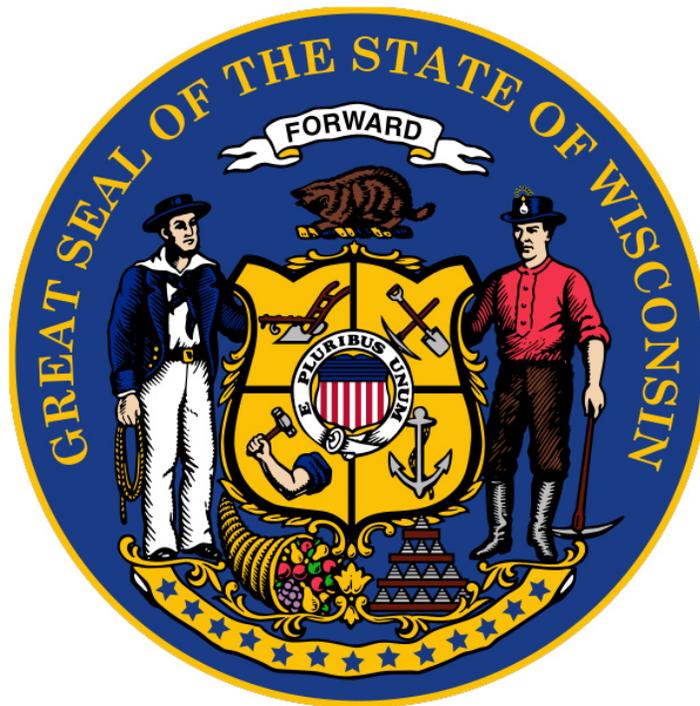




The Wisconsin Economy 1987-2000: Turnaround and Growth Under Governor Tommy G. Thompson



A paper prepared as part of the Tommy @ 30 Project

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Table of Contents

	<u>Page</u>
Introduction	4
The Economic Decline in the Wisconsin Economy	5
Energizing the State Economy	7
The Economic Data – A Turnaround	10
Unemployment Rate	11
Employment (Jobs).....	13
Per Capita Personal Income	14
Gross State Product.....	15
The Thompson Approach to Economic Development.....	16
Summary and Conclusion	19



Introduction

The year 2017 marks the thirtieth anniversary of the start of the Tommy G. Thompson administration. From 1987 to the end of the year 2000, Tommy G. Thompson was the Governor of Wisconsin and he formed a government that would influence state policy over fourteen years and beyond. Governor Thompson was elected to office in 1986 at a point where the Wisconsin economy and the surrounding Midwestern states were facing difficult economic times.

During the 1950s and 1960s, Wisconsin was the star of the Snow Belt. Employment was high and steady, personal income grew at a good rate, and the state added roads, universities, parks, and other improvements that added to the quality of life of Wisconsin residents.

But following five recessions from 1969 to 1983, and with more global competition, the State of Wisconsin had become part of the Midwest Rust Belt. Manufacturing jobs, a mainstay of the Wisconsin economy, were declining. Many of the important manufacturing operations in the state were reaching the end of their useful economic life. Also, Wisconsin began to lose corporate headquarters as companies moved out of state, were taken over by out-of-state competitors, or ceased operations due to financial conditions.

In the face of this steady economic decline, Tommy G. Thompson emerged as a candidate for Governor in 1986. His campaign platform was aimed at saving and creating jobs in Wisconsin and reviving economic growth in the state.

During 14 years as Governor, Mr. Thompson was focused on reviving and growing the Wisconsin economy. This paper tracks his efforts to revive and grow the Wisconsin economy. Starting even before he was sworn into office, Governor Thompson was personally involved in policy and strategy to turnaround the state's economy. His record of economic policy and development was a model for other states that, like Wisconsin, were getting fully invested in economic development.

This paper captures the highlights of the Governor's record and success in the economic turnaround that restored Wisconsin to the status of star of the Snow Belt. The data in this paper documents what a truly unique and successful period this was in reviving a Rust Belt state and putting in place policies and initiatives that moved Wisconsin forward.



Tommy @ 30 Project

The Economic Decline in the Wisconsin Economy

In the decades of the 50s and 60s, Wisconsin's economy did very well by creating many good paying, middle class jobs. The growth in the state's economy financed great expansions of its university systems, new roads, additional state parks and generous safety-net benefits for the poor. The State kept its finances in good order and had relatively low levels of debt and high bond ratings. Budget surpluses were common as the state economy moved steadily forward.

