

## Introduction

Income inequality continues to grow in Wisconsin and the United States, producing an ever-widening chasm between the rich and poor. Over the last 40 years, Wisconsin's richest residents have experienced dramatic increases in income, while Wisconsinites not among the very highest earners saw their incomes stagnate or decline.

Wisconsin's growth and prosperity are not being equally shared. The rewards of prosperity have been concentrated on the richest 1%. As a state, this should be of substantial concern, not only because of the slow or non-existent growth in incomes for the remaining 99% percent of families, but also because increasing disparity comes with substantial social costs.

All data in this report comes from *The Increasingly Unequal States of America: Income Inequality by State, 1917 to 2011*, written by Estelle Sommeiller and Mark Price for the Economic Analysis and Research Network. Published by the Economic Policy Institute, the report explores the evolution of top income shares at the state level and provides the figures that allow this analysis of top incomes in Wisconsin. Income figures are presented in 2011 dollars.

## Getting to the Top: How Much Does it Take to be in the Top 1 Percent in Wisconsin?

There is a vast gap between the incomes of the highest earners in Wisconsin and the incomes of typical Wisconsin residents.

In Wisconsin, the top 1% of had income of \$283,000 or higher in 2011. The top 0.01% in Wisconsin – the top 1 out of 10,000 – had incomes of at least \$5.4 million in 2011, ranking Wisconsin near the middle of the states.

*table 1*

INCOME THRESHOLD OF TOP 1% AND TOP .01%, AND AVERAGE INCOME OF TOP .01%, IN 2011

<i>State/region</i>	<i>Income threshold of top 1%</i>	<i>Income threshold of top .01%</i>	<i>Avg. income of the top .01%</i>	<i>Rank of avg. income of Top 0.01% (out of 50, 1= highest)</i>
Wisconsin	\$283,074	\$5,387,667	\$16,023,678	24
Midwest	\$307,833	\$5,554,099	\$15,691,377	
United States	\$348,498	\$7,508,585	\$23,381,212	

Sommeiller, Estelle, and Mark Price. 2014. "The Increasingly Unequal States of America. Income Inequality by State, 1917 to 2011." Economic Analysis and Research Network. [<http://www.epi.org/publication/unequal-states/>]

The top 1 percent in Wisconsin makes, on average, more than 18 times the average annual income of \$42,000 that the remaining 99% of residents make. Wisconsin ranked 28th among U.S. states in the ratio of the top 1% of income to the bottom 99% of income. The average income of the top 0.01% in Wisconsin is 377 times the average income of the bottom 99% of Wisconsin residents.

table 2

RATIO OF TOP 1% INCOME TO BOTTOM 99% INCOME, IN 2011

State/region	Average income of the top 1%	Average income of the bottom 99%	Rank (by top-to-bottom ratio)	Top-to-bottom ratio
Wisconsin	\$783,236	\$42,465	28	18.4
Midwest	\$823,063	\$41,799		19.7
United States	\$1,040,506	\$42,694		24.4

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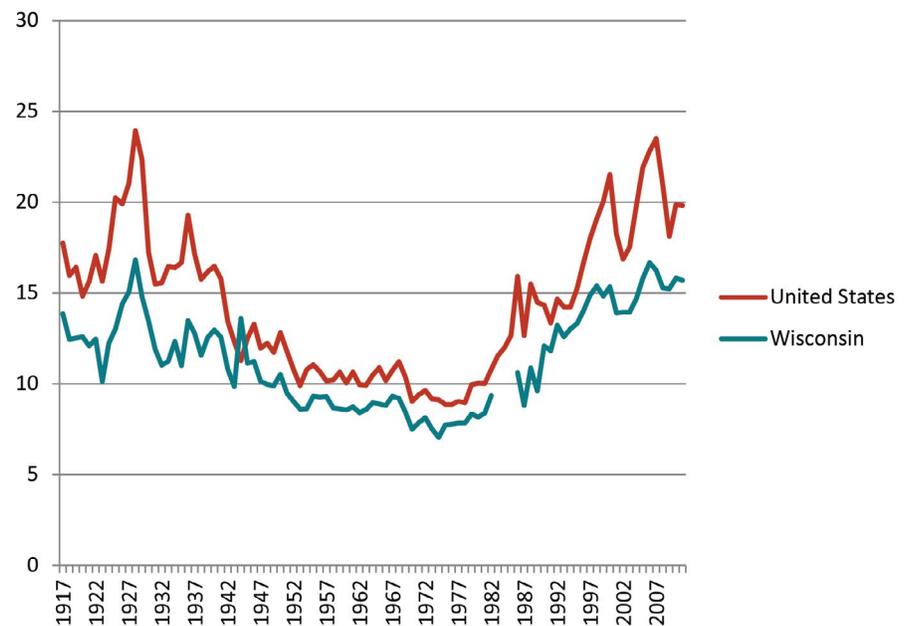
## Top Incomes in Wisconsin Rise Dramatically, While Incomes of 99 Percent Fall

