

The Wisconsin and Minnesota Economies: What can we learn from each other?

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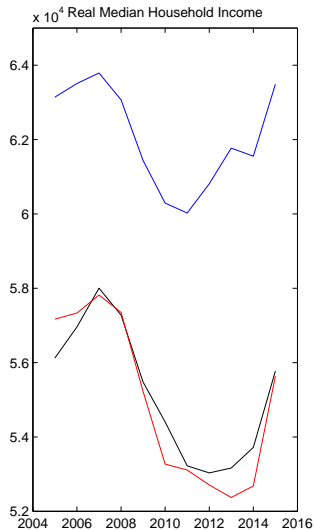
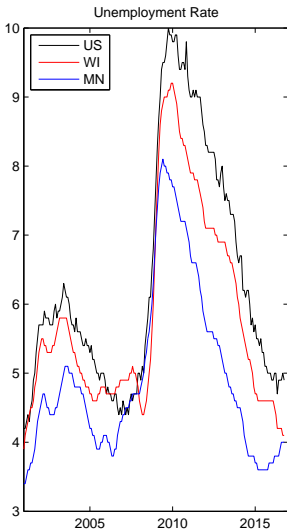
Wisconsin and Minnesota Economies

- Location, size, demographics, and history make Wisconsin and Minnesota natural for comparison. But their economies have important differences.
- Political and policy differences in recent years have led many commentators to compare their economic performance.
- **Proper comparison:** distinguish levels and changes, overall and per-capita variables.
- **Common challenges:** Demographics of labor force, outmigration, declining dynamism
- **Important differences:** Cities, growth industries
- **Policy differences:** taxes, fiscal, regulatory. Full effects ongoing, difficult to measure.

“We’ve seen what happens when top-down economics meets the real world. We’ve got proof right here in **Wisconsin** . . . The **right to organize and bargain collectively** was attacked . . . Meanwhile, corporations and the most fortunate few have been on the receiving end of hundreds of millions of dollars in new **tax cuts** . . .

What happens when we try middle-class economics? Just across the river, in **Minnesota**, they asked the top two percent to **pay a little bit more**. They invested in things that help everybody succeed. . . They took action to raise their **minimum wage** and they passed an equal pay law. They protected workers’ rights. . . Now, according to Republican theory, all those steps would’ve been bad for the economy, but Minnesota’s **unemployment rate** is lower than Wisconsin’s. Minnesota’s **median income** is around \$9,000 higher.”

Unemployment Rate and Median Household Income

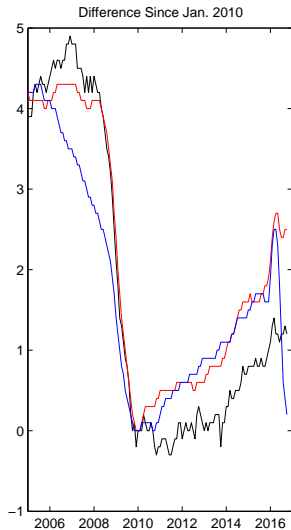
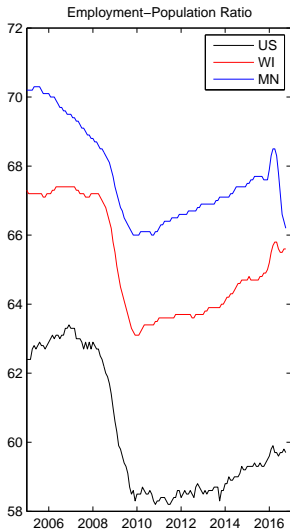


Median Incomes in Wisconsin Jumped in 2015

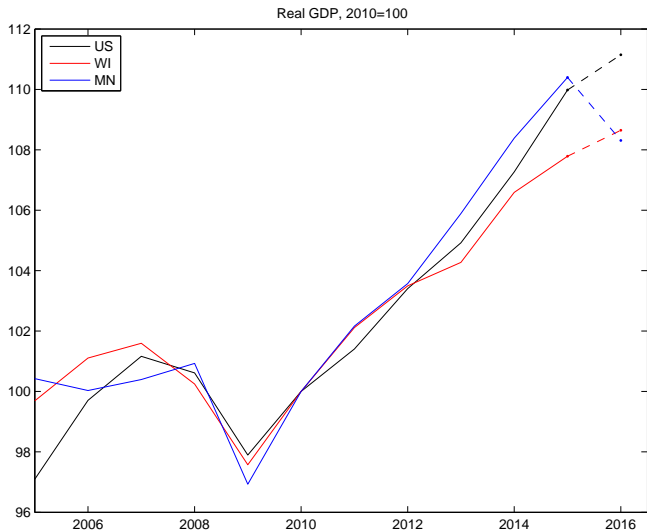
Median Household Income, American Community Survey