But following five recessions beginning in 1969, the state's economy struggled to keep and create jobs. Many of the state's traditional manufacturing industries faced stiff foreign competition from countries that had cheap labor and government subsidies. Wisconsin's economy lost middle class jobs as market conditions deteriorated. Many national firms with operations in Wisconsin began to open production facilities in other countries. Increasing amounts of manufacturing work were outsourced to emerging global competitors. During the 1970s and into the 1980s, Wisconsin went from being the star of the Snow Belt to the buckle of the Rust Belt.

By the early 80's, Wisconsin trailed most surrounding states and the nation in job growth and its unemployment rate rose above the national average. Milwaukee, long the state's driving economic engine, lost over 50,000 manufacturing jobs in the period from 1979-1984. Major companies such as Allis Chalmers and A.O. Smith closed Milwaukee production facilities.

The economic decline in the state reached a climax in 1985 as two events shook the state's political and business leaders. One event involved using relatively new video technology to produce a dramatic portrayal of the economic decline going on in Wisconsin. The Milwaukee Metropolitan Association of Commerce (MMAC) produced the video that laid out the decline in the Wisconsin economy and particularly the decline in the Milwaukee area. The ending frames of the production showed a locked plant gate as a sign of the economic distress. The video was shown at various events around the state. Local news media picked up much of the message raising the public level of distress.



But a second event in 1985 that rocked the state was the decision by Kimberly Clark Corporation (KC) and its president Darwin Smith to move its national headquarters from Neenah, Wisconsin to Irving, Texas. KC was founded in Neenah in 1872 and had been a hallmark of the Wisconsin economy. KC was a stable corporate figure in the state for over 100 years. The move out of Wisconsin involved a relatively small numbers of the top company executives but the symbolism of the move jarred the state. KC's decision to move became a major issue in the 1986 gubernatorial election.

As the gubernatorial election of 1986 approached, the people of Wisconsin were very concerned about the state's economic future. Traditional and stable industries including paper and other manufacturing were threatened by global competition, a high state tax structure, and changing technologies that antiquated much of the existing production base.

With this background, Tommy Thompson emerged to run for governor against the incumbent, Governor Tony Earl. Mr. Thompson, the Republican minority leader in the State Assembly, campaigned on reviving the Wisconsin economy, welfare reform, and improving education.

In the 1986 election, Tommy G. Thompson won 53% of the vote and defeated the incumbent Governor Tony Earl. The Wisconsin gubernatorial result was in contrast to the national mid-term elections where Democrats gained eight Senate seats to take control of the U.S. Senate and gained a number of seats to increase their majority on the House.

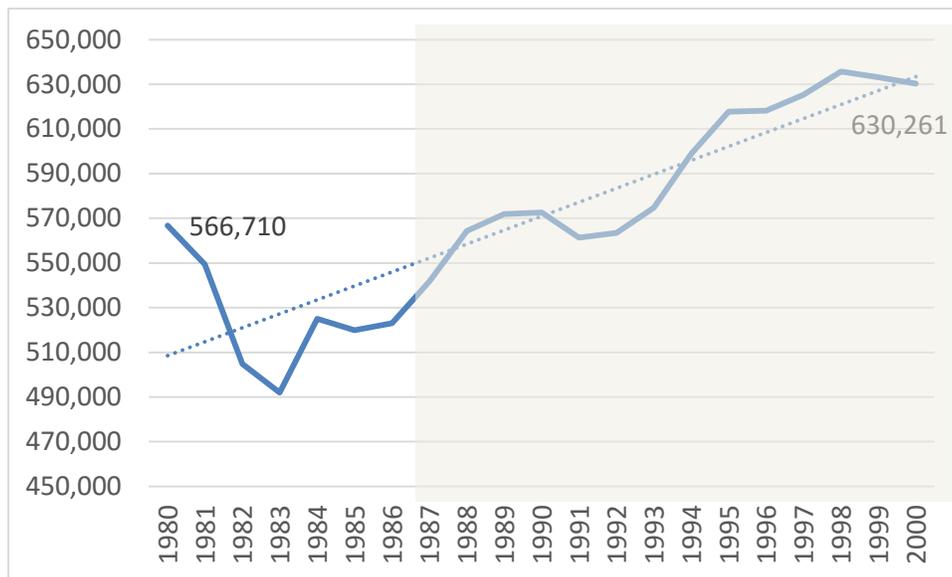


Energizing the State Economy

As Governor Thompson took office in 1987, he made turning around the Wisconsin economy the number one priority of his administration. Documented later in this paper are his early efforts to create jobs by improving the business climate in the state.

