Economy

MANDATE for MADISON

Strong foundations, untapped potential: Wisconsin's economy

By Scott Niederjohn and Wyatt Eichholz

BADGER INSTITUTE
Free Markets ▪ Opportunity ▪ Prosperity

2026

EXECUTIVE SUMMARY

Strong foundations, untapped potential: Wisconsin's economy

Exploring the mismatch between strong labor, business inputs and our lagging productivity and income outputs

Wisconsin's economy displays many of the conditions that typically precede stronger growth in productivity and income. Labor force participation and employment rates remain competitive in a regional context, business establishment growth has been strong, and cross-border income flows from key neighbors tilt in Wisconsin's favor. These indicators, taken together, describe a sound foundation rather than a struggling economy. They are the "necessary conditions" that, in most states, correlate with higher output per worker and higher per-capita income over time.

Yet the headline outcomes do not consistently place Wisconsin at the front of the Midwest pack. On output measures, Wisconsin is decidedly not a leader. Given the underlying fundamentals, that pattern constitutes a productivity expectation gap. Why aren't strong inputs translating into stronger aggregate outcomes?

This report frames that question, organizes the strongest evidence on Wisconsin's fundamentals, and then examines where results lag expectations. It then introduces several reforms to make Wisconsin more prosperous.

The introductory chapter of the Mandate for Madison provides evidence that the market-oriented economic reforms of the 2010s have helped boost economic growth relative to what would have occurred in their absence. This chapter shows that Wisconsin is nevertheless still not meeting its full economic potential and that additional reforms are needed to help create greater prosperity.

Strong foundations, untapped potential: Wisconsin's economy

By Scott Niederjohn and Wyatt Eichholz

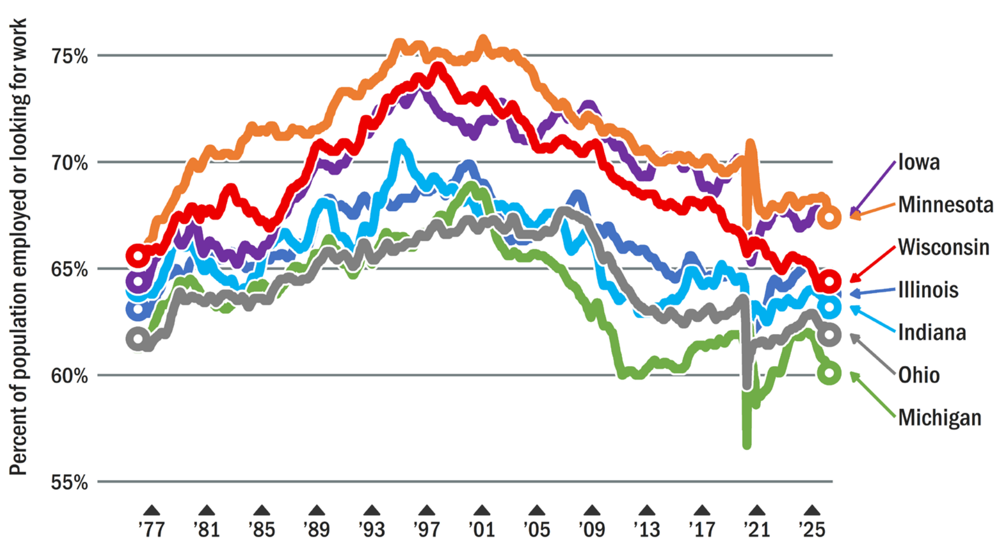
Framing the puzzle: strong inputs, mid-pack outcomes

A coherent reading of Wisconsin's indicators points to a state with a reliable labor supply, steady utilization of prime-age workers, and a competitive business climate.

The labor market story begins with participation. The labor force participation rate is a metric of the available supply of workers in an economy. It measures the percentage of a state's population 16 and older that is either working or actively looking for work. A person who lost his job but is applying for a new one is counted as unemployed but still in the labor force. Someone who voluntarily leaves the labor force or gives up looking for work is considered not a part of the labor force.

As Figure 1 illustrates, despite widespread declines since the late 1990s and early 2000s, Wisconsin's labor force participation rate has remained high relative to the rest of the region, ranking as one of the top three Midwestern states since 1977. Wisconsin's lead over Indiana

Fig. 1: Labor force participation rate, Midwest states



Source: U.S. Bureau of Labor Statistics, via Federal Reserve Economic Data and Illinois has shrunk, and regional labor force participation has been on the decline since around 2000, but Wisconsin's position remains comparatively strong. Wisconsin also experienced a quick dip and a quick snap-back during the COVID disturbance of 2020-2022, as seen in Figure 1.

