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Manufacturing Migration: Is the South Taking Over the Midwest?

Written by Kang Duong

Abstract

Data suggests there has been a migration of much of the American manufacturing sector from the Midwest to the South in recent decades. This op-ed aims to examine some of the empirical evidence, with an emphasis on the subsector of transportation equipment manufacturing. Midwestern states like Michigan, Ohio, and Illinois – historically known for their manufacturing strength – have seen their employment in this sector plummet. While automation is a major factor, interstate migration plays a role as well. This has impacted the economy of Midwestern states, where manufacturing remains a key but declining contributor to state GDPs. In contrast, southern states have shown a great deal of persistence – and in some cases growth – in manufacturing employment even after the COVID-19 pandemic. This op-ed uses the data from the Census Bureau, IRS, and Federal Reserve Economic Data, to explore the relationship between economic freedom, migration, and the shift in manufacturing to the South. Further research should aim to address the reasons behind this migration trend, focusing on aspects of fiscal freedom such as taxation and government debt. Additional research can also examine whether Southward manufacturing migration is linked with manufacturing parts trade between the US and Mexico.

Introduction

Once the backbone of the Midwest, the manufacturing sector has increasingly shifted to southern states in recent decades. This trend has not only left the Midwest's industrial sector struggling but has also negatively impacted the economies of states that have historically relied on manufacturing, such as Illinois, Michigan, Ohio, and Wisconsin.

Year	WI	OH	MI	IL	TX	FL	TN	GA
2018	17.19%	15.95%	18.77%	12.60%	12.82%	4.90%	15.21%	10.04%
2019	17.42%	15.49%	18.25%	12.35%	11.93%	4.91%	14.61%	9.58%
2020	17.40%	14.74%	17.73%	11.73%	10.67%	5.04%	14.82%	10.08%
2021	17.68%	15.15%	18.09%	12.69%	10.85%	5.11%	14.79%	10.00%
2022	17.31%	15.86%	18.81%	12.97%	11.03%	5.03%	15.01%	10.09%
2023	15.91%	14.66%	17.60%	11.90%	10.74%	4.77%	13.70%	9.62%
2024	15.70%	14.89%	17.41%	12.22%	10.86%	4.81%	13.46%	9.74%

Table 1: Percentages in Manufacturing Output as A Share of Each State's GDP *from 2018-2024 (calculated using data from the FRED Economic Data)*

In the Midwest, state-by-state contributions of the manufacturing sector to GDP have varied, specifically, manufacturing alone contributes 18.2%, 19.2%, 14.4%, and 12.7 to the state's GDP in Wisconsin, Michigan, Minnesota, and Illinois respectively (Conroy et. al, 2018). However, Conroy et al. (2018) note that while manufacturing is declining more slowly in Wisconsin compared to other states, the state still faces significant job losses in key subsectors, including machinery, paper, computer and electronic products, and motor vehicles and related parts manufacturing. This paper will present empirical evidence of this geographic shift in manufacturing and explore the growth of the sector in the South, aiming to better understand the factors driving this migration.

Migration Evidence

In a research paper published by the Wisconsin Institute for Law & Liberty, Hoffer et al. (2022) analyze the correlation between Economic Freedom and Migration in Wisconsin. According to the Fraser Institute (n.d.), a society with a high level of economic freedom grants individuals not only personal liberty but also the ability to make economic choices, engage in voluntary exchanges, and experience minimal government interference, while protecting their property rights from external aggression. Such economic freedom is measured through the Economic Freedom Index (EFI), which is based on factors such as the size of government, legal structure and property rights, freedom to trade internationally, and regulation of credit. Hoffer et al.'s analysis shows that between 2015 and 2019, Wisconsin gained nearly 65,000 residents from states with lower Economic Freedom Index (EFI) scores and lost about 38,000 residents to states with higher EFI scores. This trend continued into 2022. Figure 1 illustrates the average net migration flow for Wisconsin between 2017 and 2022, where positive numbers indicate Wisconsin's population gains from states with higher net migration, and negative numbers reflect Wisconsin's population losses to states with lower net migration.

