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## The Federal Job Machine

By Justin Fox

When the Census Bureau announced last August that northern Virginia's Loudoun County had become the nation's most affluent, with a median household income of \$98,483, it was something of a shock to locals. Loudoun is far from exclusive: a third of its 255,000 residents arrived in the past half-decade. The median house sells for \$440,000. These Loudounites are not trust-fund babies or Wall Street zillionaires but youngish professionals with kids to raise and mortgages to pay off.

For those who fret that America has lost its way, that all the good jobs are being outsourced to China or India, that regular folks can't get ahead anymore, Loudoun and its neighboring counties seem to offer a resounding corrective. From 2000 to 2005, the Washington metropolitan area, of which Loudoun is part, added 359,000 jobs--much more than even such Sun Belt boomtowns as Phoenix, Ariz., and Dallas.

More than half of those jobs were on the Virginia side of the Potomac, the bulk of them white-collar stuff like management consulting, computer services and scientific research. The epicenter of the boom has been Fairfax County, just east of Loudoun and a notch below it on the income list. Fairfax is home to a million people and 600,000 jobs. It is ethnically and racially diverse. It has excellent public schools. Its unemployment rate is just 1.9%.

That it is also a strip-malled, traffic-clogged mess does not take away from the fact that it is one of the great economic success stories of our time. With Fairfax County leading the way, the Washington area is becoming a job machine. So why aren't regions around the country trying to emulate it, as they did Silicon Valley in the 1990s? The simple answer is that they can't. "If you can force the rest of the country to send you money or go to jail, it does wonders for your economy," says northern Virginia writer and noted urban thinker Joel Garreau. Stephen Fuller, who runs the Center for Regional Analysis at George Mason University in Fairfax, puts it more gently: "It's nice to have a rich uncle."

That would be Uncle Sam. Yes, there are purely private jobs in the region: drive among the dense thickets of office buildings in Tyson's Corner and along the Dulles Toll Road, and you see some impressive corporate HQs--Capital One, Freddie Mac, Gannett, Sprint Nextel. But you also come across mysterious acronyms like BAE, CSC, MITRE and SAIC. These are big-time government contractors, and when Fuller looks closely at job growth in the area, it is mainly these that he sees.

The move to outsource government, begun under Ronald Reagan and accelerated during the Clinton years, has been a spectacular boon to northern Virginia. The once green region offered land, few restrictions on business and a transport hub in Dulles International Airport. The presence of the Pentagon, that greatest of cash-spewing economic-development engines, was the clincher.

There have been times, especially during the late 1990s tech boom, when some business folk in the area thought they had outgrown their rich uncle. But their post-2000 experience, when other tech centers floundered but northern Virginia boomed, taught them otherwise. "You had your stable base coming from government contracting, and then you had this explosion around telecom, IT and the Internet," explains former Virginia Governor Mark Warner, who was a co-founder of Nextel and later a venture capitalist. "Then, after the bubble burst, you had this unfortunate need to build a homeland-security industry."

So for the past half-decade, the strongest regional economy in the nation has been fueled by demand not from Internet-addled, cell-phone-addicted consumers but from government drones charged with keeping us from getting blown up. This is great for northern Virginia. It's less reassuring for the rest of the country.

At the end of January, President George W. Bush labored to make the case that the economy is "strong," using the word eight times in one speech in Peoria, Ill. In terms of the basic indicators of economic growth (now 3.5% annually) and unemployment (4.6%), he's right. But when you consider that 2% of current U.S. economic activity is the product of federal deficit spending and more than 6% is paid for with money borrowed from overseas (there is overlap between the two), strong doesn't seem quite the appropriate word. The bill is coming due--although probably not in northern Virginia, where federal spending is forever.

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