The Governor took a wide-ranging approach to invigorate the state economy. His actions included many policy initiatives. A key part of the Thompson strategy to energize the Wisconsin economy was to concentrate on job retention and job growth in the manufacturing sector (see Figure 1).

Figure 1. Wisconsin Manufacturing Job Growth 1980 – 2000



Source: Bureau of Labor Statistic

Note: Shaded area indicates Thompson Administration

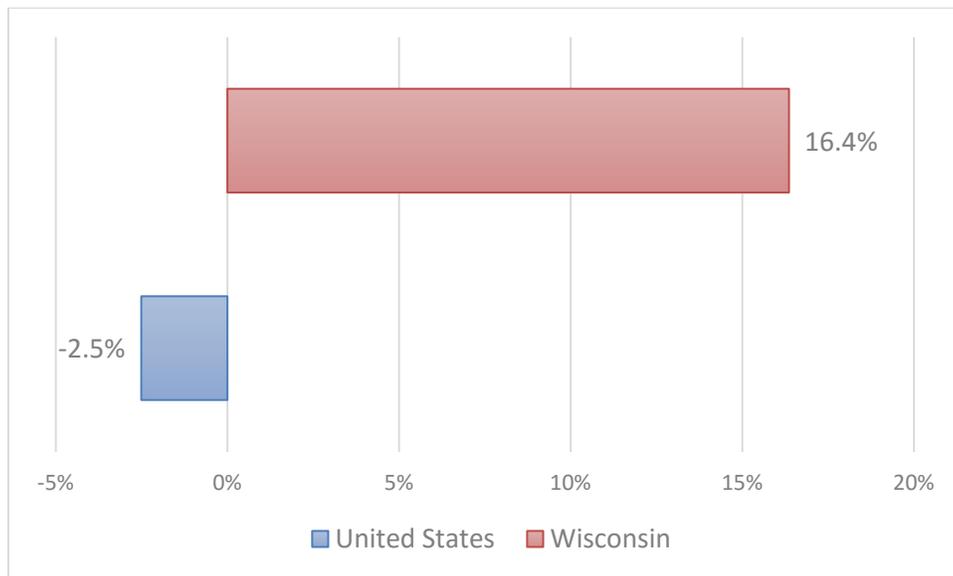
Wisconsin has one of the largest manufacturing sectors among all fifty states. Many highly successful manufacturing enterprises were started in Wisconsin. Clusters of manufacturing grew around key industrial groups. These industrial groups included paper, vehicles, food, and electrical products. These clusters are national leaders in the manufacturing sector.



Wisconsin manufacturing has created hundreds of thousands good paying, middle class jobs. The graph above traces manufacturing employment in the state for the period 1980-2000. In the early part of the 1980s, foreign competition and market and financial conditions led to a sharp decline in manufacturing employment. By the time of the 1986 election, the state had lost over 50,000 manufacturing jobs.

In the years of the Thompson Administration, manufacturing employment rebounded and manufacturing related employment grew by 100,000 jobs by the time the Governor left office. In contrast to the Wisconsin trend, manufacturing jobs for the entire U.S. economy continued their decline. Figure 2 illustrates this contrast between Wisconsin and the U.S. for manufacturing jobs.

Figure 2. Percent Change in Manufacturing Employment 1987 – 2000: Wisconsin vs. U.S. During Thompson Administration



Source: U.S. Bureau of Economic Analysis

In addition to the focus on manufacturing, the Governor was directly involved in the recruitment of new businesses to Wisconsin and the retention of existing businesses. Even before taking office, the Governor-elect was on the phone with General Motors and Chrysler Corporation lobbying each business to retain manufacturing jobs in the state. He was successful in both instances. GM agreed to modernize and extend the life of the Janesville production plant. Chrysler shut down auto production but retained hundreds of jobs making auto engines.

The recruitment of businesses included trips to Illinois, New York, and California. He would visit companies on a target list and invite them to Wisconsin. One of his staffers reported that he would “cold call” companies to drum up interest in moving to Wisconsin.



The Governor energized economic development around the state. He would move the State Capitol to an area for a week or more and that region had access to the Governor and key agency heads.

The Governor also believed that the state needed to invest in infrastructure to improve the efficiency of business. His administration improved roads in the key industrial areas of the state but also provided better roads to the areas that served the tourist trade.

