



Center for  
Research  
**On the**  
**Wisconsin**  
Economy

University of Wisconsin-Madison

# CROWE and the Wisconsin Economy

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Center for Research **On** the **Wisconsin** Economy (CROWE)

<https://crowe.wisc.edu>



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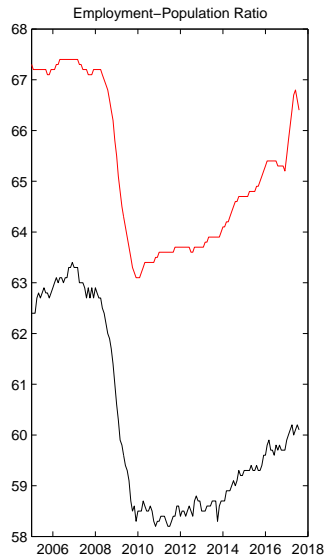
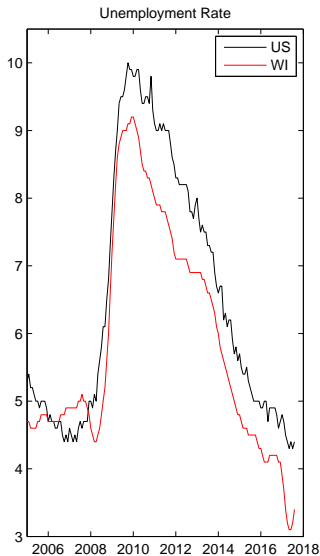
# CROWE: Brief Introduction

- Center for Research on the Wisconsin Economy (CROWE) recently established in the Department of Economics.
- **Mission:** to support and disseminate economic policy research, with a particular focus on the Wisconsin economy and state-level economic policy issues
- **Goals:**
  - Understand forces driving economic outcomes and the impacts of policies at the state-level
  - Make economic research accessible to policymakers, businesses, and community in Wisconsin and beyond
  - Provide opportunity for UW students to engage in research & policy process
- Recently added staff, but looking to grow.

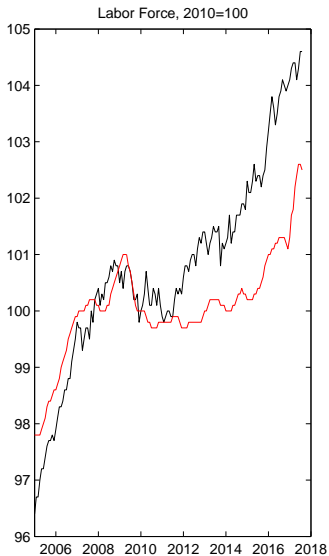
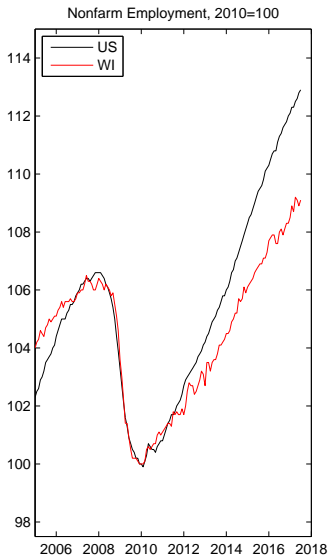
# Outlook for the Wisconsin Economy

- Tight labor market: low unemployment, high employment-population ratio
- **Labor force** challenges: low population growth, aging workforce, low migration
- State economy has diversified but remains **manufacturing**-heavy.  
Long-term decline in manufacturing employment, but growth since 2010.
- Major fiscal policy changes in recent years, potential for **tax reform**
- **Forecast**: slow and steady growth over next two + years

# Unemployment and Employment-Population



# Employment and Labor Force



Project by James Walker, CROWE Faculty Fellow

- Low labor force growth driven by aging of population, low migration
- Between 1990–2016 annual interstate migration rate in US fell by half (about 3.0% to 1.5%).
- Wisconsin migration rates were in the middle to bottom half in 1986 and continue to be so in 2016.
- Wisconsin has experienced a net outflow college graduates in recent years (2010–2017) but the loss is (in relative and absolute terms) smaller than in early 1990s.