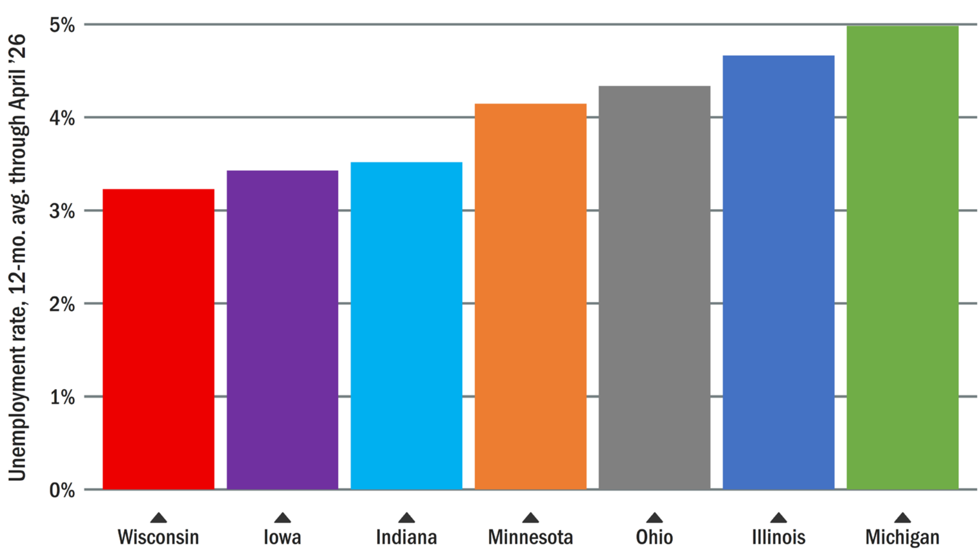
Another important labor metric is the unemployment rate, which measures the percentage of the labor force that is looking for work but currently does not have a job. Wisconsin compares quite favorably to its Midwestern neighbors on the unemployment rate, showing the lowest 12-month average of the seven states through April 2026 (see Figure 2). The state also has a history of showing milder fluctuations in its unemployment rate during recessions than some of its Midwestern neighbors, with a lower mean and smaller standard deviation in its monthly unemployment rate data than Illinois, Ohio, Indiana and Michigan (see Table 1).

Together, the higher labor force participation rate and lower unemployment describe a reasonably healthy labor market: A larger share of the state is willing to work, and a smaller share of those are unemployed, than in neighboring states.

The strong picture comes more clearly into view when looking into data on prime-age employment. Labor economists identify workers ages 25 to 54 as the core of the work force.[1]

The data show that Wisconsin's engagement of core working-age adults likewise compares favorably to surrounding states. Figure 3 shows the percentage of the population age 25 to 54 that is actively employed. On this key metric, Wisconsin is in the top three

Fig. 2: Unemployment rate (12-month average)



Source: Bureau of Labor Statistics, via Federal Reserve Economic Data

Table 1: Monthly unemployment rate, 1976 to April 2026 (percent)

