

Introduction

Wisconsin's growth and prosperity are not being widely shared. Over the last 40 years, Wisconsin's richest residents have experienced dramatic increases in income, while Wisconsinites not among the very highest earners saw little or no income growth. In 2012, Wisconsin reached a milestone, with a record share of income going to the top 1%.

The widening chasm between the very highest earners and everyone else poses hardships for Wisconsin's families, businesses, and communities. Families can't thrive when income growth is nearly non-existent for everyone except those at the top, and businesses need a strong middle class bolstered by broad-based income growth to generate customers. Wisconsin communities pay the price if too many families and businesses fail to prosper.

Growing levels of income inequality are also bad for Wisconsin's economic growth. To build a solid, fast-growing economy, we need to make sure that Wisconsin has a healthy, well-educated workforce. But if nearly all the gains from economic growth benefit only a few, many Wisconsin residents won't have the resources they need to become the kind of skilled workers our economy needs for the future. That hurts everyone.

All data in this report comes from *The Increasingly Unequal States of America: Income Inequality by State, 1917 to 2012*, 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 2012 dollars.

Getting to the Top: How Much Does the Top 1% Percent Make?

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 \$320,000 or higher in 2012. The top .01% in Wisconsin – the top 1 out of 10,000 – had incomes of at least \$7.1 million in 2012.

table 1

INCOME THRESHOLD OF TOP 1% AND TOP .01%, AND AVERAGE INCOME OF TOP .01%, IN 2012

<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>
Wisconsin	\$319,803	\$7,073,798	\$21,969,976
Midwest	\$381,704	\$7,464,161	\$22,338,071
United States	\$385,195	\$9,912,787	\$34,739,488

Sommeiller, Estelle, and Mark Price. 2015. "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% in Wisconsin makes, on average, more than 22 times the average annual income of \$44,000 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 remaining 99% of income. The average income of the top .01% in Wisconsin is nearly 500 times the average income of the bottom 99% of Wisconsin residents.

table 2

RATIO OF TOP 1% INCOME TO BOTTOM 99% INCOME, IN 2012

State/region	Average income of the top 1%	Average income of the bottom 99%	Top-to-bottom ratio
Wisconsin	\$974,753	\$44,123	22.1
Midwest	\$823,063	\$41,799	19.7
United States	\$1,040,506	\$42,694	24.4

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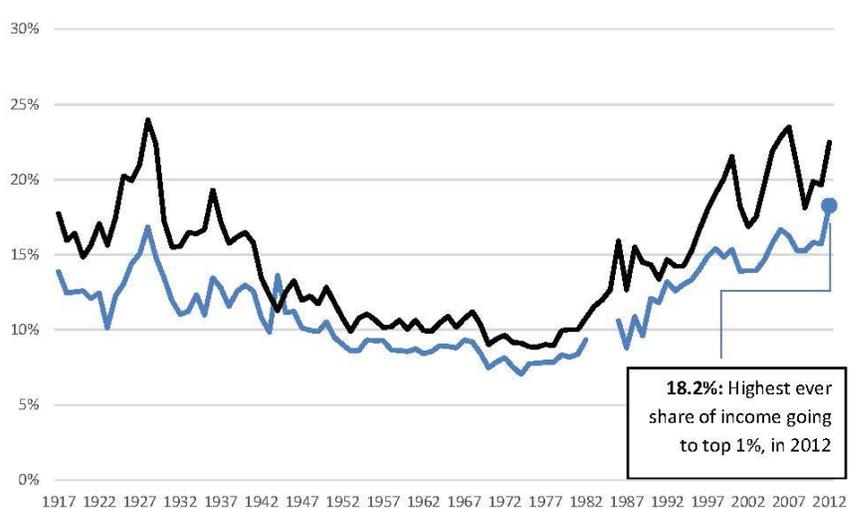
Share of Income Going to Top 1% Reaches Record Level in Wisconsin

The share of income taken home by the top earners in Wisconsin has reached a record level, with the top 1% taking home nearly 1 out of every 5 dollars of income in the state.

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 and in Wisconsin, has exceeded pre-Depression highs.

figure 1

THE SHARE OF ALL INCOME HELD BY THE TOP 1%



BLACK - United States

BLUE - 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 the mid-1970s.

The share of income in Wisconsin going to the top 1% reached its highest level ever in 2012, exceeding even levels reached prior to the Great Depression. In 2012, the top 1% in Wisconsin captured 18.2% of the income in 2012, or nearly 1 out of every 5 dollars of income in the state. This share of income has more than doubled since 1974, when the top 1% in Wisconsin took home a low of 7.0% of all income in Wisconsin, or just 1 out of every 14 dollars of income.