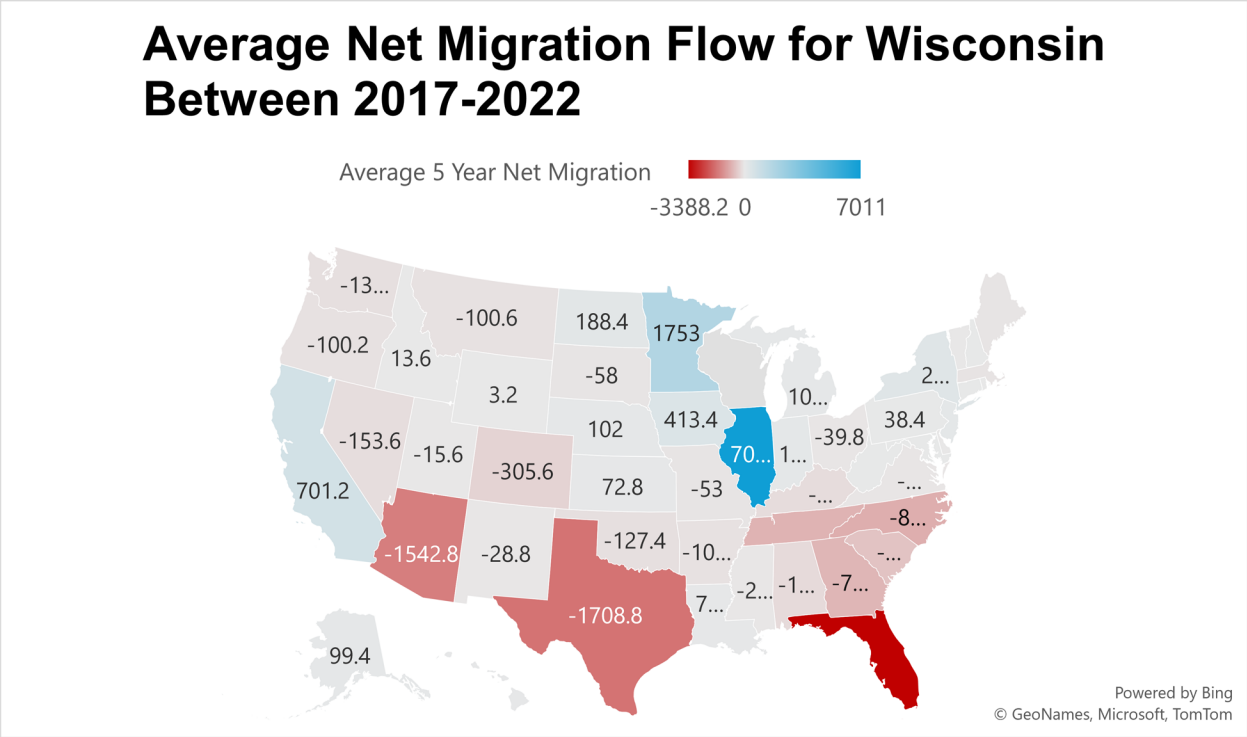

Figure 1: Average Net Migration Flow for Wisconsin Between 2017-2022 (calculated using data from the IRS)

Figure 2 focuses on migration trends specifically between Wisconsin and southern states. Among the 17 southern states (including Maryland), Wisconsin gained residents only from Louisiana, Maryland, and West Virginia. On average, however, Wisconsin lost over 3,000 residents yearly to Florida and around 1,700 to Texas. While one could argue that Wisconsinites view the South as an appealing retirement destination due to its warmer climate, it is important to note that, according to the Fraser Institute, both Texas and Florida consistently rank among the five states with the highest EFI scores. In contrast, Wisconsin and its neighbors—Illinois and Michigan—fall in the second quartile of EFI rankings. Other southern states such as Georgia, Tennessee, and North Carolina also have higher EFI rankings than the Midwest states.

