Wisconsin's economy shows some worrisome signs in top-line economic output and some positive trends, such as fairly large net migration from other Midwestern states, both in people and in income. And while the Badger State's fiscal and regulatory policy mix is closer to the norm among states than it was even a decade ago, there is a clear need for additional reforms.

WHERE WE STAND

Gross domestic product measures output and, so, the health of an economy. Wisconsin in 2011 was the 28th best state in GDP per capita. We moved up to 26th by the middle of the decade, then ended 2021 in 29th place, with a smaller bounce-back from COVID-19 restrictions. Since 2018, we have fallen from fourth of seven Midwestern states by this measure to sixth, or second worst. Surpassed by Ohio and Indiana after pandemic restrictions, Wisconsin is the only Midwestern state to be passed by one of its peers during the period.

Between 2010 and 2021, Wisconsin's total population grew about 3.6%, the fourth-highest increase among seven Midwestern states, behind Minnesota (7.6%), Indiana (4.9%) and Iowa (4.8%). Over the 2011-2020 period, Wisconsin has positive net migration from all Midwestern states except Ohio. Most notably, we netted a population gain of 55,251 from Illinois.

When migration is measured in terms of income reported on the tax returns of those moving, between 2011 and the end of 2020, about $2.7 billion of adjusted gross income (AGI) moved from other Midwestern states to Wisconsin. This was largely due to net gains from Illinois: a total of $2.4 billion in AGI moving from Illinois to Wisconsin. There were smaller net gains from Minnesota ($301 million), Iowa ($125 million) and Indiana ($20 million).

Wisconsin's employment to population rate, the percentage of the civilian noninstitutional population 16 or older that is working, at 64% compares favorably in trend and level. Our rate is one-tenth of a percentage point below Iowa and only a percentage point behind Minnesota. This represents relative improvement from 2011, when we were nearly three percentage points behind both Minnesota and Iowa.

The number of business establishments in Wisconsin increased by 3,281 during the 2012-2020 period, a 2.38% change. This puts Wisconsin above Illinois, Michigan and Ohio but below Minnesota, Indiana and Iowa. Annual figures varied widely, with 2015-2017 representing the largest gains to Wisconsin and 2018-2020 representing the largest losses.
HOW TO GROW

Wisconsin can benefit from two trends. One is the movement of production from overseas to locations in the United States, both as reshoring of work that had been sent overseas and through investments by foreign companies. The other trend is the movement of company headquarters and operations from high-tax, high-cost states to more welcoming places.

What is “welcoming”? Economists have developed measures of economic freedom at the state level. A large body of research has validated such freedom as conducive to growth: Of 235 research papers on the connection between economic freedom and growth, two-thirds associated greater freedom with better economic outcomes, while only one found the opposite. Wisconsin has risen on the two most widely used indices of economic freedom, from the Fraser Institute and the Cato Institute, improving from the mid-30s in 2010 to the low 20s by 2018.

Business is mobile. State and local tax and regulatory policies weigh heavily in location decisions, as can be seen by Boeing, Caterpillar and Citadel fleeing high-cost, high-regulation Illinois. Research shows how high corporate and personal tax rates cause companies that operate in multiple states to reshuffle employment between operations in high- and low-tax states.

Now is a good time for Wisconsin lawmakers to enact measures to make the state more competitive. Among them:

- **Tax reform to attract more business investment, including investment by domestic companies that are reshoring foreign operations and foreign direct investment.**

- **Keeping the regulatory reforms of the previous decade in place, including the right-to-work statute.**

In addition, lawmakers can address our demographic challenges: Wisconsin’s population is expected to grow very slowly over the next two decades, while the share of Wisconsinites ages 25 to 54, the prime working years, is below the national average and is expected to decline further by 2040. Expanding our recognition of occupational licenses issued by other states would help attract more people, since the cost to obtain new licensure to work is a significant deterrent to interstate migration.

For more on Wisconsin’s economy, visit badgerinstitute.org/economy