
MENARD FAMILY INITIATIVE



MFI ESSAYS IN ECONOMICS AND POLICY: SPRING 2025



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SPRING 2025

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Edited by Menard Family Initiative
Co-Directors Adam Stivers and Nabamita Dutta,
and Researcher Nicholas McFaden

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Our Mission

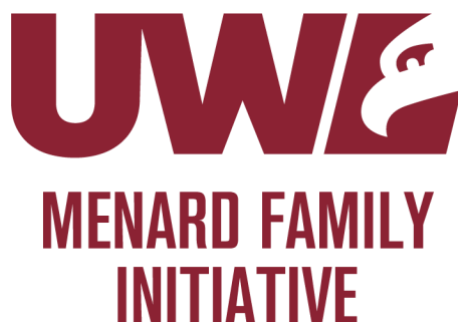
The Menard Family Initiative seeks to further our understanding of the free market and the political, economic, financial, and social institutions that guide the working of the same.

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PREFACE

MFI RESEARCHER, NICHOLAS MCFADEN

Introduction

Government policies and regulations play a critical role in shaping the business environment, with far-reaching effects on innovation, competition, and overall economic performance. Well-crafted regulations can promote efficiency and stimulate entrepreneurial activity. In contrast, overly burdensome or misguided rules may discourage entry, misalign incentives, and stifle economic vitality. Striking an effective balance is vital to cultivating a thriving economy that benefits both businesses and society at large.

This volume presents a collection of research essays produced by personnel of the Menard Family Initiative (MFI) at the University of Wisconsin–La Crosse during the Fall 2024 semester. These essays explore a broad array of topics, including alcohol taxation and regulation, tariffs and market performance, immigrant entrepreneurship, and regional housing policy.

Using the tools of economic analysis, the contributors examine how institutions and policy frameworks affect innovation, business formation, and market outcomes across different contexts in Wisconsin and beyond. The essays underscore the unintended consequences of regulatory overreach and illustrate how even well-meaning rules can generate inefficiencies. At the same time, they point to ways in which market-oriented reforms can unlock opportunity and spur growth. As policymakers face mounting challenges, this collection offers timely perspectives on designing a regulatory environment that supports economic resilience and prosperity.

Taxing Spirits and Crossing Borders: Analyzing Alcohol Regulation and Reform in Wisconsin

MFI Student Fellow Aditya Anil investigates Wisconsin's alcohol tax disparities and regulatory framework, highlighting the economic and policy consequences of cross-border shopping and outdated distribution laws.

Wisconsin ranks among the lowest in the nation for alcohol excise taxes, creating strong incentives for consumers from neighboring states like Minnesota and Michigan to cross the border for cheaper alcohol. This practice distorts local markets, undermines tax revenue in higher-tax states, and artificially benefits Wisconsin retailers. Anil draws on studies of cigarette smuggling and alcohol substitution behavior to illustrate how tax disparities can distort consumer behavior.

Beyond taxation, Anil notes that Wisconsin's long-standing three-tier distribution system limits flexibility for small producers and complicates business operations. Originally designed to prevent monopolies, the system now impedes competition and growth, particularly for craft brewers and direct-to-consumer retailers.

In response, Wisconsin passed Act 73 in 2023, modernizing alcohol laws by expanding direct sales, legalizing third-party delivery, and creating a new oversight division. While the reforms offer more flexibility, critics argue that new permit requirements hinder competition.

The author proposes further reforms, including regional tax harmonization and a shift to alcohol-by-volume (ABV) taxation. Implementing such measures

would reduce distortions, simplify compliance, and better address public health harms. In doing so, these reforms would promote fairer competition and more effective regulation across the region.

Economic Uncertainty in an Era of Tariffs

MFI Student Fellow Kang Duong examines how volatile tariff policy by the second Trump administration has impacted Wisconsin's publicly traded companies, especially in trade-sensitive sectors.

President Trump's erratic and broad tariff proposals have created major economic uncertainty. Wisconsin's industrial and consumer discretionary firms, heavily reliant on trade, suffered particularly sharp losses as a result. Between April and May 2025, these sectors lost nearly \$17 billion in market capitalization.