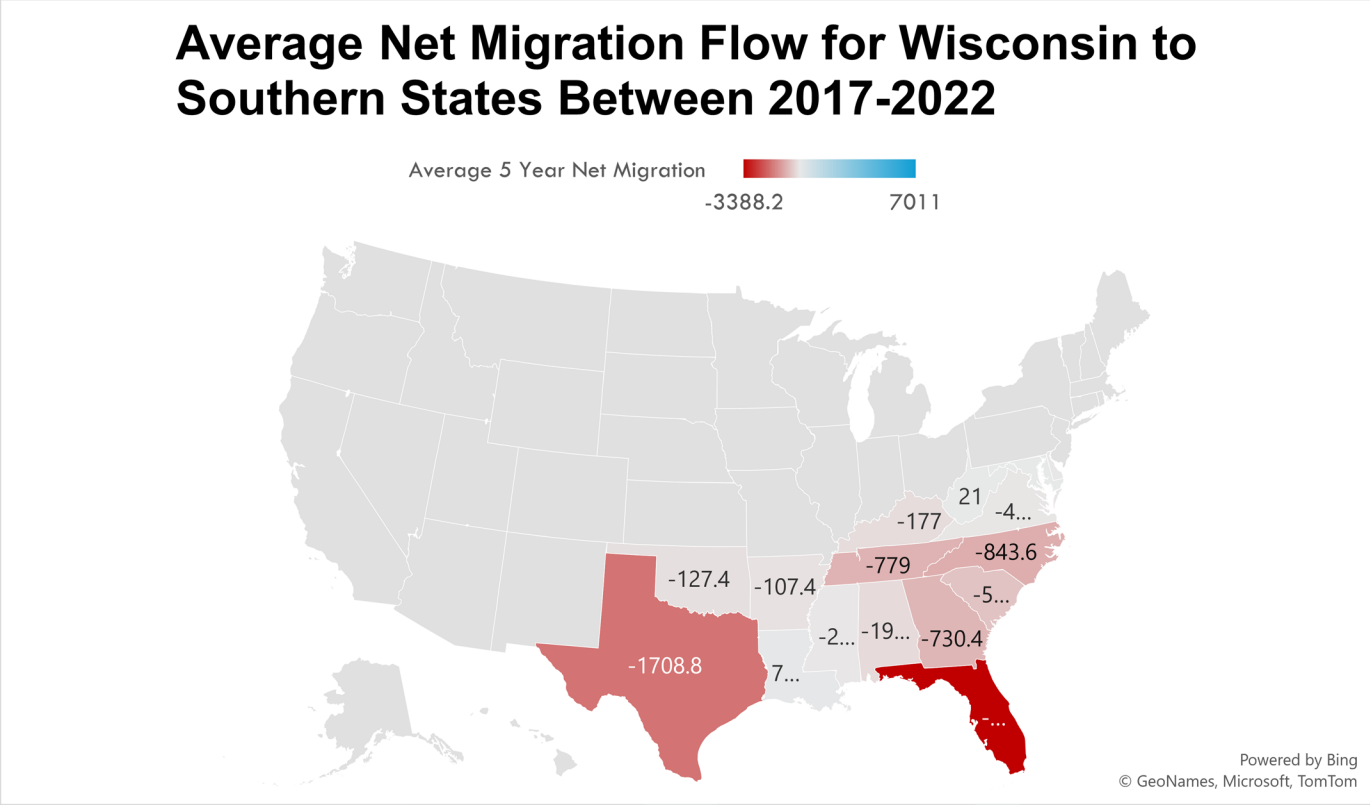

Figure 2: Average Net Migration Flow for Wisconsin to Southern States Between 2017-2022 (calculated using data from the IRS)

Employment Evidence

Todd Teske, the chief executive of Briggs & Stratton, once said that it is unfair to measure the health of the manufacturing sector solely by the number of jobs (as cited in Conroy et al., 2018). Manufacturing is indeed more complex than just employment numbers. Indeed, Conroy et al. (2018) found that as a share of total employment, the share of manufacturing jobs in Wisconsin has steadily declined since 1970 (from 28% in 1970 to 14% in 2015), a trend that parallels the rest of the United States, largely due to automation.

Figure 3 shows the percentage change in the share of manufacturing firms relative to the total firms in nine major manufacturing states between 1978 and 2022. As Conroy et al. point out in their findings, most states experienced a decline in manufacturing firms in recent decades. For example, in 1978, manufacturing firms accounted for 0.38%, 0.19%, 0.35%, and 0.29% of total firms in the US in Tennessee, Georgia, Wisconsin, and Texas respectively. By 2022, Illinois led the decline with the steepest reduction in the share of manufacturing firms, followed by Ohio and Michigan with negative 0.25%, 0.18%, and 0.17% respectively. In contrast, southern states exhibited more modest declines. Of course, technological

advancement has contributed to these declines. However, the sharper decline in the Midwest could be linked to migration.

