# Washington economy faces uncertainty amid federal cuts and shifting policies



The Washington metropolitan region is experiencing mounting economic uncertainty as President Donald Trump’s administration implements sweeping federal workforce reductions and budget cuts. The latest measures are impacting businesses and residents across the capital and neighbouring areas in Maryland and Virginia, with effects rippling through industries dependent on government spending and contracts.

Ethan Landis, chief executive of Landis Architects|Builders, noted a shift in client behaviour amid the changing federal landscape. Landis was prepared to start a $730,000 townhouse renovation project in Washington but saw the budget slashed to $200,000. He explained, “Maybe one in 10 [clients], it seems to be impacting their decision-making process. And not that they’re saying no, but they’re saying, ‘let’s put something off for six months or a little while to see what happens’.” His firm typically undertakes about 40 projects annually. This cautious attitude is being attributed to the Trump administration’s disruptive agenda, including efforts to lay off thousands of federal workers and significant cuts in government funding.

Economists and regional analysts warn that the capital’s economy is poised to suffer as the federal government directly employs hundreds of thousands of people and fuels local businesses through grants and contracts. Terry Clower, director of the Center for Regional Analysis at George Mason University, emphasised the broader impact: “For every lost federal job, an additional 0.4 jobs will be lost due to the reduction in household earnings,” with some estimates suggesting the total impact may be even greater due to cascading economic effects.

At the end of 2023, federal civilian employment in the Washington, Maryland, and Virginia region was 743,100. Projections for the district alone indicate federal jobs will decline from 190,000 to 150,000 through fiscal year 2029, potentially coinciding with a “mild recession” in 2026. Simon Johnson, a Nobel Prize-winning economist based in Washington, told the Financial Times: “The real damage, I think, is being done by the uncertainty about policy. A lot of people are hesitating to make big spending decisions.” This uncertainty contributes to reduced consumer spending, hitting local restaurants and retail sectors.

The hospitality industry is reporting distress signals. Mike Macklin, president of Cameo Kitchens in northern Virginia, which serves clients connected to federal agencies, described a downturn: “I anticipate doom and gloom for the next couple months.” His company has already reduced staff due to the cooling market. The Restaurant Association of Metropolitan Washington found that 44% of full-service casual dining establishments in the city expect to close during the year, blaming the economic consequences of federal workforce reductions and spending cuts.

Meanwhile, the Trump administration is pushing a different vision for Washington, emphasising law and order and aesthetics. In a recent executive order, Trump established a task force focused on enhancing the city’s appearance and safety. He declared his intent to make Washington “absolutely flawlessly beautiful” and advocated for the federal government to “take over the governance” of the city. Trump expressed concern that visiting world leaders should not see “graffiti” and “tents” in the capital.

This agenda also extends to cultural institutions. Trump removed Biden-appointed board members from the John F Kennedy Center for the Performing Arts, assuming chairmanship himself and appointing supporters from the Maga movement. The Smithsonian Institution has been ordered to revise its exhibition approach, prompted by Trump’s criticism that the museums propagate a “widespread effort to rewrite our Nation’s history” influenced by “divisive, race-centred ideology”. At the National Gallery of Art, the administration’s so-called Department of Government Efficiency (Doge), led by Elon Musk, is reportedly considering cost-reduction measures.

Cities and neighbourhoods are adapting amid these changes. Washington Mayor Muriel Bowser removed the large yellow “Black Lives Matter” letters from the street outside the White House after consultation with the White House but stressed other priorities: “There are bigger fish to fry, such as making sure our residents and our economy survives.” The city is bracing for a potential $1 billion budget cut imposed by the Republican-controlled Congress, with Bowser enacting spending and hiring freezes to cope. She warned that some government services could be curtailed or face furloughs, describing the situation as “extraordinary” and “unprecedented”.

Not all reactions to the Trump administration’s influence on the capital’s social fabric have been negative. Alex Butterworth, an Australian lawyer and primary investor in Butterworth’s, a restaurant on Capitol Hill, welcomed the influx of Maga supporters. He described his venue as consciously open to Trump allies, contrasting it with other Washington venues that he says exclude fans of the former president. “Sure, people will say everyone is welcome here on the door, but they don’t really mean it because if you’re wearing a Maga hat, they won’t let you in,” Butterworth said.

Butterworth’s restaurant, which opened just before the 2024 election, features an eclectic menu including duck, rabbit, and venison, catering to what Butterworth describes as a more refined taste among Maga supporters than typically portrayed. The establishment has attracted notable figures, including Treasury Secretary Scott Bessent, FBI Director Kash Patel, musician Grimes, and political figures such as Nigel Farage. Events hosted there also include individuals with strong ties to right-wing media.

Housing market trends may also be shifting as economic pressures mount. Data from Bright MLS indicate an increase in new property listings in the Washington area in early 2024, outpacing the broader mid-Atlantic region. Lisa Sturtevant, chief economist at Bright MLS, predicted that “over time, we will see much softer prices” in the housing sector due to these dynamics.

Overall, the Washington metropolitan area, historically cushioned from economic downturns by its close ties to federal employment, is now facing significant adjustments. Julie Coons, chief executive of the Northern Virginia Chamber of Commerce, summarised the moment by saying, “We see the changes in the federal landscape as really existential to our region.”

These developments are closely monitored by families, businesses, and policymakers navigating a period of considerable transition in the US capital and its surrounding communities.

Source: [Noah Wire Services](https://www.noahwire.com)

## References

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* <https://www.ft.com/content/34d35966-1c9c-42b3-877d-86f856f2f61d> - Please view link - unable to able to access data