Surveying the yield curve and stock market data, the Duong finds clear signals of recession concerns and inflation fears. Year-to-date returns and volatility data show that industrial and consumer discretionary stocks declined faster and recovered more slowly than the broader market or other sectors.

Despite some easing in rhetoric and new trade deals, uncertainty remains high. Duong concludes that clearer, more consistent trade policy is essential to providing the stability necessary for Wisconsin firms to thrive.

The Economic Impact of Habitat for Humanity in La Crosse County

MFI Student Intern Owen Schuler evaluates the economic contributions of Habitat for Humanity projects in La Crosse County, focusing on affordability, home values, and community benefits.

As housing affordability continues to decline across the U.S., organizations like Habitat for Humanity play a growing role in addressing this crisis. By providing

modest, affordable housing to families in need, Habitat not only supports individual households but also contributes to community development.

Schuler examines 52 Habitat for Humanity projects in La Crosse County, measuring their impact through increases in property values and tax base. Since 1993, these projects have added over \$7.6 million in property value and \$6.6 million in taxable value to the county, reflecting both household wealth gains and greater public revenue for local services.

Habitat homes remain significantly more affordable than the county average, reinforcing the organization's mission to serve low-income families. Yet, rising construction and material costs have reduced the returns to these projects over time, with administrative costs now making up a quarter of total spending.

Despite these challenges, Schuler concludes that Habitat for Humanity continues to deliver long-term economic and social value, offering a stable path to homeownership and strengthening communities through increased housing security and civic engagement.

Barriers or Bridges: Immigrant Entrepreneurship in the Midwest

MFI Student Scholar Nainil Jariwala explores how cultural bias, name-based stereotyping, and systemic financing gaps affect immigrant entrepreneurs, particularly in the American Midwest.

Despite their growing economic contributions, immigrant-owned businesses face unique barriers, from consumer distrust triggered by ethnically marked brand names to limited access to loans and professional networks. Using a mixed-methods approach – including surveys, interviews, and behavioral economic insights – this essay reveals how implicit bias continues to shape consumer decisions, often to

the disadvantage of immigrant entrepreneurs.

Survey findings show that 67% of participants admit names, accents, or cultural visuals influence their trust in businesses. Ethnically distinctive names like “Patel” or “Thao” were perceived as riskier than Anglo-American names like “Smith,” even when product quality was equal. Interview data echoed this pattern, with one Wisconsin-based immigrant entrepreneur citing cultural adaptation and financing exclusion as core challenges.

With these insights, Jariwala suggests policy reforms such as culturally inclusive funding mechanisms, consumer bias-awareness campaigns, cross-cultural mentorship programs, and integrated mental health resources. While the U.S. remains an attractive environment for business, Jariwala concludes that structural and psychological barriers must be addressed through intentional policy and community action to create a truly inclusive entrepreneurial ecosystem.

Wisconsin’s Regional Housing Markets: A CBSA-Level Analysis

MFI Researcher Nicholas McFaden analyzes housing affordability, supply, and zoning policy across Wisconsin’s core-based statistical areas (CBSAs), highlighting the need for targeted state-level reform.

Home prices have consistently outpaced income growth across Wisconsin’s regional housing markets and rent burdens remain high in every CBSA. Meanwhile, housing production has stagnated in many areas and much of the state’s housing stock is aging. These issues reflect a deeper supply shortage, caused primarily by local zoning policies that restrict development through procedural complexity and exclusionary rules.

McFaden draws on new data from a recently created index of local zoning regulations, aggregated to the CBSA level. Some areas – such as Madison and Milwaukee – impose both complex and exclusionary zoning policies, while smaller regions like Watertown-Fort Atkinson combine low complexity with highly exclusionary rules.

While recent legislation such as Wisconsin Act 16 has introduced needed revisions to the zoning process, McFaden argues that more direct zoning reform is needed. He recommends using state-level authority to preempt local restrictions in high-demand regions to legalize ADUs, reduce minimum lot sizes, allow multi-family housing by-right. These reforms, targeted at the CBSA level, could relieve supply bottlenecks, ease affordability pressures, and support more sustainable statewide economic growth.