All of these efforts began to pay off as the Wisconsin economy slowly regained momentum.



The Economic Data - A Turnaround

Jobs were the key focus for the Thompson administration as it took office in 1987. All state agencies were focused on how to help create and retain jobs. The Governor became the organizational and energy force that focused state government on reviving the Wisconsin economy.

In measuring the success of the Governor and his administration, we looked at four key economic measures. Those four key measures included the following:

- The Unemployment Rate
- Employment (Jobs)
- Per Capita Personal Income (PCPI)
- Gross State Product (GSP)

These four measures give a good snapshot of how well the economy of the State of Wisconsin and its citizens did under the Thompson Administration.

The unemployment rate, total jobs or employment, and per capita personal income are good measures of how well workers are doing in the economy. Gross State Product (GSP) is a macro measure of growth (or decline) in the overall state economy. Further detail on these measures is contained in the sections that follow.

These basic measures are compared to other Midwestern industrial states. The states of Michigan, Illinois, and Indiana are major manufacturing states that have economies similar to Wisconsin. These four states rank in the top ten states in terms of manufacturing jobs. We did not include Minnesota or Iowa in the comparison because these two states are not in the top ten manufacturing states and each state has significantly different economic characteristics.

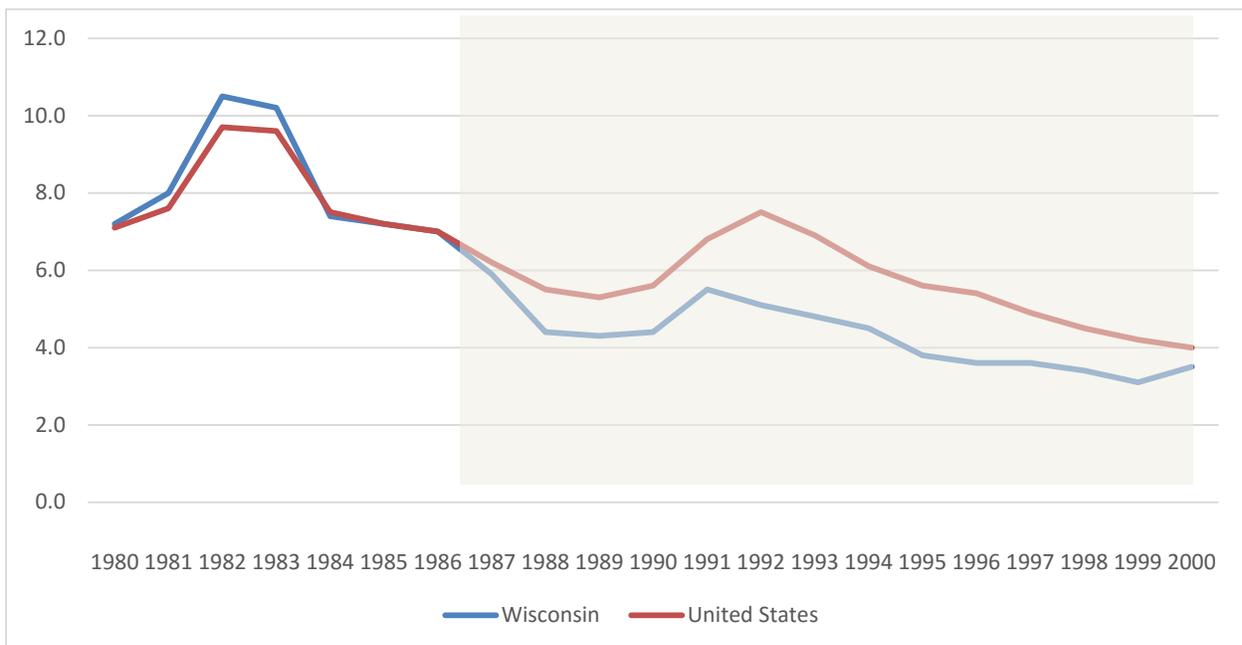


Unemployment Rate

A key issue in the 1986 election and in subsequent re-election campaigns was the jobless rate. Reducing unemployment was a key promise that Thompson made in the 1986 election campaign. And for Governor Thompson there was a good story to tell.

The figure below shows the Wisconsin unemployment rate from 1980-2000 and compares that rate to the national unemployment rate.