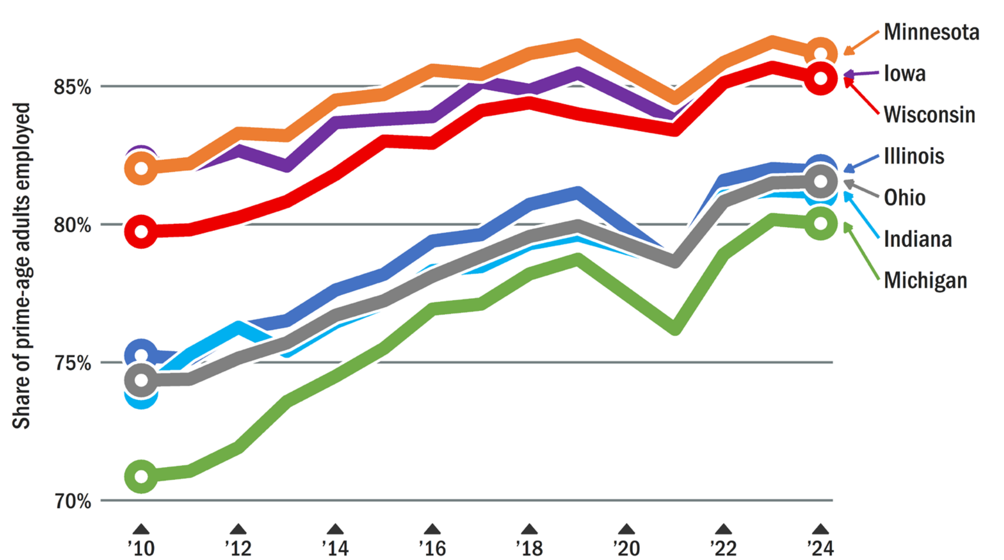
State	Mean	Standard dev.	Minimum	Maximum
Minnesota	4.67	1.43	2.2	11.1
Iowa	4.44	1.48	2.5	11.0
Wisconsin	**5.16**	**1.92**	**2.6**	**14.1**
Illinois	6.71	2.09	3.6	18.3
Ohio	6.44	2.18	3.4	16.5
Indiana	5.77	2.35	2.7	16.9
Michigan	7.55	3.08	3.2	22.7

Source: Bureau of Labor Statistics, via Federal Reserve Economic Data

and has pulled away from the lower tier, achieving a statistical tie with Iowa and gaining ground on Minnesota.

Wisconsin's strong fundamentals extend beyond the labor market. One important metric of economic growth is the net change in business establishments. The Bureau of Labor Statistics defines an "establishment" as a "single physical location where one predominant activity occurs." The measure is not quite the same as a measure of firms or enterprises, but provides a more granular picture of business activity, since one firm can have many divisions and many locations. (A multi-location firm opening a new branch would not be counted in official statistics as a new firm, but it would count as a new establishment.)

Fig. 3: Prime-age employment-population ratio, Midwest states



Source: U.S. Census Bureau, American Community Survey 1-year PUMS

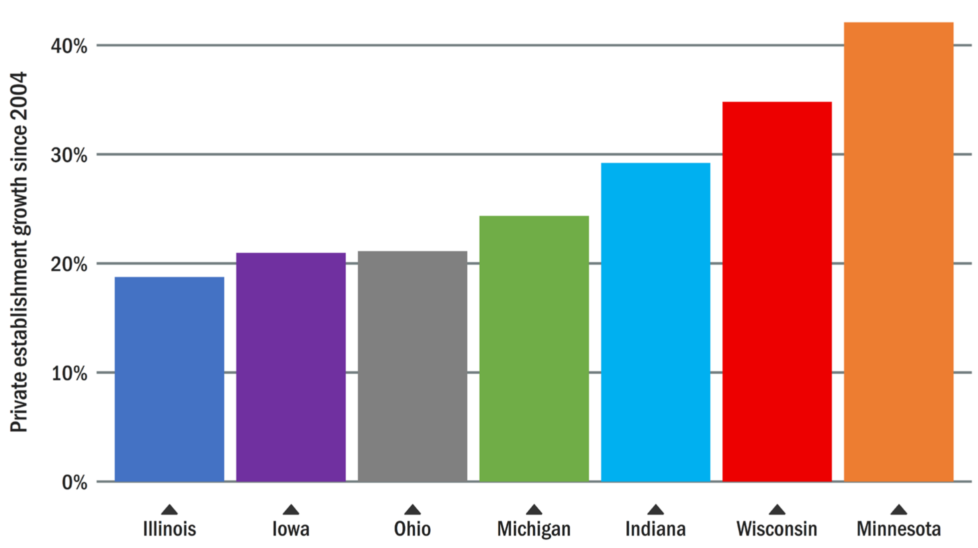
Since 2004, the total number of private establishments in Wisconsin has grown by 35 percent (see Figure 4), ranking the Badger State second only to Minnesota in the region.

While not every new business will survive, and not every growing business will become a large-scale employer, the presence of dynamism improves the odds that high-value opportunities will emerge and grow.

Cross-border economic interactions show Wisconsin as competitive in its immediate neighborhood (see Figure 5). Using data from income tax filings, the U.S. Internal Revenue Service aggregates and publishes detailed data on migration across state borders. The IRS data show that in terms of the adjusted gross income of cross-border movers, Wisconsin on net attracts more adjusted gross income from nearby states than it loses to them (Figure 6), particularly Illinois and Minnesota, even if the net flows against the broader nation remain negative. Against Minnesota, Wisconsin now runs an income surplus, gaining high earners even while losing tax filers on net. In other words, more people are moving to Minnesota than moving here from it, but the ones who do move here earn more money.

