional and business services, which include private-sector lawyers, accountants, engineers, and consultants, made up 21% of metro Washington's annual economic output, even more than the 20% made up by government itself, according to a *BusinessWeek* estimate based on government data. The financial crisis "creates opportunities for companies like ours" to provide expert assistance, says [David Booth](#), Computer Sciences Corp.'s president of global sales and marketing.

The New Talent Magnet

By at least one measure, it's Washington rather than New York that's attracting the best and brightest these days: According to George Mason University's [Center for Regional Analysis](#), metro Washington leads the nation in the share of jobs that are in high-tech and the share of workers with advanced degrees.

As for New York, the mix—and the outlook—is bleak. Finance typically accounts for 32% of the metro region's output, mostly because finance jobs pay so well. But pay limits, combined with job cuts, will harm everything from condos to car dealerships. New York State Labor Dept. analyst James Brown says, "There will still be a need for capital-raising, but it's pretty clear the sector won't be as profitable or as large."

Adds Moody's Economy.com economist Marisa Di Natale: "New York, we think, is going to have a pretty severe recession."

Staging a Comeback?

In one measure of how dire things have gotten for New York's finance sector, Mayor Michael Bloomberg on Feb. 18 announced a \$45 million plan to retrain investment bankers, traders, and others who have lost jobs on Wall Street. The money will also provide startup money and office space for new businesses by the former Wall Streeters. According to *The New York Times*, [city officials expect](#) New York to lose 65,000 jobs in finance during this recession, and not gain them back any time soon.

"We say good luck to the people in New York. We know they're going through some tough times," says Arnold Punaro, general manager of SAIC's Washington operations.

Then again, there is one resource that New York has in abundance, and that's self-confidence. Regional Plan Assn. President Robert Yaro, whose nonprofit organization coordinates planning in a 31-county area, says New York has been declared dead over and over since the 1880s, but always springs back.

"The fundamental strength," says Yaro, "is that every 24-year-old in America and the world wants to be here. Because every other place seems kind of sleepy."

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