Figure 3. Unemployment Rate 1980 – 2000 Wisconsin vs. United States



Source: U.S. Bureau of Labor Statistics

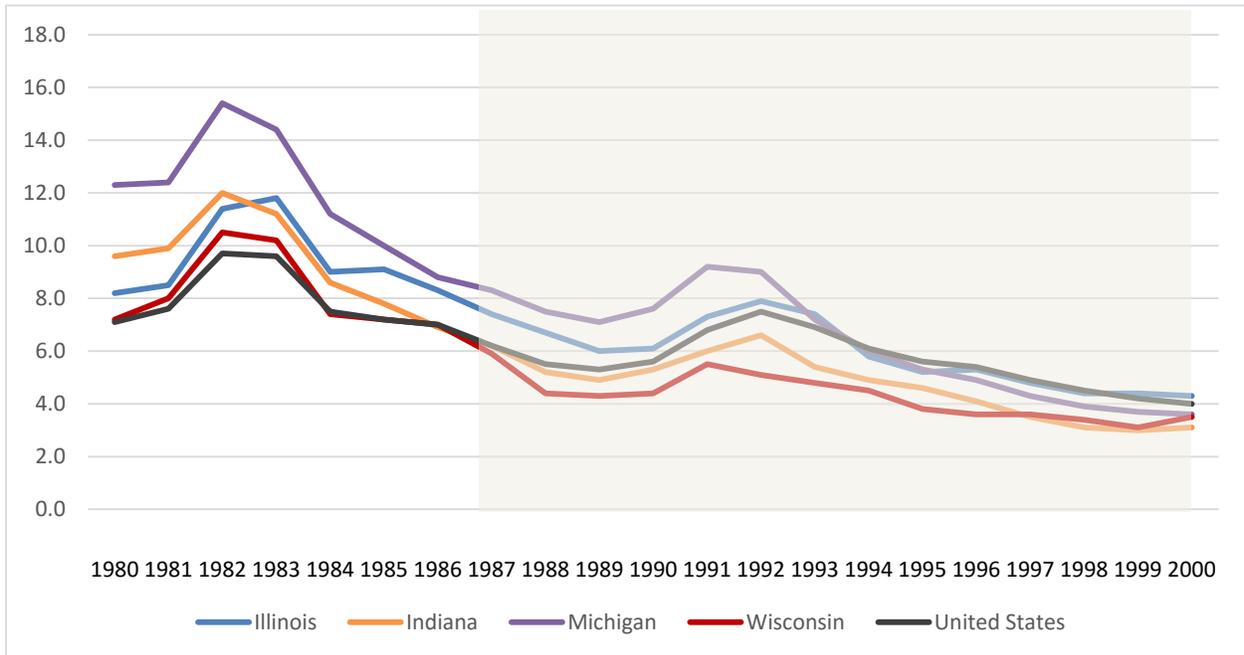
Note: Shaded area indicates Thompson Administration

In the years before the Thompson administration, Wisconsin had a higher jobless rate than the national (U.S.) unemployment rate. But beginning in 1987 and extending for his entire tenure as Governor, Wisconsin was below, sometimes far below the national unemployment rate. This was a statistic that Governor Thompson used over and over again to illustrate the positive effects of his economic policies.

As illustrated in Figure 4, further analysis of unemployment rates of industrial states in the Snow Belt shows that Wisconsin was a leader in reducing its unemployment rate. For most of the time during the Thompson administration, Wisconsin had the lowest unemployment of all surrounding industrial states.



Figure 4. Wisconsin Unemployment Rates Compared to Surrounding Industrial States 1980 – 2000



Source: U.S. Bureau of Labor Statistics

Note: Shaded area indicates Thompson Administration

From 1988-1996, the Wisconsin unemployment rate was significantly below the surrounding industrial states as well as the U.S. average.

While Wisconsin's economy recovered fairly quickly in the mid-1980s, the recovery in the surrounding industrial states was much slower. In terms of the unemployment rate, most of these states did not catch up to Wisconsin for a decade.