# Decline in Labor Mobility

- Migration rates by single-individuals fell by more than married individuals: demographics not likely the cause.
- Migration rates declined by half for all distance moves. Suggests changes in housing market potentially as important as labor market.
- Timing of migration decline varies by educational group.
- Currently investigating causes, exploring migration behavior of graduates of two- and four-year colleges.

**Table:** Annual Interstate Migration Rates: Males Ages 25–55 (%)

Group	1986	1996	2006	2016
All	3.4	2.8	2.0	1.7
College grad	5.1	3.9	2.5	2.3
HS grad	2.6	2.7	1.6	1.3
< HS	2.3	2.4	1.7	1.3

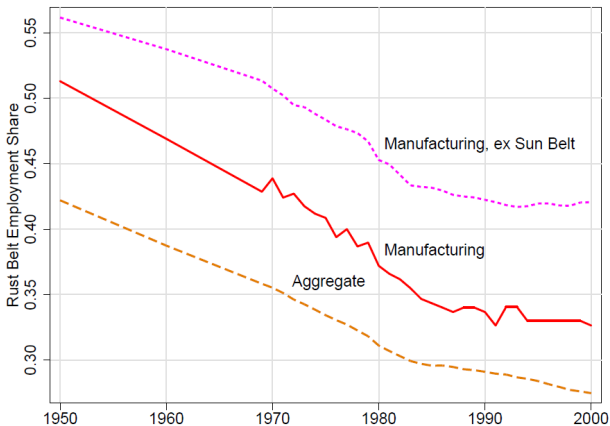


Alder, Lagakos, Ohanian

- Output share of manufacturing in Wisconsin:
  - 36% in 1963
  - 18% in 2016
- Discussion on decline of manufacturing focuses on:
  - 1 structural change
  - 2 international trade
  - 3 skilled-biased technological change
- Paper argues that decline of manufacturing in Rust Belt largely homemade:
  - 1 adversarial labor-management relations
  - 2 lack of competition in output markets