<u>State</u>	<u>2015</u>	<u>2014</u>	<u>Growth (%)</u>
1 Montana	49509	46328	6.87
2 Tennessee	47275	44361	6.57
3 Oregon	54148	51075	6.02
4 Rhode Island	58073	54891	5.80
5 Wisconsin	55638	52622	5.73
6 New Hampshire	70303	66532	5.67
7 Hawaii	73486	69592	5.60
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30 Minnesota	63488	61481	2.90
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United States	55775	53657	3.95

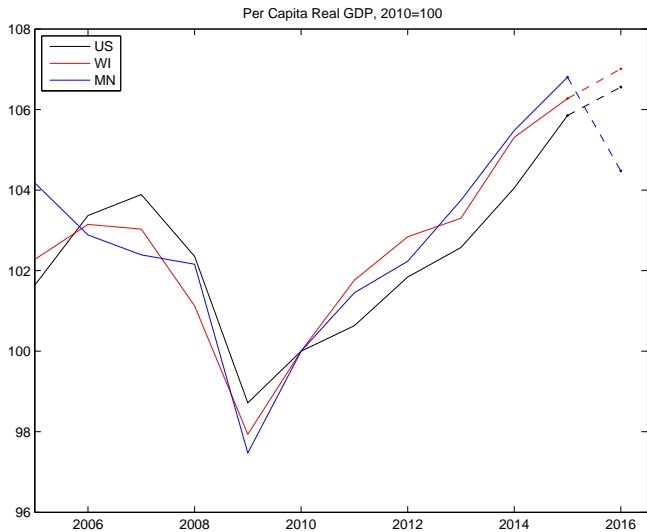
Employment-Population Ratio



Real GDP, 2010=100



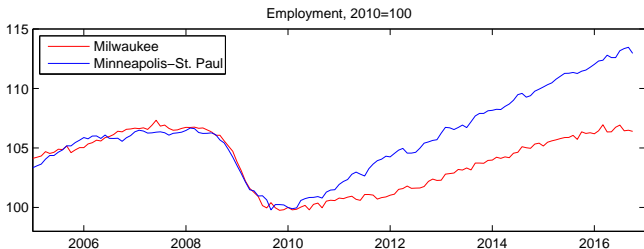
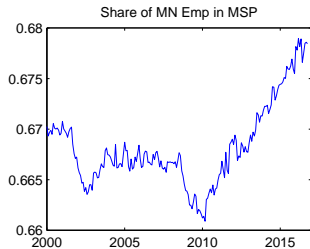
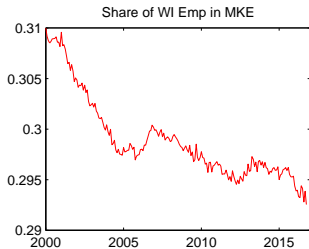
Real Per Capita GDP, 2010=100



Differences in Sector Shares and Growth

Real GDP by State by Industry	United States		Minnesota		Wisconsin	
	2016 Share	2011-16 Growth	2016 Share	2011-16 Growth	2016 Share	2011-16 Growth
All industry total (billion)	\$ 16,259	10.5	\$ 288	7.1	\$ 273	7.4
Private industries	88.0	12.3	89.8	7.6	89.1	8.9
Construction	4.0	19.7	4.1	23.8	3.9	21.8
Manufacturing	11.7	5.3	14.9	15.4	18.6	4.3
Wholesale & Retail trade	12.1	13.2	12.8	11.3	12.0	12.1
Information	5.5	23.2	4.0	6.8	3.8	24.5
Finance and insurance	6.3	4.3	7.1	-1.6	7.0	11.0
Real estate and rental and leasing	13.5	11.2	9.9	-11.9	12.5	2.9
Professional, scientific services	7.4	17.6	7.4	35.4	4.3	13.6
Health care and social assistance	7.5	14.5	9.9	18.0	8.8	8.4
Government	12.0	-0.7	10.2	3.0	10.9	-3.2