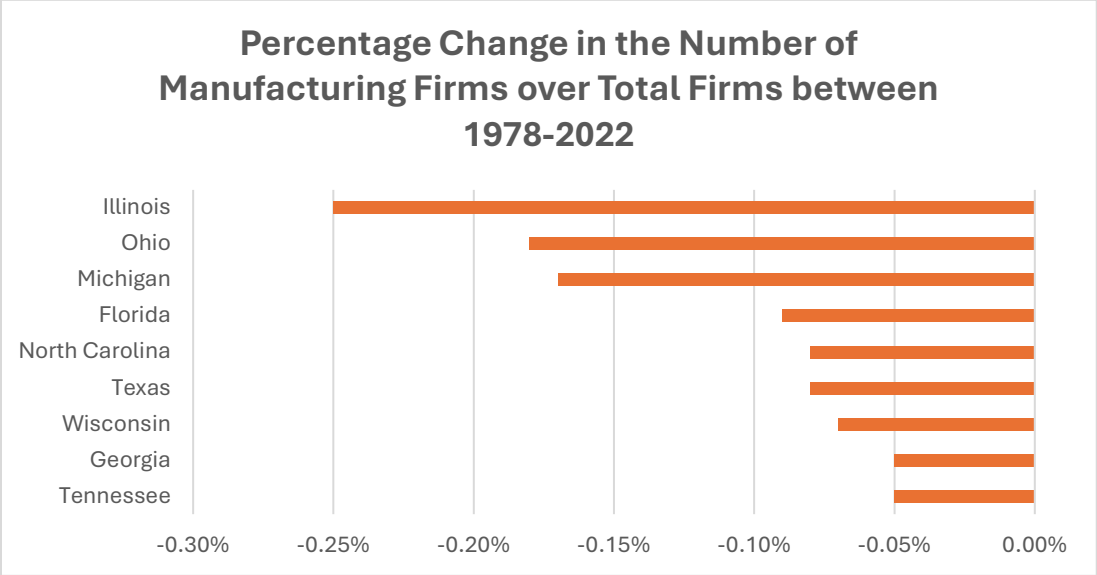

Figure 3: Number of Manufacturing Firms between 1978-2022 (calculated using data from Census Bureau Data)

As shown in Figure 4, between 1978 and 2022, the three southern states – Texas, Georgia, and Florida – experienced significant growth in manufacturing firms. In contrast, Wisconsin saw a modest 2% increase in the number of firms, while its neighboring states faced substantial declines, most notably a 32% and 18% decline in Illinois and Michigan respectively. This suggests that Wisconsin may be better positioned to sustain its manufacturing sector, whereas its neighboring states could encounter more severe challenges in keeping their manufacturing industries afloat.