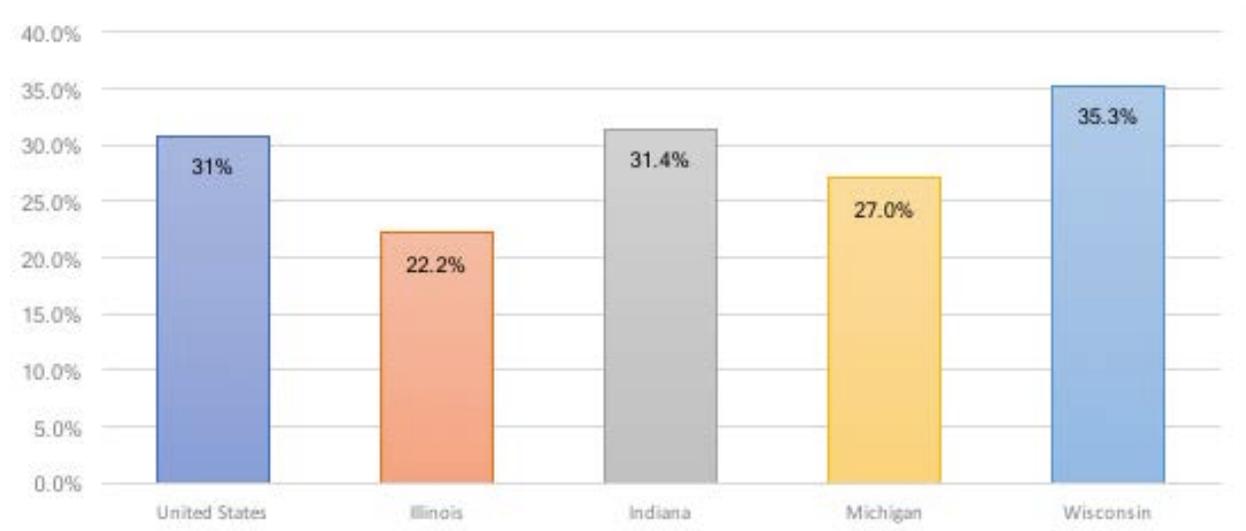


Employment (Jobs)

The unemployment rate was driven down because growth in the Wisconsin economy created tens of thousands of new jobs. This growth combined with a focus on welfare to work, job training, and a growing workforce created opportunity for Wisconsin businesses to grow.

Figure 5 below compares Wisconsin's job growth to surrounding industrial states. Wisconsin had greater job growth compared to surrounding states in the Thompson years from 1987-2000. The U.S. growth rate in this period was 31%, compared to Wisconsin's growth rate of 35.3%.

Figure 5. Wisconsin Job Growth Compared to United States and Surrounding Industrial States from 1987 - 2000



Source: U.S. Bureau of Labor Statistics

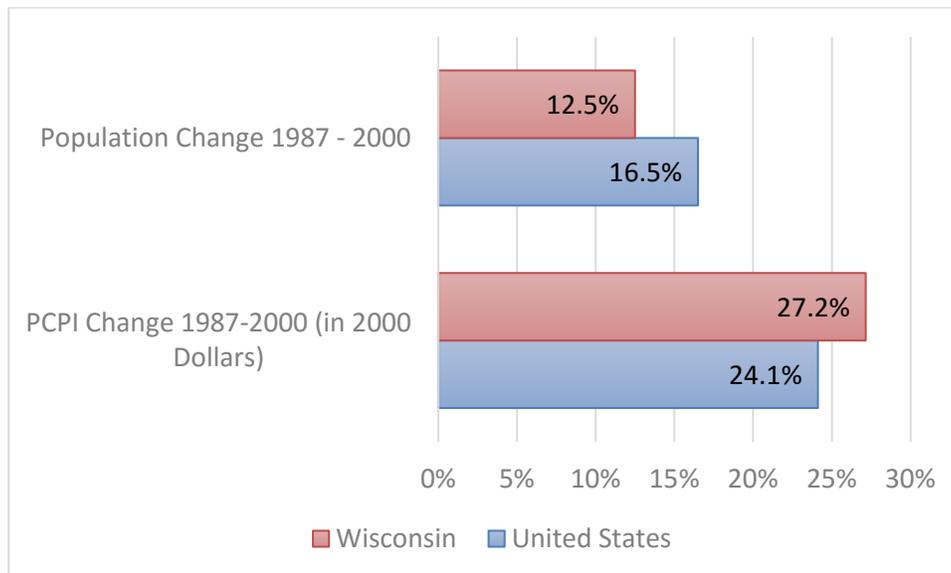


Per Capita Personal Income

Per Capita Personal Income (PCPI) is a measure of income for residents of a state or country. PCPI is calculated by aggregating all sources of income including, wages, rents, dividends, and other sources of income and then dividing that pool of income by the population of the state or country. So PCPI is a relative measure of each person's average share of a state's total income.