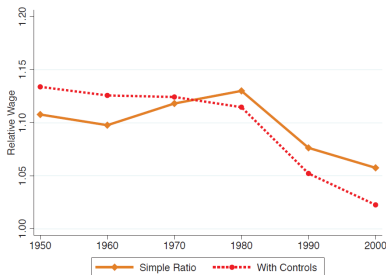
# The Rust Belt: Four Key Facts

## 1. Secular Employment Decline

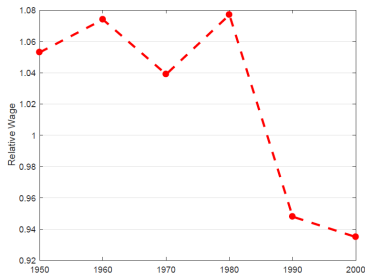


# The Rust Belt: Four Key Facts

## 2. High Wages



(a) Rust Belt



(b) Wisconsin

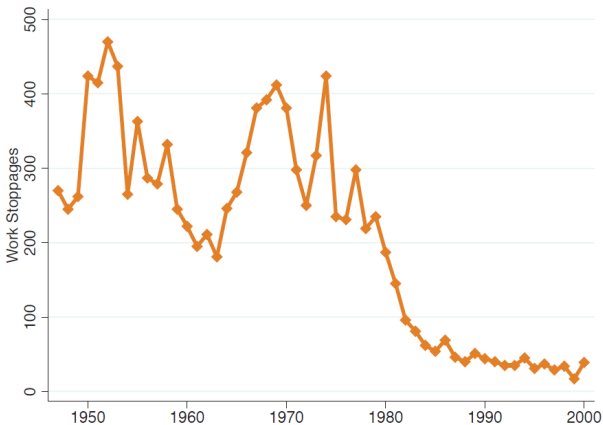
# The Rust Belt: Four Key Facts

## 3. Low Productivity Growth

	Annualized Growth Rate, %		
	1958-1985	1985-1997	1958-1997
Blast furnaces, steelworks, mills	0.9	7.6	2.8
Iron and steel foundries	1.5	2.3	1.7
Metal forgings and stampings	1.5	2.8	1.9
Metalworking machinery	0.9	3.5	1.6
Motor vehicles and motor vehicle equipment	2.5	3.8	2.9
...	...	...	
<b>Rust Belt weighted average</b>	<b>2.0</b>	<b>4.2</b>	<b>2.6</b>
<b>Manufacturing weighted average</b>	<b>2.6</b>	<b>3.2</b>	<b>2.8</b>

# The Rust Belt: Four Key Facts

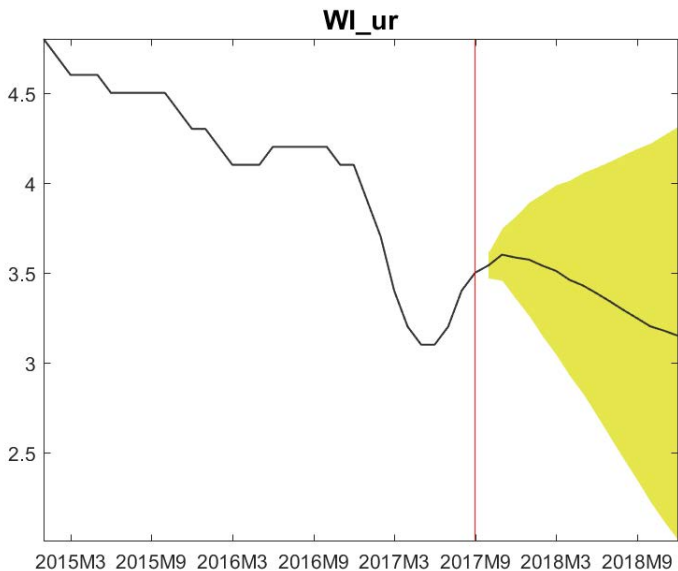
## 4. Adversarial Labor Relations Pre-1980s



- Reduction in labor market conflict and increased competition from international trade helped stem the relative decline of manufacturing in the Rust Belt and in Wisconsin.
- High wages and relative stability in 1950s were not sustainable.
- Today's manufacturing jobs require more skilled labor and more capital (capital-skill complementarities).
- From post-recession low in 2010, Wisconsin has added 50,000 manufacturing jobs (+12%).

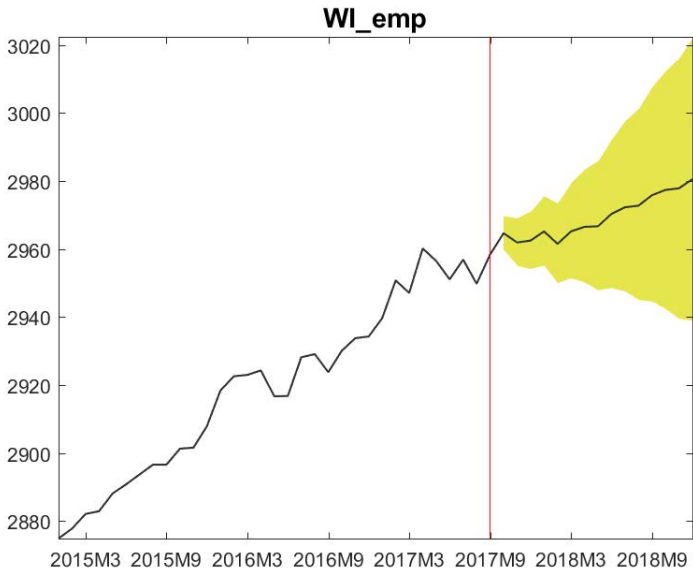
- Ongoing project at CROWE on modeling state economies. Engaging student research assistance: undergraduate, Masters, and PhD.
- We adapt an approach used the Federal Reserve Bank of Minneapolis to forecast the US economy. We modify to national and state levels.
- Assumes current federal and state policies continue. Extend for quantitative policy evaluation like tax reform.
- Currently extending to all 50 states. **No comparable publicly available state-level forecasts.**