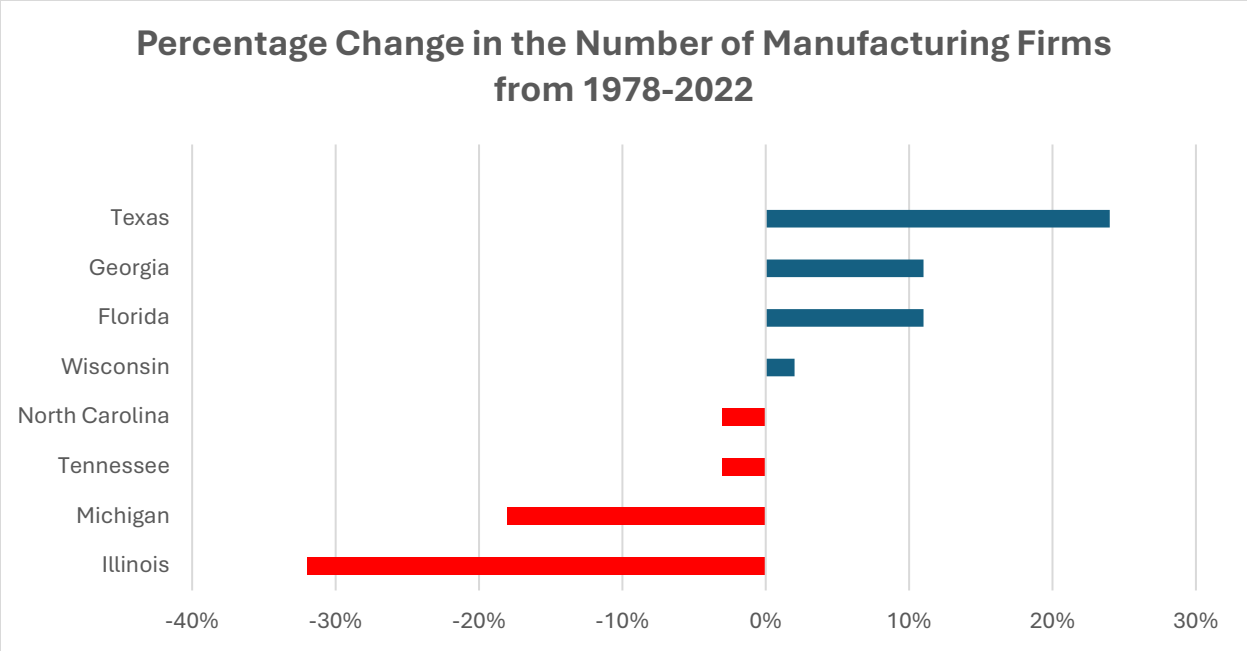

Figure 4: Percentage Change in the Number of Manufacturing Firms between 1978-2022 (calculated using data from Census Bureau Data)

Another interesting finding in Conroy et al.'s (2018) report is that most manufacturing sub-sectors in Wisconsin faced a decline, most notably in leather, apparel, and automotive manufacturing, with reductions of 61.62%, 50.68%, and 43.10% respectively. On the other hand, beverage and tobacco manufacturing grew by over 62% between 2000-2015.

Figures 5 and 6 show the number of employees (in thousands) in transportation equipment manufacturing between 1990 and 2024 in the Midwest and southern states. In the southern states, Texas has experienced a sharp decline in employment relative to Florida and Alabama, but minimal compared to some Midwest states. Texas had almost 100,000 workers in 1990 but by 2024, it decreased to over 40,000. Florida's employment remained relatively flat, with a slight uptick starting in 2016, while Alabama shows significant growth, increasing from a stable level to approximately 60,000 workers by 2024. This suggests a shift in manufacturing focus in the South. In contrast, the Midwest states, particularly Michigan and Ohio, have experienced more volatility and steep declines. Michigan saw its workforce drop from over 300,000 in 1990 to under 200,000 by 2024 – a 30% decline. Ohio also saw a decline, while Wisconsin and Illinois have maintained more stable employment levels around 50,000, with slight fluctuations. These trends indicate that while the Midwest has faced significant challenges in this sector, the southern states, particularly Alabama, have

shown more resilience and growth despite the proliferation of labor-saving innovations in manufacturing.