Differences in Urban Concentration

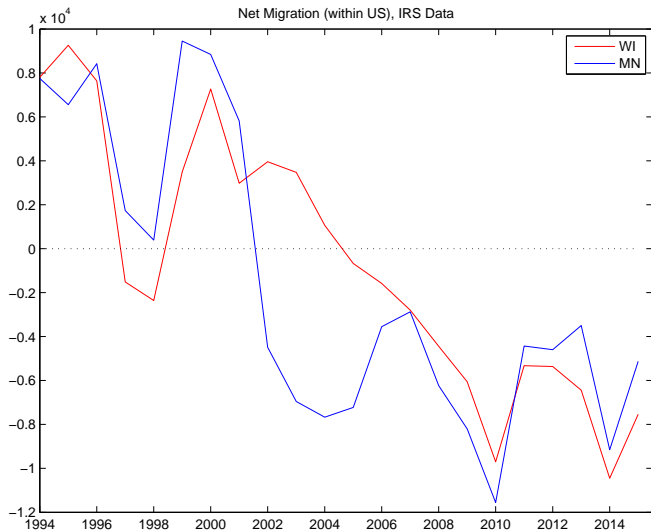


Aging of the Workforce

Distribution of population, Census Bureau estimates

	<u>United States</u>			<u>Minnesota</u>			<u>Wisconsin</u>		
	<u>1999</u>	<u>2010</u>	<u>2015</u>	<u>1999</u>	<u>2010</u>	<u>2015</u>	<u>1999</u>	<u>2010</u>	<u>2015</u>
Under 20	28.7	26.9	25.6	29.7	27.0	26.0	28.8	26.4	25.1
20-44	37.0	33.6	33.4	36.7	33.0	32.5	36.2	32.2	31.6
45-54	13.1	14.5	13.4	13.1	15.2	13.6	13.3	15.3	13.9
55-65	8.6	11.9	12.7	8.3	12.0	13.3	8.6	12.4	13.8
65+	12.7	13.1	14.9	12.3	12.9	14.7	13.2	13.7	15.6
Median Age	35.5	37.2	37.8	35.4	37.4	37.9	36	38.5	39.2

Persistent Net Outmigration



Differences in Who is Leaving

Net Migration (Exemptions), IRS Data 2014-15

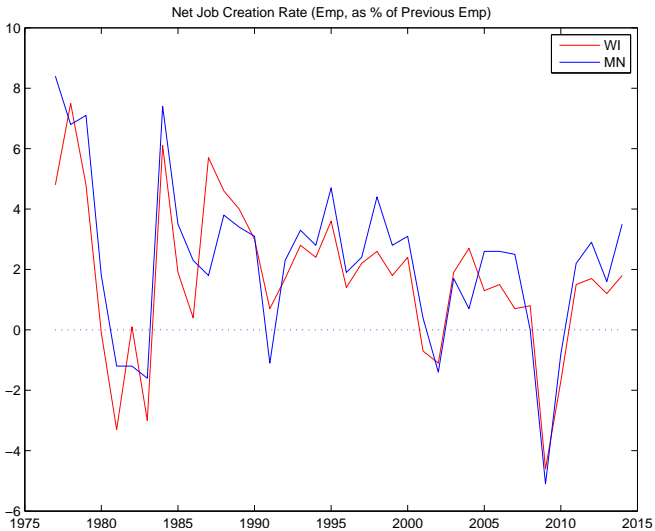
By Income	<u>MN</u>	<u>WI</u>
<u>Total</u>	-5,052	-7,441
\$1 under \$10,000	60	-417
\$10,000 under \$25,000	1,031	-1,772
\$25,000 under \$50,000	-525	-1,481
\$50,000 under \$75,000	-1,001	-1,222
\$75,000 under \$100,000	-694	-525
\$100,000 under \$200,000	-2,432	-1,395
\$200,000 or more	-1,491	-629