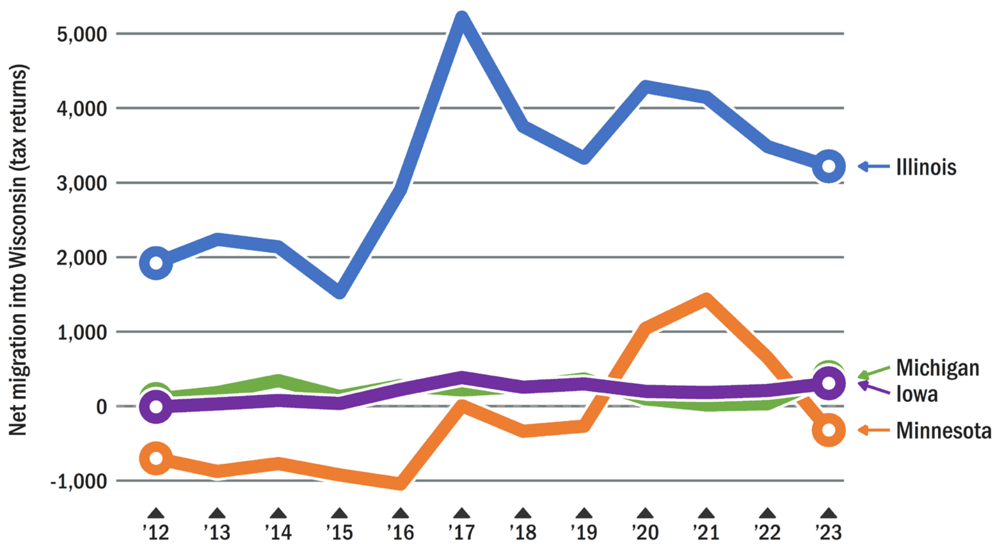
Taken together, these indicators do not show a weak economy. On the contrary, they are the signatures of a jurisdiction that wins important contests close to home.

Fig. 4: Private establishment growth by state, 2004–2025



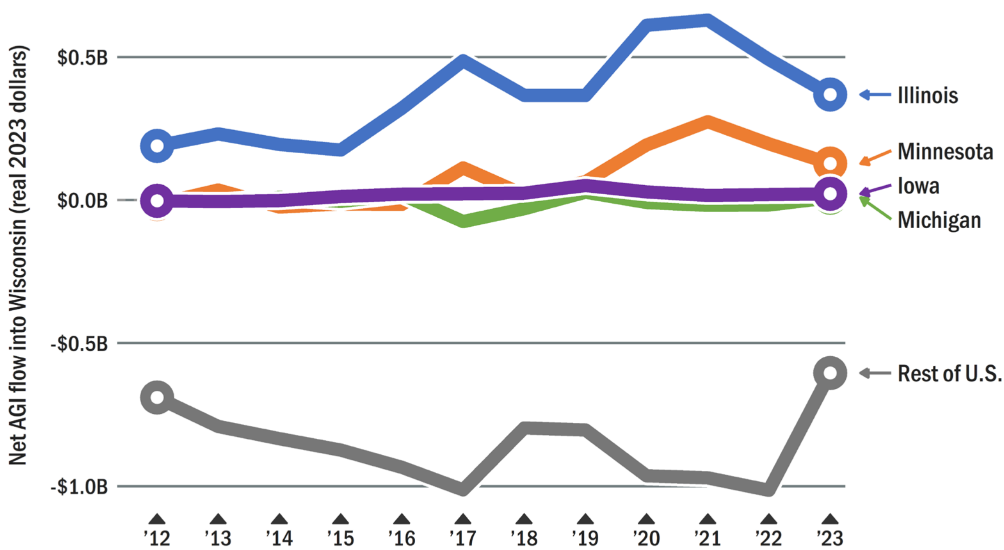
Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages

Fig. 5: Net migration into Wisconsin from bordering states



Source: IRS Statistics of Income, state-to-state migration files. Positive = net inflow of tax returns into Wisconsin.

Fig. 6: Net adjusted gross income flow into Wisconsin



Source: IRS Statistics of Income, state-to-state migration files; BLS CPI-U.