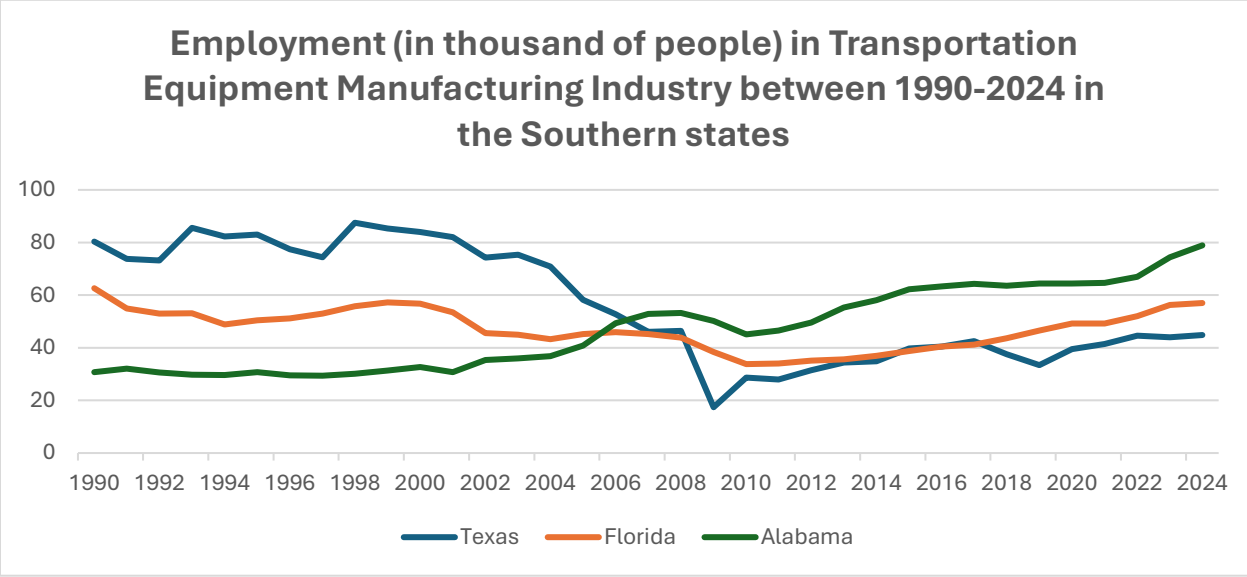

Figure 5: Employment in Transportation Equipment Manufacturing between 1990-2024 in the Southern States (calculated using data from FRED Economic Data)

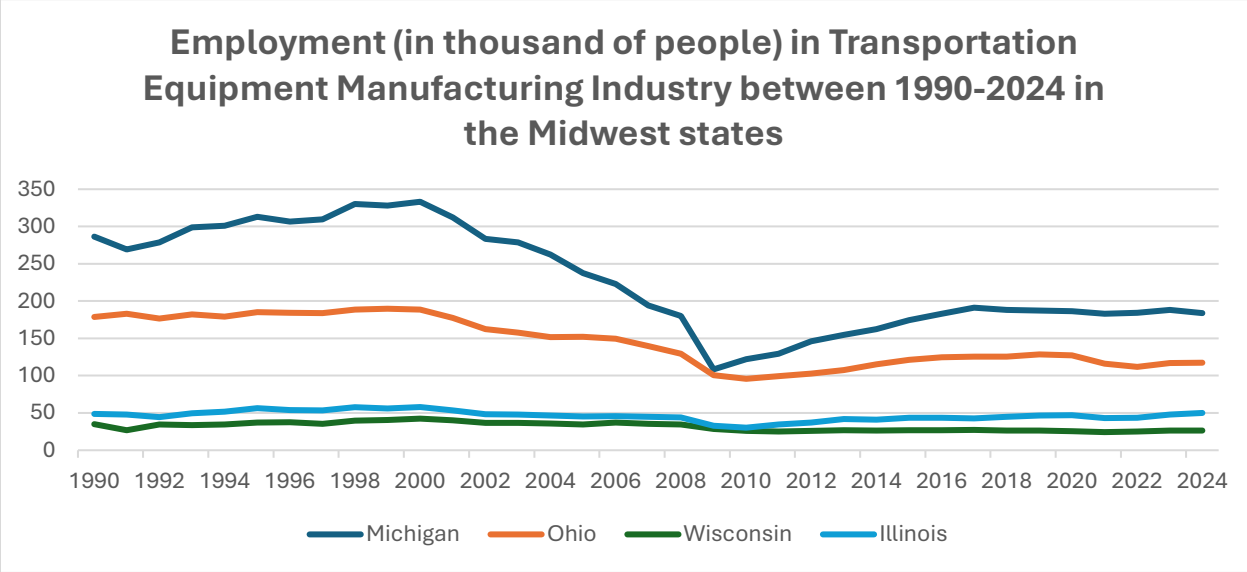

Figure 6: Employment in Transportation Equipment Manufacturing between 1990-2024 in the Midwest States (calculated using data from FRED Economic Data)

Conclusion and Further Research

Historically, manufacturing has contributed significantly and consistently to overall output in the United States, accounting for nearly 12% of GDP since 2000 (Conroy et. al, 2018). In the Midwest, the state-by-state contributions of the manufacturing sector to GDP have varied, specifically, manufacturing alone contributes 18.2%, 19.2%, 14.4%, and 12.7 to the state's GDP in Wisconsin, Michigan, Minnesota, and Illinois respectively (Conroy et. al, 2018). However, this stability in the Midwest appears to be waning in recent years, largely due to the rise of manufacturing in the southern states. Empirical evidence indicates that Wisconsin is losing more residents to the South, where the Economic Freedom Index is higher and manufacturing firms are increasingly being established.

