Is Silicon Valley’s golden era coming to an end?

Rising interest rates, dampened growth and the public’s shifting views on Big Tech are giving experts pause

Huge layoffs at Snapchat, dramatic valuation drops at Meta and Apple, and hiring freezes at other Big Tech firms have given new fuel to an increasingly common question: Is Silicon Valley’s golden era coming to an end?

The answer is complicated, experts say. The tech industry has been on a run of impressive growth for some time, bolstered in recent years by a pandemic that forced most of the world online and sent demand for tech services booming. That explosion—and the high salaries and office perks that came with it—seems to be slowing.

“This party couldn’t go on for ever,” said Margaret O’Mara, professor at the University of Washington and author of The Code: Silicon Valley and the Remaking of America. “In many ways, we are just going back to normal after a huge run up during which everything became supersized.”

Those trends are exacerbated by a larger global downturn—one the tech world is not immune to, she added. The Federal Reserve has raised interest rates three times already in 2022, and more increases are expected.

The previous low-interest-rate environment had bolstered the tech boom, helping to create a parade of “unicorns”—companies whose valuations exceed $1bn. Notable examples include Airbnb and Uber—valued at $47bn and $82bn at their respective public offerings. But as interest rates shift, O’Mara said, there is “less money sloshing around” and investors are going to be deploying cash “in a much more judicious fashion.”

“Certain investors will still have cash, but during a bust like this the deal flow is going to be cooling,” she said.

Fast growth has also been tempered by a series of high-profile cautionary tales, from the decline of WeWork to the collapse of Theranos, the blood testing firm that rose to popularity in an environment of glowing press, ultimately amassing a valuation of more than $1bn before it was found that its claims were untrue.

Such stories, coupled with more scrutiny on the tech industry at large over the past decade—including whistleblower revelations against Facebook and public grillings of tech executives in Congress—are shaking Silicon Valley’s image. Even some of its most vocal champions, including former president Barack Obama, seem to have reconsidered. Obama used Facebook extensively in his 2008 campaign and praised the company in his 2011 State of the Union address, only to condemn its role in the spread of disinformation, particularly around elections, in a recent talk at Stanford University.

“One of the biggest reasons for the weakening of democracy is the profound change that’s taken place in how we communicate and consume information,” Obama said.

Lawmakers and US federal agencies have now jumped into the fray. With growing action from the Federal Trade Commission (FTC) and looming legislation from Congress, Big Tech could be facing its biggest roadblocks yet.

The public perception of tech at large has also shifted, with 68% of Americans saying they believe tech firms have too much power and influence in the economy—up from 51% in 2018.

“Americans don’t really like big things—people get worried about concentrated power,” O’Mara said. “Nobody gets to be the golden child and be a $2tn company. It is part of the lifecycle.”

Silicon Valley expands out of California

The geography of Silicon Valley is changing, too, experts say. A catch-all term for the area south of San Francisco, the Valley has for nearly a century cemented itself in the public ethos as a center for innovation. It began its ascent as a tech hub when US military operations established sites for research contracts starting around the 1930s, a trend that continued into the private sphere over the next few decades.

But the tech industry has been expanding far beyond California’s Bay Area—a trend accelerated by the pandemic. In 2021, the electric car company Tesla moved its headquarters to Austin, Texas, after similar moves from other tech firms like Oracle and Hewlett-Packard.

This has been reflected in hiring as well, said Brent Williams, who works at the Michael Page recruitment agency, adding that the effect is what the industry calls a “venture capital winter.”

“Covid has changed the whole game,” he said. “It has become extremely competitive for companies to acquire talent because they’re going not just for people in the Bay, but against everybody in the US.”

This trend, coupled with the rise in work-from-home policies, would have been shocking in pre-pandemic times—as tech companies invested billions in their sprawling campuses, providing employees with perks like transportation to and from work and elaborate on-site meals.

‘The industry obituary has been written prematurely’

Despite the growing list of roadblocks, “Silicon Valley remains incredibly robust,” said Stanford economics professor Nicholas A Bloom. It has endured “multiple cycles”, including downturns in 2001 and 2008, and has recovered each time, he added.

“When some firms may be migrating outwards because of working from home and globalization, Silicon Valley is still ground zero, with no other area even close to its prominence in the industry,” he said.

Indeed, O’Mara said, we’re unlikely to see a big shift away from the Valley’s legacy or its physical place in the heart of the Bay.

“The Bay Area and San Francisco has a resilient pull and distinctive qualities that are hard to replicate elsewhere,” she said. “There is a reason people come there to live—they want to be there.” This remains true, even as California faces a housing crisis, with employees flocking to cheaper states.

“The industry obituary has been written prematurely a few times,” she added. “It may be the end of an era for Silicon Valley, but it is unlikely to be the end of Silicon Valley.”

Source: The Guardian (09/17/2022)
## Regional Focus

### SEPTEMBER 2022

#### Labor Force & Annual Change

<table>
<thead>
<tr>
<th>Region</th>
<th>August 2021</th>
<th>July 2022</th>
<th>August 2022</th>
<th>Percentage Change</th>
</tr>
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<tbody>
<tr>
<td>San José–Sunnyvale MSA</td>
<td>4.7%</td>
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<tr>
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<tr>
<td>United States</td>
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<td>3.8%</td>
<td>3.8%</td>
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#### 9-County San Francisco Bay Area

<table>
<thead>
<tr>
<th>Region</th>
<th>Labor Force</th>
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<th>Unemployment</th>
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<tbody>
<tr>
<td>California</td>
<td>18,990,300</td>
<td>18,505,600</td>
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<tr>
<td>Alameda County</td>
<td>811,700</td>
<td>805,500</td>
<td>6.1%</td>
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<td>Contra Costa County</td>
<td>543,600</td>
<td>537,000</td>
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<tr>
<td>Marin County</td>
<td>130,000</td>
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</tr>
<tr>
<td>Napa County</td>
<td>69,600</td>
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<tr>
<td>San Francisco County</td>
<td>550,800</td>
<td>563,900</td>
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<tr>
<td>San Mateo County</td>
<td>435,200</td>
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<td>Santa Clara County</td>
<td>1,019,700</td>
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<tr>
<td>Solano County</td>
<td>200,000</td>
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<td>Sonoma County</td>
<td>245,400</td>
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<tr>
<td>SF Bay Area (sum)</td>
<td>4,006,000</td>
<td>4,021,300</td>
<td>5.4%</td>
</tr>
</tbody>
</table>

#### WARN Summary

- **Events YTD**: 27
- **Individuals Affected YTD**: 1,946
- **Previous YTD**: 6,977

- **WARN**: Worker Adjustment and Retraining Notification (notice of mass layoff or closure)
- **YTD**: Year to Date (Calendar year: January 1–Present)
- **Previous YTD**: (Same date range as YTD, one year prior)

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**Note:** Layoff data are preliminary and should be considered an estimate of monthly regional activity.

**Source:** California EDD, CalJOBS: WARN data

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**Note:** Totals may not add correctly due to rounding.

**Source:** California Employment Development Department, LMID

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**Note:** San José MSA (San José-Sunnyvale-Santa Clara Metropolitan Statistical Area) = Santa Clara and San Benito Counties
San Francisco MD (San Francisco-Redwood City-South San Francisco Metropolitan Division) = San Mateo and San Francisco Counties

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**Source:** California Employment Development Department, LMID