Outcomes that lag expectations

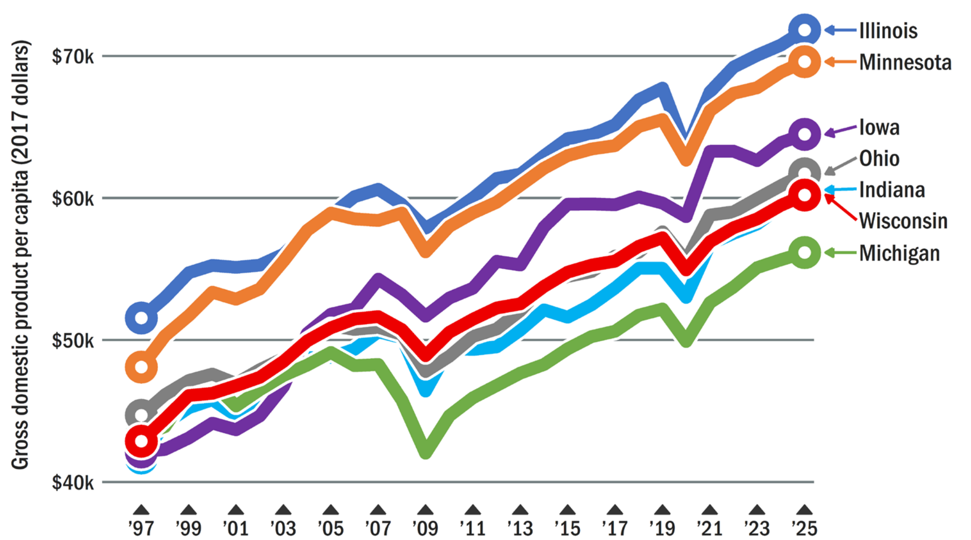
The puzzle is that these necessary conditions for strong economic performance have not proven sufficient for it and have not produced the positive outcomes one might expect. Instead, this section shows that Wisconsin is either in the middle of the regional pack or near the bottom on several important indicators of economic dynamism and prosperity. The introductory chapter of the Mandate for Madison showed that the market-oriented policy reforms of the 2010s were growth-enhancing. The middling-to-poor results shown in this section demonstrate that much more work needs to be done.

In terms of economic output per person, as measured by gross domestic product per capita, Wisconsin has consistently lagged behind leaders Illinois and Minnesota (see Figure 7). On the other hand, Iowa, while producing less per capita in the late 1990s, overtook Wisconsin by 2005 and has steadily narrowed its gap with Minnesota. Cumulatively, Wisconsin's real GDP per capita has grown by 40 percent since 1997, just slightly better than Illinois' 39 percent and below Minnesota's growth of 45 percent. Iowa has outperformed the group at 53 percent.

Over the period from 1997 to 2025, Iowa grew by a compound annual growth rate of 1.53 percent, followed by Indiana at 1.34 percent and Minnesota at 1.33 percent. By this metric, Wisconsin's compound annual growth rate of 1.22 percent slightly beats Illinois' 1.19 percent. Ohio comes in second-to-last at 1.16 percent, while Michigan experienced the slowest growth at just 0.94 percent.

Note that the level and trend of GDP per capita vary over time, but the central

Fig. 7: Gross domestic product per capita, Midwest states



Source: U.S. Census Bureau, Bureau of Economic Analysis, via Federal Reserve Economic Data tendency is durable. That is the gap this report seeks to explore.

