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MINNPOST

Walker vs. Dayton smackdown: Which governor has the better economy?

By [Louis D. Johnston](#) | 02/07/13

Two weeks ago [I shared some thoughts](#) on Gov. Mark Dayton's budget proposal. Someone else did too: Republican Gov. Scott Walker of Wisconsin. He sent out this Tweet:

In '11, IL raised taxes on income by 66% & businesses by 46%. Now MN Gov is proposing a \$2 bil tax increase. WI is Open for Business.

Dayton fired back. "Gov. Walker's economy is faring far worse than Minnesota's over the last couple of years," our DFL governor said. "I would suggest Gov. Walker focus on his problems, and we'll deal with bettering Minnesota."

So what's the story here? How is Minnesota's economy doing compared to Wisconsin's?

Let's start with a quick overview:



VS



\$44,560

Per capita personal income

\$39,575

(2011)

\$39,257

Per capita disposable (after-tax) income

\$35,359

(2011)

5.5%

Current unemployment rate

6.6%

(December 2012)

2,390 jobs
(0.087%)

Civilian employment growth
(Monthly average since June 2009)

124 jobs
(0.005%)

Minnesota's per capita income is higher than Wisconsin's in both in pre-tax and after-tax terms.



In terms of jobs, Minnesota's unemployment rate is lower than Wisconsin's and its rate of job growth is higher.

Is this a fluke? Let's go to the long term record, starting with per capita income.

In an **earlier column** I analyzed Minnesota's per capita income with its neighbors by comparing each state with the national average. Here's the Minnesota/Wisconsin comparison updated to 2011:

Source: FRED

Wisconsin's per capita income relative to the national average has, in the best light, stagnated since the 1950s. Minnesota passed Wisconsin in the late 1960s and the gap has grown every year since then. (By the way: The chart looks the same using after-tax income. It's not the case that Minnesota's per capita income is higher than Wisconsin's but that the difference is eaten up in taxes.)

How about jobs? Employment and unemployment are cyclical, so let's examine these variables relative to the beginning of the recent recession in December 2007. First, here's a picture of civilian employment:

Source: Bureau of Labor Statistics

Paul Tosto at MPR shows a **similar graph** using nonfarm employment. The difference between his picture and mine is that nonfarm employment is estimated using the "establishment survey" while civilian employment is based on the "household survey," both of which are conducted by the Bureau of Labor Statistics. (I wrote about these surveys **here**.) Menzie Chinn, professor of public affairs and economics at the University of Wisconsin-Madison, noted that there are some **potential problems** with the establishment survey data, but the two sources tell the same story: Minnesota's job growth has been stronger than both Wisconsin's and the nation as a whole.

Unemployment rates tell a similar story:

Source: **FRED**

Wisconsin's unemployment rate started out lower than Minnesota's in December 2007 but was equal to Minnesota's rate by December 2008 and has been above Minnesota's since March 2009.

The bottom line: Minnesota's economy fared better than Wisconsin's during the most recent recession and recovery. Further, average incomes for Minnesotans have been higher than Wisconsinites since the late 1960s, even accounting for tax differences.

So, who might want to take advantage of Walker's "open for business" offer?

These data imply that companies that want to avail themselves of a deeper pool of unemployed workers whom they can pay lower wages would do well in Wisconsin. Perhaps setting up a subsidiary in Wisconsin (to take advantage of lower labor costs) and keeping the high-skill, high-income headquarters in Minnesota is the way to go for those businesses.

Higher income and sales taxes might make Minnesota slightly less attractive for business than Wisconsin, but remember that the private business sector is **one part of the larger economy**. Healthy businesses, low unemployment rates, strong job growth, and above-average household income are all elements of a vibrant economy. It looks like that's what Minnesota has and what Wisconsin lacks.

ABOUT THE AUTHOR:



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