As indicated in Figure 6, during the years of the Thompson Administration, Wisconsin enjoyed good growth in PCPI. Per capita personal income in Wisconsin grew faster than the U.S. average. This was achieved in a period when population growth in Wisconsin trailed the national rate of population growth.

Figure 6. Per Capita Personal Income 1987 – 2000 Wisconsin vs. United States



Source: U.S. Bureau of Economic Analysis

The growth in per capita personal income is significant in several ways. First this increase occurred while the state's population grew at a fairly low rate. The increase in PCPI was not driven by a great increase in the working age population.

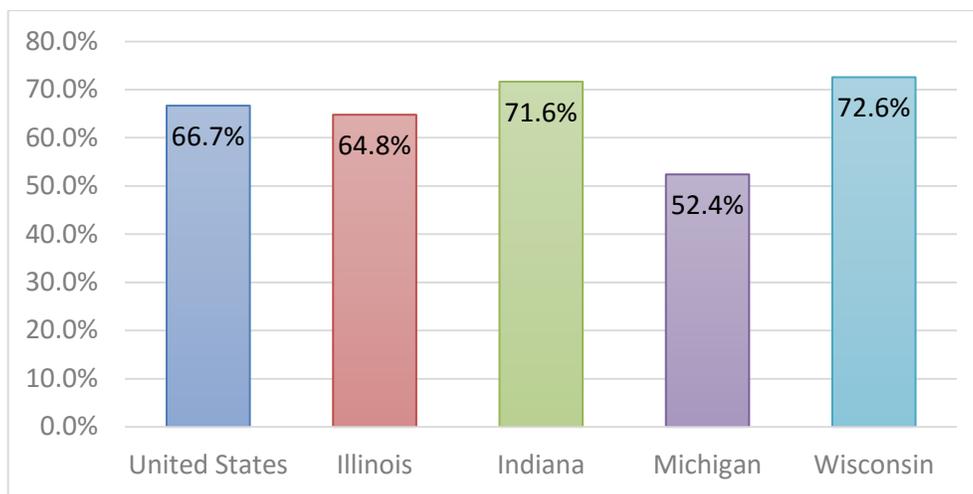
The increase was also an indication that the jobs that were being created in the Thompson years were good paying jobs. The numerator in the PCPI calculation is total income that is largely driven by salaries and wages. The denominator is the total state population that as observed above was growing at less than the national rate. Total income was growing faster than population and thus the overall PCPI rose 27.2% compared to the national rate of 24.1% during the Thompson years.



Gross State Product

Gross State Product (GSP) measures the output of a state economy in terms of goods and services. During the Thompson years, Wisconsin demonstrated the largest growth in GSP of any of the peer industrial states. Wisconsin's growth in this period also exceeded the U.S. growth in Gross National Product (GNP). GNP measures the overall growth of output in goods and services for the entire country (see Figure 7).

Figure 7. Gross State Product Growth 1987 – 2000 Wisconsin and Surrounding Industrial States: Growth in GNP for the United States



Source: U.S. Bureau of Economic Analysis



The Thompson Approach to Economic Development

Interviews with former corporate executives and staff members of the Thompson administration provided a collection of observations into how Governor Thompson approached economic development. The Governor's prime economic development focus was on saving and creating Wisconsin jobs. Through the interviews, the authors discovered how Governor Thompson made it all happen.

Personal Involvement:

- According to one account, shortly after the 1986 election and before he officially took office, Governor elect Thompson called the CEO's of Chrysler and General Motors to lobby for maintaining operations of the American Motors plant in Kenosha and the General Motors plant in Janesville. His involvement led to General Motors building both the Tahoe and Suburban models in Janesville for several years. Through his hands-on approach as Governor, he saved and created jobs for many years in Wisconsin.
- Several people interviewed credited Governor Thompson for playing a key role in the development of Wispark as well as expansions of Kimberly Clark, Quad Graphics and Trek Bicycle. The Governor was always willing to work with corporate executives, local government officials, business leaders, union representatives and educational administrators in order to get the job done and close the deal.

Focus of all Agencies:

- When Governor Thompson took office in 1987, there was a general feeling of discouragement, mistrust and tension about the role of Wisconsin government. For years the state's role in reviving the economy seemed to be lagging and lacking direction. It took little time for Governor Thompson to let everyone in the state and across the nation know that the number one priority in his administration was to save and create jobs in Wisconsin. The message was received. Wisconsin went from the "Rust Belt" to the "Star of the Snow Belt."
- Governor Thompson understood the role of government and its connection to the state's economy as well as key social issues that impacted the overall quality of life for all Wisconsin's citizens. The governor provided the perfect balance of PEOPLE, POLITICS, and POLICY. His push to provide welfare reform, school choice, job training and Badger Care were all examples of bold leadership to focus his administration and effectively impact the state's agenda.