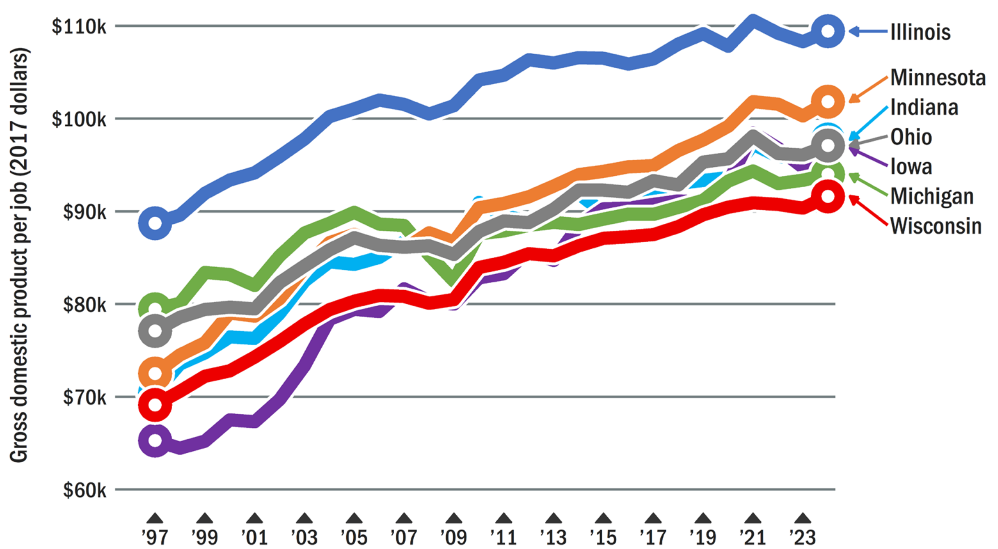
If the inputs are strong, why aren't the outputs stronger? Productivity, proxied here by gross domestic product per job (Figure 8), offers the clearest lens for this question because it summarizes how effectively labor and capital combine to create value. On this measure, Wisconsin is in last place.

Volatility from year to year is expected, especially in sectors sensitive to national demand cycles and global price movements. But across cycles, Wisconsin never breaks into a sustained leadership position on output per job. That fact is at odds with what one might expect from the labor market and enterprise indicators alone.

Per capita personal income paints a slightly rosier picture (Figure 9). Because income per person is counted where people live and not where output is produced, the way GDP is, it provides a practical gauge of average living standards. Wisconsin generally occupies an upper-middle position among Midwest peers: third among the seven states in all but one year since 2001, behind only Minnesota and Illinois. Some of Wisconsin's personal income is earned across state lines and counted at home, partially offsetting the weak GDP performance — though, like the region as a whole, Wisconsin's income per person has fallen further behind the national average.

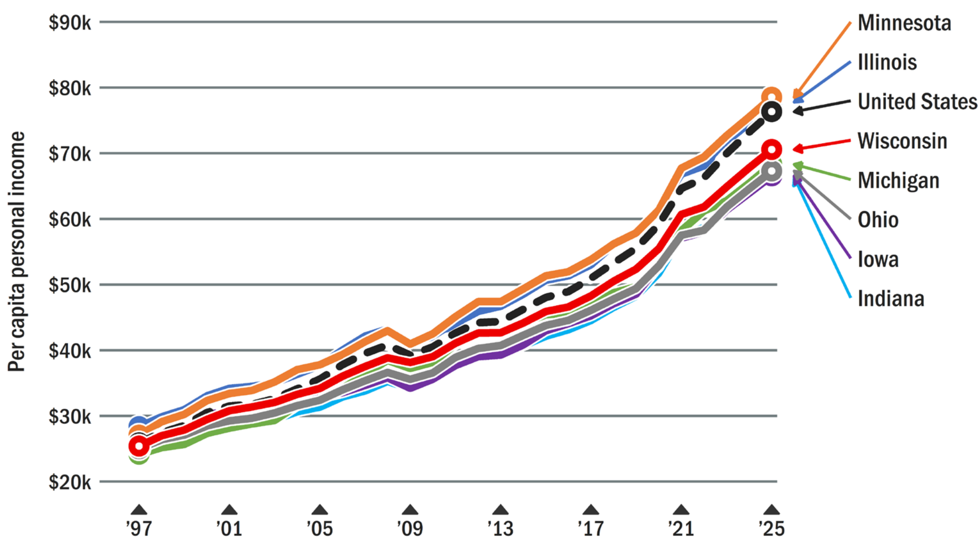
Taken together, these figures suggest that Wisconsin's principal challenge is not a shortage of workers or a shrinking business base, but rather the composition and concentration of the high-value

Fig. 8: Gross domestic product per job, Midwest states



Source: BEA real GSP (via FRED); BEA SAINC4 line 7010 total employment (direct download)