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>2012</i>	<i>1928 to 1974</i>	<i>1974 to 2012</i>
16.8	7.0	16.2	18.2	-9.8	11.2

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The same pattern of outsize 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 .01% in Wisconsin increased nearly ten-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 five-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 remained stagnant. Between 1979 and 2012, average incomes for the top 1% in Wisconsin more than doubled, after being adjusted for inflation. In contrast, the remaining 99% saw less than 2% growth in their incomes. Put another way, \$91 out of every \$100 of income growth that occurred between 1979 and 2012 in Wisconsin wound up in the pockets of the top 1%.

table 4

INCOME GROWTH FROM 1979 TO 2012, OVERALL AND FOR THE TOP 1% AND BOTTOM 99%

<i>State/Region</i>	<i>Overall Real 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	13.7%	148.8%	1.4%	90.7%
Midwest	12.9%	137.0%	.5%	96.7%
United States	20.2%	180.9%	2.6%	88.5%

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Recovery for Some: 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. The share of income claimed by the top 1% dropped from 16.2% in 2007 to 15.2% in 2009, and the average income for this group dropped by more than \$200,000 over that period.

In the aftermath of the recession, however, the pattern of growth in income inequality in Wisconsin has resumed. Between 2009 and 2012, the top 1% captured 69.6% of all income gains in Wisconsin. The average income of the top 1% increased by 26.7% in Wisconsin between 2009 and 2012, while the remaining 99% experienced an average income growth of just 2.1%.

table 5

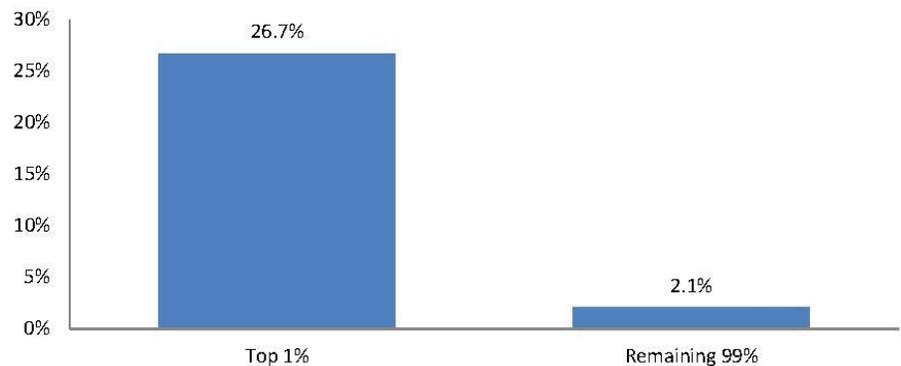
INCOME GROWTH FROM 2009 TO 2012, OVERALL AND FOR THE TOP 1% AND BOTTOM 99%

State/Region	Average real income growth			Share of total growth (or loss) captured by top 1%
	Overall	Top 1%	Bottom 99%	
Wisconsin	5.9%	26.7%	2.1%	69.6%
Midwest	7.4%	34.7%	2.4%	71.9%
United States	6.3%	36.8%	-0.4%	105.5%

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figure 2

INCOME GROWTH FOR THE TOP 1% AND THE BOTTOM 99% 2009 TO 2012 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 workers' voice and power, education, technology, and trade. Nevertheless, there are a number of steps we can take at both the state and federal level to keep income inequality from growing, including:

- ***Build the skills and education of Wisconsin's workforce.*** The state must 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. With Wisconsin Fast Forward grants, the state has made an important commitment to building stronger connections from training to the needs of employers. But stronger connection to the broader workforce development systems and support of innovations in our tech colleges are needed and will help close the equity gap in the state.
- ***Support working families.*** State and federal policy choices can help lessen the burden of income inequality by ensuring that work pays for low-income families and by removing impediments to work. One important way to accomplish those objectives is to approve the President's proposal to expand access to paid family leave and sick days. In addition, state policymakers should 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.
- ***Raise the minimum wage.*** The real value of the minimum wage has eroded in the last forty years and a current federal proposal to raise the wage to \$10.10 would bring greater income to nearly 600,000 Wisconsin workers and would strengthen the economy as well. COWS' [Raise the Floor Wisconsin](#) offers further information on who stands to gain from a higher wage floor.
- ***Ensure that workers have access to affordable health care.*** Another way to help ensure that work pays for low-income families is to take advantage of the Medicaid option in the Affordable Care Act that would finance almost all of the cost of extending BadgerCare to adults between 100% and 138% of the federal poverty level. That would not only enable the state to cover about 85,000 more adults in BadgerCare, but would also significantly reduce state costs and help avoid deep cuts to current BadgerCare eligibility and benefits.
- ***Make 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. President Obama's tax plans would also help low- and middle-income workers and would be significant step in closing tax loopholes that are exacerbating the growing income divide.
- ***Ease driving suspensions that create barriers to work.*** Another policy that holds down low-income individuals and families and contributes to disparities is the practice of suspending the driver's licenses of people who are unable to pay state or local fines. In 2013, three-fifths of the 418,000 suspensions in Wisconsin were for failure to pay forfeitures, compared to just 40% for driving-related reasons. The state needs to alleviate this substantial barrier to employment by reducing the length of these suspensions (currently two years), authorizing "occupational" licenses that enable people with suspended licenses to drive to work, and enabling judges to impose alternative sentences for people who cannot afford to pay fines.