# Wisconsin Forecast: Unemployment Rate

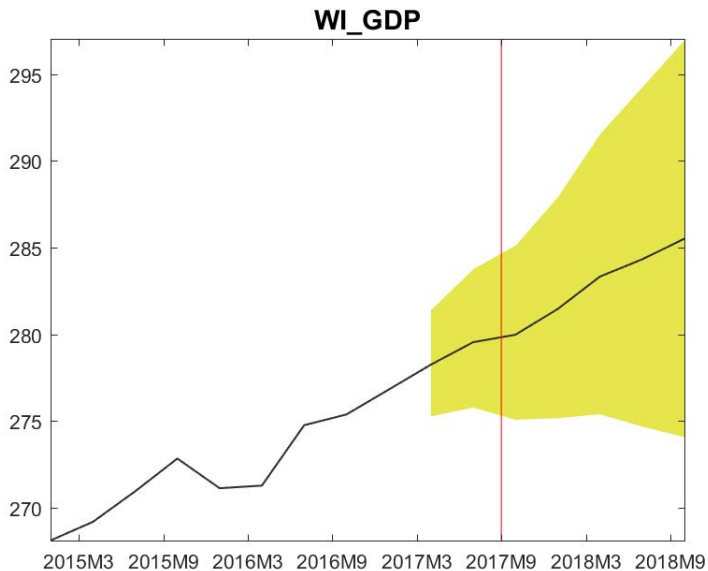




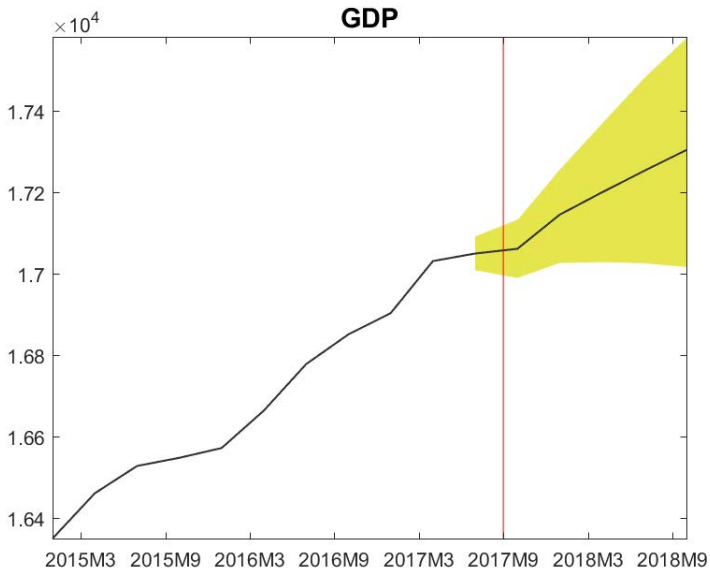
# Wisconsin Forecast: Employment



# Wisconsin Forecast: GDP



# National Forecast: GDP



## Current Projects

- Alder, “Competition and Productivity Growth in the Rust Belt.” Released today at [crowe.wisc.edu](http://crowe.wisc.edu)
- Guo and Williams, “An Outlook for the Wisconsin Economy”
- Walker, “Labor Mobility and Wisconsin”

## Future Projects

- Growth and Business Cycles in US States
- Evaluating Fundamental State Tax Reform
- Economic Opportunity and Economic Freedom