While some may attribute this migration and shift to factors like climate preferences, The Economist (2023) highlights several economic reasons for the appeal of southern states. These include the availability of large land plots, lower energy costs, favorable business conditions, and a weaker presence of labor unions. This creates further research opportunities to investigate the drivers behind the South's growing attraction for manufacturers. Is it primarily due to tax incentives, subsidies, or simply a preference for milder weather? Further research can refer to the index created by Freedom in the 50 States. According to the index (n.d.), Wisconsin is ranked lower than Florida, Texas, Georgia, and Tennessee in Fiscal Freedom, which consists of variables such as taxation, government debt, and debt. Examining the correlation between Fiscal Freedom and the migration of manufacturing to the southern states could provide valuable insights. Further research could explore the relationship between southward migration and increased trade between the U.S. and Mexico, as well as the impact of tariffs on Chinese products.

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The Price of Regulation: Economic Effects of Controlling Off-Premise Alcohol Sales

Written by Aditya Anil

Abstract

In the United States, regulations on the sale of alcohol vary widely, reflecting the unique public health and economic conditions of each state. In some states, alcohol may not be sold at liquor stores after certain hours. In others, only some types of alcohol may be sold at certain hours. One especially noteworthy region is the Midwest, with Wisconsin serving as a prime example due to its noted tavern culture and historic alcohol production. With many levels of complicated legislation, the question must be asked if these restrictions truly improve well-being. This op-ed will examine the economic and social implications of restrictions on alcohol sales times to explore whether they benefit Wisconsinites.

Summary of Liquor Store Alcohol Sales Time Regulation

In Wisconsin, liquor sales are allowed from 6 AM to 9 PM, while beer can be sold until midnight. Michigan permits alcohol sales from 7 AM to 2 AM Monday through Saturday, and 12 PM to 2 AM on Sundays. In Minnesota, liquor stores operate from 8 AM to 10 PM on weekdays, and 11 AM to 6 PM on Sundays. Iowa follows a similar schedule, allowing sales from 6 AM to 10 PM during the week and 8 AM to 10 PM on Sundays. Illinois, however, has varied regulations depending on the locality, with some areas permitting sales until 2 AM. These laws apply to liquor stores and grocery stores, but not bars. In all these states, bars are allowed to open for longer periods of time than liquor stores do. Although it is hard to objectively rank these policies, it can be argued that Wisconsin has stricter laws than the other states since its liquor sales end at 9 PM, earlier than several other states. However, Wisconsin is somewhat unique in its allowance of only beer sales until midnight in grocery and liquor stores.

Health Impacts of Alcohol Sales Restrictions

In 2018, the World Health Organization introduced the SAFER initiative to reduce alcohol-related harm globally, advocating for limited alcohol availability. However, this sentiment is not shared by all. One such example which highlights this would be the UK's Licensing Act of 2003. This law provided localities throughout much of the UK with greater authority over time restrictions on alcohol sales. A study conducted on crime in Manchester found that there was no change in violent crime overall following the Licensing Act of 2003 (Humphreys et al., 2013). The authors did, however, find a slight increase in crime from 3-6 AM. There exists further evidence corroborating this notion. For one, Australia extended the operating hours of liquor stores on Sunday from 6 PM to10 PM in 1966, which resulted in no overall change in the levels of motor vehicle/pedestrian accidents, though there was a change in its distribution, with more of it happening between 10 PM and 11 PM following the reform (Hahn et al., 2010).

Economic Impact of Alcohol Sales Restrictions

While most of the literature on alcohol regulation focuses on the health impacts of alcohol availability, fewer studies explore its economic impacts. Due to the addictive nature of the substance, successful regulation of alcohol can be challenging to achieve. The alcohol industry has, in the past, been highly resistant to regulation and has continued to thrive under policies designed to reduce alcohol consumption (O'Brien et al., 2022). As the prohibition era demonstrated, an outright ban on alcohol failed to stop many people from drinking.

One infamous way that alcohol is regulated in the United States is through Sunday Blue Laws, which forbids the sale of alcohol on Sundays. In 2012, Connecticut repealed its Sunday Blue Laws, allowing liquor stores to remain open and grocery stores to sell alcohol on Sundays. A study on the economic impacts of the repeal found that there was a short-term increase in both competition and earnings for liquor stores and grocery stores (Connolly et al., 2024). This increase in competition provides consumers with more options. Further, the fact that the liquor and grocery stores experienced increased sales shows that many consumers prefer to purchase alcohol from those establishments, rather than bars.