Building Relationships and Working Across Party Lines



- One of the hallmarks of the Thompson administration was the ability to work across party lines. Governor Thompson realized that economic development was a “team effort.” No matter your party affiliation, Governor Thompson welcomed diverse ideas and was open to suggestions from across the state. In order to gain perspective, the Governor would often meet with welfare mothers in order to better understand their challenges and align state programs and resources to meet their needs. The Governor’s basic nature was to welcome as many people as possible to the table, listen carefully, build consensus, move forward with a common plan and hold people accountable for their responsibilities and assignments.
- One interviewee commented that Governor Thompson was a very engaged listener, but would also share his thoughts in a candid and open manner. Keeping his word was of utmost importance to the Governor. No matter who you were or what party you belonged to, once Governor Thompson gave his word...he kept it!
- Those interviewed indicated the Governor realized that the state became stronger when everyone worked together. This philosophy was especially true in the education field. The Governor worked with all levels of education to help create programs such as Star faculty, stem cell research initiatives, state-of-the-art science/technology buildings across the state, early childhood support and a host of job training opportunities. All of these programs became examples of working across party lines, building relationships and working together to save and create Wisconsin jobs.
- The Governor realized the voice of the business community needed to be heard. He was especially interested and wanted to understand the future needs of Wisconsin’s business and technology sectors. To assist in this understanding, Governor Thompson created the Wisconsin Technology Council. This nonpartisan group of business leaders from across the state provided the Governor with an independent voice regarding government policies needed to move the state forward in the technology sectors. After thirty years, the Wisconsin Technology Council remains active and continues to provide valuable insight and recommendations to each Governor.



The Energy Governor Thompson Brought to the Job:

- Several staff members indicated that the Governor was tireless in his effort in saving and creating Wisconsin jobs. One staff member commented that keeping up with the Governor was nearly impossible. Working 14 hours a day was the standard, but no one complained because they knew Governor Thompson was working 16 hours a day!
- One staff member described Governor Thompson as a person who “didn’t just show up” at a meeting. He became involved in all aspects of every deal and every issue. He was hungry for information and somehow kept all this detail and information neatly organized in his mind. The staffer commented that the Governor’s memory was “simply amazing!”
- Another staffer shared a story regarding a visit from a German trade delegation. The Governor was terribly ill but still came into his office to meet the German delegation. The staffer suggested cancelling the meeting, but the Governor would not hear of it. Once the guests came through the door, the Governor’s energy returned and the delegates left that day delighted to have met the governor and excited about exploring future trade opportunities.



Summary and Conclusion

When Governor Thompson took office, the Wisconsin economy was struggling. Employment growth was low. Economic growth trailed the national economy. And per capita personal income was growing at a very slow rate.

As Governor Thompson left office to join the Bush Administration, the Wisconsin economy was in high gear. Unemployment was at an historic low. Job growth exceeded that of the U.S. and surrounding states. Per capita personal income growth was above the national average.

Many will say that the Governor benefited from the overall national prosperity in the time he was in office. That is certainly true but what stands out is how the state's economic record clearly out-performed the national economy and bested that of surrounding industrial states.

The governor's singular focus on job creation, especially job creation in the manufacturing sector, was the key driver of the state's economic growth. While the national employment in manufacturing continued a slow decline during the period from 1987-2000, Wisconsin added 100,000 manufacturing jobs. And this was in an era of multiple expert forecasts that the United States would lose its place as a world manufacturing power. When the Governor left office in 2000, manufacturing employment in Wisconsin was at an historic high of over 630,000 jobs.

It seems clear to us that this effort and focus on manufacturing and the good paying jobs in that sector was critical to preserving middle class jobs and positioning the State of Wisconsin as a major manufacturing power in the global economy.

The economic recovery during the Thompson years and the prosperity of that period positioned Wisconsin for competitive economic performance in the coming century. The Governor not only helped to revive the prime economic driver of manufacturing, but also his efforts led to prosperity and growth in emerging sectors including biotechnology and other science based industries. His policies further strengthened the agricultural sector maintaining the state as a global supplier of agricultural products. His vision in such wide-ranging areas as stem cells and global trade is a tremendous legacy that the state continues to build upon.