The share of income taken home by the top 1% in Wisconsin is reaching levels last seen right before the Great Depression.

Over the last hundred years, income inequality has followed a U-shaped pattern in Wisconsin and at the national level. In the late 1920s and into the 1930s, income inequality was stark, with the highest earners taking home a large share of the total income. After the crash in the late 1920s, and since the policies of the New Deal—collective bargaining, retirement and unemployment security, financial regulation, progressive taxation—were entrenched, the income share claimed by top earners fell. But as those policies came under attack beginning in the 1970s, inequality rose again.

figure 1

INCOME SHARE OF TOP 1% IN WISCONSIN



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Wisconsin, like many of the less urbanized and less populated states in the West and Midwest, has traditionally had less concentration of income at the very top. But while Wisconsin's income distribution is less unequal than that of most other states, Wisconsin is keeping pace with the national trend of dramatic increases in inequality. After a period in the middle of the century when economic gains were widely shared, income inequality in Wisconsin and the nation has climbed steadily since about 1970.

In 2011, the top 1% in Wisconsin captured 15.7% of the income in 2011. This share of income has more than doubled since 1974, when the top 1% in Wisconsin took home a low of 7.0% of income in Wisconsin. The share of income going to the top 1% in 2011 is nearly as high as the share of income claimed by the top 1% in 1928.

table 3  
INCOME SHARE OF TOP 1% IN WISCONSIN

<i>Income share of top 1%</i>				<i>Change in income share of the top 1% (percentage points)</i>	
<i>1928</i>	<i>1974</i>	<i>2007</i>	<i>2011</i>	<i>1928 to 1974</i>	<i>1974 to 2011</i>
16.8	7.0	16.2	15.7	-9.8	8.7

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The same pattern of dramatic gains at the top holds true for other top income groups in addition to the top 1%. For example, the share of income captured by the top 0.01% in Wisconsin increased eight-fold between its low point in the 1970s and its current level, and the share of income captured by the top 0.1% increased more than four-fold over this same period.

At the same time that the share of income going to the top 1% in Wisconsin has steadily climbed, income for the remaining Wisconsinites has dropped. Between 1979 and 2011, average incomes for the top 1% in Wisconsin more than doubled, after being adjusted for inflation. In contrast, the average incomes of the bottom 99% of Wisconsin residents dropped by 0.4%. Put another way, all the growth in income that occurred between 1979 and 2011 in Wisconsin wound up in the pockets of the top 1%.

table 4  
INCOME GROWTH FROM 1979 TO 2011, OVERALL AND FOR THE TOP 1% AND BOTTOM 99%

<i>State/Region</i>	<i>Overall Real Income Growth</i>			<i>Rank (by top 1% income growth)</i>	<i>Share of total growth (or loss) captured by top 1%</i>
	<i>Overall</i>	<i>Top 1%</i>	<i>Bottom 99%</i>		
Wisconsin	8.3%	104.0%	-0.4%	21	104.4%
Midwest	7.1%	94.7%	-1.7%		122.1%
United States	14.8%	128.9%	2.3%		86.3%

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## Recovery for All? Highest Earners in Wisconsin Capture Nearly All Post-Recession Gains

Most of the economic gains following the recession have been captured by the top 1%. During the recession – as in any other economic downturn – top earners in Wisconsin experienced a sizable loss of income. Between 2007 and 2009, the share of income claimed by the top 1% dropped to 15.3% from 16.7%, and the average income for this group dropped by more than \$200,000.