Wisconsin's Rent Seeking Problem

The Tavern League of Wisconsin aims to serve the interests of "licensed beverage retailers" (Tavern League of Wisconsin, 2024). Yet, the tavern league has had many oppositions to a deregulated alcohol industry. A law passed in 2023, supported by the Tavern League, has restricted the service operations of wedding barn brewers, and allowed for the operation of bars beyond the previous 2 AM limit (Bauer, 2023; Rosciglione, 2024). The Tavern League has also defended the 9 pm sales restriction in Wisconsin, saying that "most people plan ahead" (Rosciglione, 2024). This favoritism becomes even more apparent as bars are allowed to sell pre-packaged beer and wine for off-site consumption until midnight (Bauer, 2023). Such regulation simply forces more people to patronize bars rather than purchasing from other establishments, like liquor stores and grocery stores. The result of this distortionary regulation is reduced competition for bars, which may lead to higher prices for consumers.

Bootleggers & Baptists: An Unexpected Connection

So far in this essay, I have discussed how legislation aimed to reduce alcohol consumption has unfairly affected liquor and grocery stores. However, there is another angle that is worth considering, which is that this restrictive legislature may benefit liquor stores. To understand this, we can approach the topic through the angle of Bruce Yandle's theory of *Bootleggers and Baptists*.

The analogy explains how advocates for alcohol restrictions of – the Baptists – may inadvertently increase the profits of some alcohol producers, the bootleggers. This helps to explain the paradoxical cases in which alcohol producers have supported stricter alcohol regulations. At first, this analogy may not appear to apply to the Wisconsin time restriction law, since this legislation appears to harm liquor stores. However, there is precedent from cases of Sunday Blue Laws that help to explain this

relationship. Often, liquor stores experience lower sales on Sundays compared to other days. As a result, Blue Laws have actually benefited liquor stores by allowing them to close on Sundays without losing sales to grocery stores and competitors.(Gohmann & Smith, 2020). With regard to the Wisconsin case, one liquor store owner in Milwaukee has expressed gratitude towards the time restriction law. He says that it becomes hard to compete with bars after 9 pm and that the extra earnings are not worth the added costs and the danger of staying open that late (Tarnoff, 2005). A similar situation has taken place in Arkansas, for instance, in which the Arkansas Beverage Retailers Association has opposed the widespread sale of alcohol in the state as it would be 'catastrophic' for liquor stores (Gohmann & Smith, 2020). Based on this evidence, it is clearer why Wisconsin's time restriction on alcohol sales has persisted for so long; It benefits the Tavern League, and the liquor stores, and appeases groups who wish to reduce the availability of alcohol. However, while these regulations may provide some narrow benefits to bars and liquor stores, the reduced competition and availability in the market for alcohol harms Wisconsin consumers. For example, an increased relative price of alcohol has led to increased usage of alternative substances, namely marijuana, in other states (Godmann & Smith, 2020).

Final Thoughts

The idea that allowing for increased availability leads to improved market efficiency is not a new one and has been a common viewpoint in economic literature for a long time. In this case, it could be seen that allowing alcohol to be sold in liquor stores all night would be harmful to bars and liquor stores, but would likely improve consumer welfare. With the increased availability of alcohol, bars would face more pressure to charge lower prices to remain competitive with liquor stores and grocery stores.

One could make the case that removing the time restrictions on alcohol access to alcohol would lead to an increase in drunk driving and alcohol-related incidents. However, I would argue that the opposite would be true. By exempting bars from that restriction, the law distorts the market and in fact may increase drunk driving incidents, as Wisconsin consumers are more likely to purchase alcohol from bars than they would be without the law. If this bias toward bars were removed, consumers would be free to purchase all types of alcohol at grocery stores and liquor stores at any time.

In this op-ed, I have explored the social and economic impacts of Wisconsin's time restrictions on alcohol sales. Empirical evidence suggests that increased alcohol availability does not necessarily lead to an increase in crime, but would likely improve market efficiency by enabling greater competition.

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