Fig. 9: Per capita personal income



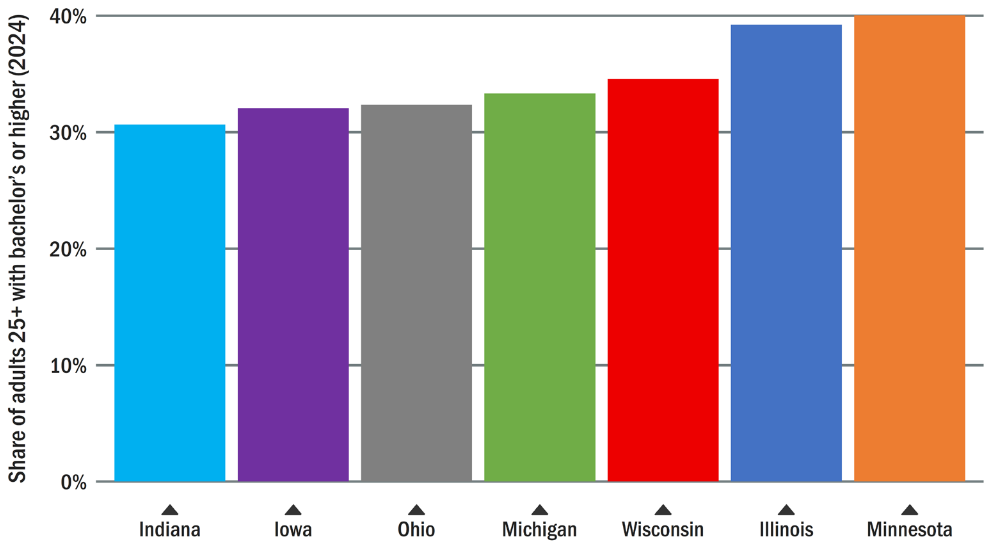
Source: U.S. Bureau of Economic Analysis, personal income by state, via Federal Reserve Economic Data. Current dollars.

economic activities that drive productivity and innovation. Illinois and Minnesota, for example, benefit from substantially larger corporate sectors. Illinois is home to 29 Fortune 500 companies, while Minnesota has 18 — and Wisconsin has eight. These structural advantages help explain some of the differences in economic performance and caution against drawing overly negative conclusions about Wisconsin's relative standing. Instead, the more important question is why Wisconsin's strong economic fundamentals are not translating more consistently into greater prosperity. Answering that question requires examining where and how value is created, who is creating it, and whether the state's metropolitan economy is generating the agglomeration effects and knowledge spillovers that raise firm-level productivity.

If Wisconsin is lagging its neighbors, that's not for lack of brainpower. Wisconsin is among the more educated of its neighbors. While Minnesota and Illinois are the leaders in bachelor's degree attainment, boasting rates of 40 percent and 39 percent respectively, Wisconsin's 35 percent puts it above Michigan, Ohio, Iowa and Indiana (Figure 10). The rank order closely tracks the distribution of states by per capita personal income.

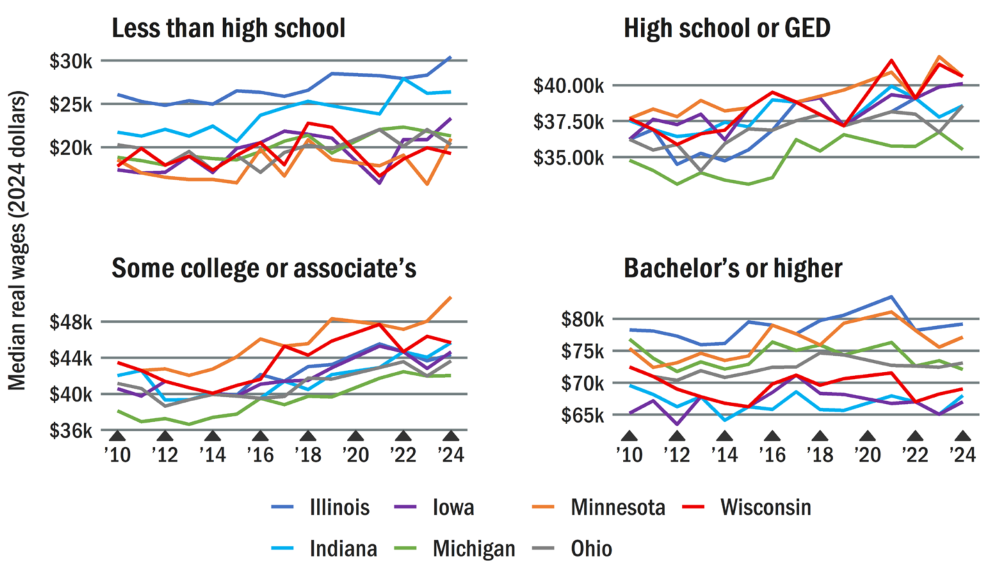
However, in terms of compensation for education, Wisconsin falls short. The median real wage for Wisconsin residents who hold a bachelor's degree or higher has declined since 2010, dropping sharply between 2021 and 2022 (Figure 11). Illinois and Minnesota, by comparison, have seen modest growth. Compared to the Twin Cities metro area, Milwaukee lags behind substantially in real gross domestic product per resident (Figure 12). Madison, on the other hand, tracks much more closely to the level of the Twin Cities, and has in fact edged past the Twin Cities in recent years. This suggests that