table 5

INCOME GROWTH FROM 2009 TO 2011, OVERALL AND FOR THE TOP 1% AND BOTTOM 99%

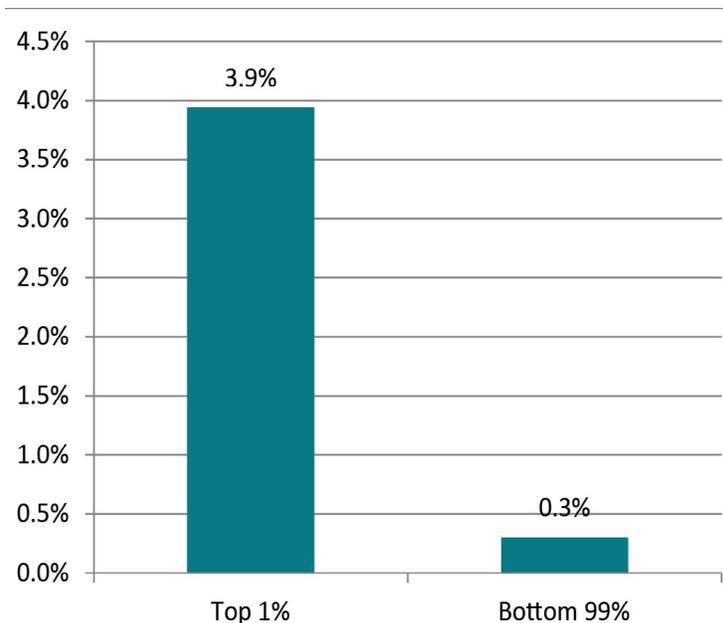
State/Region	Average real income growth			Rank (by top 1% income growth)	Share of total growth (or loss) captured by top 1%
	Overall	Top 1%	Bottom 99%		
Wisconsin	0.9%	3.9%	0.3%	38	70.5%
Midwest	1.8%	10.6%	0.2%		90.3%
United States	1.5%	11.5%	-0.7%		140.9%

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In the aftermath of the recession, the pattern of growth in income inequality in Wisconsin has resumed. Between 2009 and 2011, the top 1% captured 70.5% of all income gains in Wisconsin. The average income of the top 1% increased by 3.9% in Wisconsin between 2009 and 2011, while the bottom 99% experienced an average income growth of just 0.3%.

figure 2

INCOME GROWTH FOR THE TOP 1% AND THE BOTTOM 99% 2009 TO 2011 IN WISCONSIN



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## Wisconsin Can Choose a Different Course

There is no magic bullet to rectify the growth in inequality in our state—any more than there was a single cause. Many of the underlying trends causing the changes in our economic landscape are national and are related to broader changes in education, technology, and trade. Nevertheless, there are a number of steps we can make to keep income inequality from growing, including:

- ***Raise the minimum wage.*** The real value of the minimum wage has eroded in the last forty years and its purchasing power today is lower than it was in 1968. Raising the minimum wage – current federal and state proposals suggest a new standard of \$10.10 in 2016 – would bring greater income to some 587,000 Wisconsin workers and would strengthen the economy as well. A recent report by COWS, *Raising the Minimum Wage to \$10.10 per hour in Wisconsin, Workers Affected and the Broader Impact on the Wisconsin Economy*, offers further information on who stands to gain from the policy.
- ***Build the skills and education of Wisconsin's workforce.*** We also need to continue to invest in and improve skills for our current and future workforce. This means continued support of our technical colleges and continued innovation to secure strong connections from training to employment. The state of Wisconsin has made important steps forward to help build stronger connections between training and skills and the needs of employers. Continuing investment in both the systems and these innovations is another important way to help close the inequality gap in the state.
- ***Support working families.*** State government can help lessen the burden of income inequality by ensuring that work pays for low-income families. One way to do that is by taking advantage of the Medicaid option in the Affordable Care Act to make health insurance affordable for adults between 100% and 138% of the federal poverty level. State policymakers can also help make work pay by reversing the cuts made in 2011 to the Earned Income Tax Credit, and by restoring funding to the child care subsidy program in order to ensure access to quality child care for low-income workers.
- ***Making state taxes more equal across income groups.*** Residents of Wisconsin who have low incomes pay a greater share of their income in state and local taxes than do the highest earners. We can slow the growth of income inequality by reforming regressive taxes and making sure that residents with high incomes pay at least as much taxes relative to their income as people with lower incomes do. One way of doing this is by strengthening measures like the Homestead Credit, which provides property tax relief to residents with low incomes. Policymakers should also avoid adding more tax breaks that primarily benefit those with the highest incomes.