By Age	<u>MN</u>	<u>WI</u>
<u>Total</u>	-5,052	-7,441
Under 26	-142	-2,041
26-35	8	-1,175
35-45	-782	-1,340
45-55	-1,094	-720
55-65	-1,679	-943
65+	-1,363	-1,222

	<u>Minnesota</u>		<u>Wisconsin</u>	
	<u>In</u>	<u>Out</u>	<u>In</u>	<u>Out</u>
AGI Per Capita	\$ 35,458	\$ 39,392	\$ 30,726	\$ 35,475

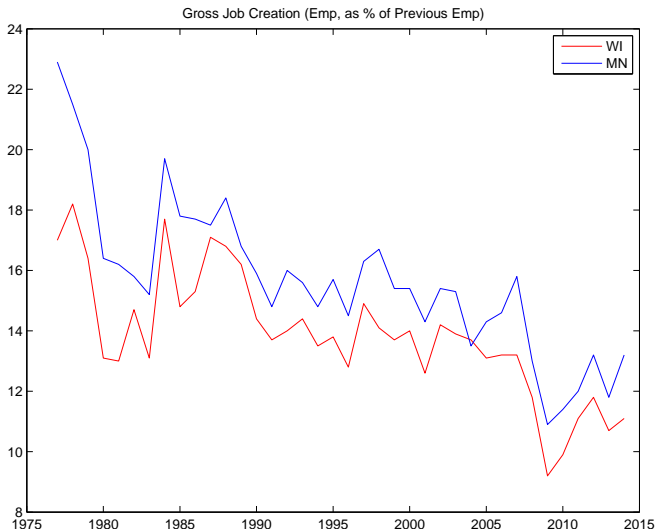
Net Job Creation Rates

Net figures quoted most, but miss scale of gross flows



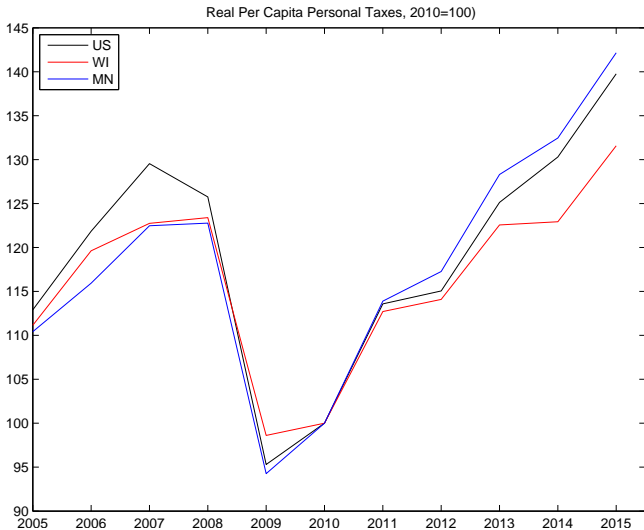
Reduction in Dynamism: Gross Job Flows

Decline in job creation, destruction, firm births, and deaths



Differences in Taxes

Reductions in personal, property, corporate tax rates in WI



Border Counties and Pairwise Migration: WI vs MN, WI vs IL

- Thomas Holmes (U-MN) found large effects of pro-business policies like right-to-work laws on employment in border counties.
- Richard Vedder (Ohio U.) has emphasized state-to-state migration as a measure of policy impact.
- **Border County Employment Growth 2011-2015:**
WI (MN border) 6.6%, MN (WI border) 7.1%
WI (IL border) 11.4%, IL (WI border) 6.0%
- **Pairwise Net Migration 2015 (ACS):**
Minnesota → WI: 878
Illinois → WI: 11,448.

Conclusion

- Distinction between Wisconsin and Minnesota economic performance more complex than most reports suggest.
- Until recently, Minnesota has had faster overall growth, Wisconsin faster after-tax growth. Comparable in per-capita measures.
- Both states face slow labor force growth, outmigration. Reductions in dynamism, productivity growth.
- Differences in cities, industry structure, pattern of migration by age and income.
- Differences in fiscal, tax, regulatory policies. Will it persist?
- **For more in-depth policy analysis:** structural models needed for counterfactuals. One main goal of (forthcoming) **Wisconsin Center for Economic Policy** to be established at UW-Madison