Fig. 10: Bachelor's degree attainment rate by state (2024)



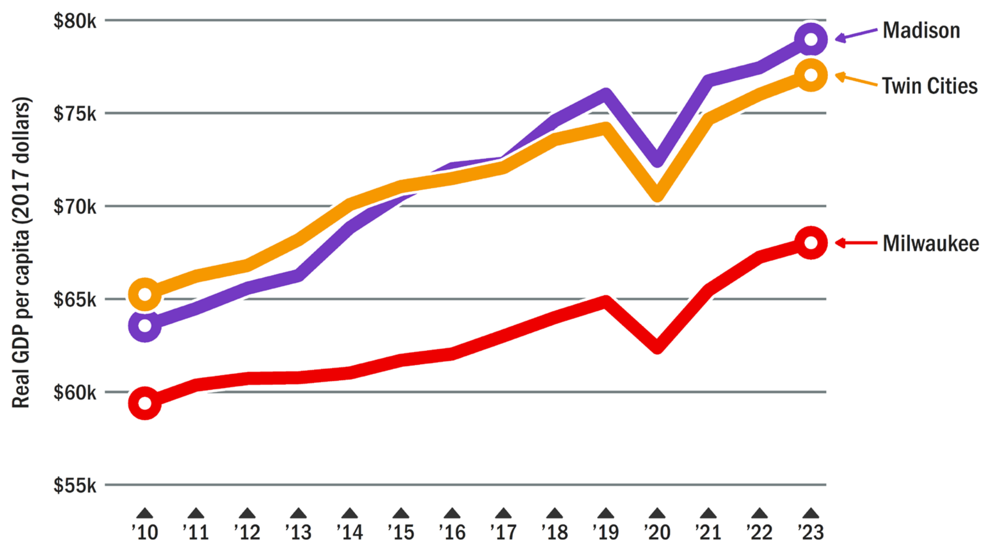
Source: U.S. Census Bureau, American Community Survey 1-year estimates (B15003)

Fig. 11: Median real wages by education level, Midwest states



Source: U.S. Census Bureau, ACS 1-year PUMS; BLS CPI-U. Real 2024 dollars.

Fig. 12: Real GDP per capita, Milwaukee and peer metros



Source: BEA real GDP by metro area, Census Bureau metro population, via Federal Reserve Economic Data. Chained 2017 dollars.

Milwaukee is dragging behind in terms of its productivity and value creation.

Conclusion: closing the expectation gap

James Bohn's introductory chapter to the Mandate for Madison showed that the market-oriented reforms of the 2010s helped improve the state's growth performance. The evidence assembled in this chapter shows that much more remains to be done to make Wisconsin reach its full economic potential. It challenges us to match strong inputs with stronger outputs.

Specifically, we have shown Wisconsin competes effectively in its neighborhood, fields a reliable and engaged workforce, and shows encouraging signs of establishment growth. The task is to convert those assets into a higher share of activities that increase productivity and raise average living standards.

The rest of the 2026 Mandate for Madison examines some of the most important policy challenges facing the state and provides a roadmap for pro-growth economic reform that would raise living standards for Wisconsinites.

About the authors

Scott Niederjohn is dean of the Batterman School of Business and the director of the Free Enterprise Center, both at Concordia University Wisconsin, and he is a visiting fellow of the Badger Institute.

Wyatt Eichholz is a policy and legislative associate at the Badger Institute. He graduated from the University of Alabama in 2024 with a Master of Arts in economics.

ENDNOTE

1 Deepika B. Prabhakar and Robert G. Valletta, February 5, 2024, "Why Is Prime-Age Labor Force Participation So High?" Federal Reserve Bank of San Francisco. https://www.frbsf.org/research-and-insights/publications/economic-letter/2024/02/why-is-prime-age-labor-force-participation-so-high/