TAXING SPIRITS AND CROSSING BORDERS: ANALYZING ALCOHOL REGULATION AND REFORM IN WISCONSIN

ADITYA ANIL, MFI STUDENT FELLOW

Abstract

This essay explores the economic and regulatory challenges posed by alcohol tax disparities and outdated distribution laws in the Midwest, with a focus on Wisconsin. Wisconsin's significantly lower alcohol excise taxes compared to neighboring states like Minnesota and Michigan create strong incentives for cross-border shopping, distorting local markets and undermining regional tax revenues. Additionally, the entrenched three-tier system of alcohol regulation, originally designed to prevent monopolies, now poses obstacles to small producers and modern business models. Recent legislative reform through Wisconsin's Act 73 aims to modernize this system by expanding direct-to-consumer sales, legalizing third-party delivery, and easing distribution restrictions. This paper evaluates the effects of tax-induced consumer behavior, examines the implications of Act 73, and considers broader policy solutions such as tax harmonization to reduce market distortions and foster fair competition across state lines.

Introduction

Alcohol regulation is a deeply complex, multi-faceted topic that encompasses not only consumer behavior, but also geography, policy and producer behaviors. With that, we see that state borders not only divide geography, but also influence consumer behavior, particularly in markets with significant price discrepancies such as alcohol. Wisconsin, with much lower alcohol taxes compared to its neighboring states

of Minnesota and Michigan, creates incentives for consumers to cross state lines to consume cheaper alcohol. With that, cross-border shopping undermines the competitiveness of state markets, distorts consumer decisions, and harms local economies. In addition to taxes, another regulatory hurdle that affects the alcohol industry is the three-tier system, which is a series of regulations that have been in place since 1935. While the regulations were initially instated to obstruct monopoly dominance of the alcohol market, it now provides many obstacles to growth for the alcohol industry, especially for smaller businesses. With that, Wisconsin has recently passed Act 73, which aims to modernize its alcohol regulations, particularly with respect to the three-tier system. This essay explores the issues caused by tax discrepancies and examines the potential benefits that Wisconsin's alcohol regulatory reform may bring.

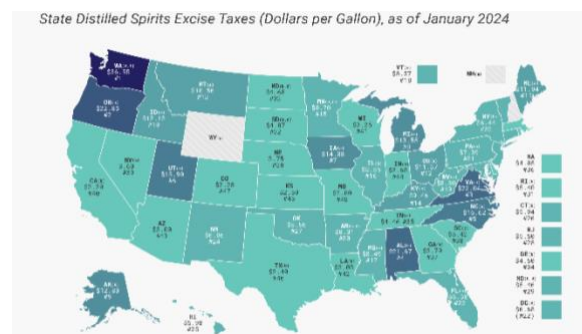
The Issue with Cross-Border Shopping
Wisconsin maintains some of the lowest alcohol excise tax rates in the United States. For distilled spirits, the state levies a tax of \$3.25 per gallon, ranking 41st nationally. Its excise tax on beer is even lower at \$0.06 per gallon, placing it 48th. By contrast, Minnesota and Michigan impose significantly higher excise taxes on spirits, with \$8.70 and \$13.55 per gallon, ranking 15th and 8th, respectively. Their beer taxes are also elevated, at \$0.47 and \$0.20 per gallon, corresponding to the 11th and 29th ranks. These disparities create substantial cross-border price differentials, which

may encourage consumers to purchase alcohol in lower-tax jurisdictions. While the demand for alcohol is generally considered price inelastic, where changes in price lead to relatively smaller changes in consumption, tax-induced price variations can nonetheless alter consumer behavior due to the addictive nature of the product. Gehrsitz et al. (2021) examined the effects of a sharp increase in Illinois's taxes on spirits and wine, alongside a modest rise in beer taxes. The study observed a 4% increase in beer sales, accompanied by 3.5% and 3.0% decreases in spirits and wine sales, respectively, indicating substitution toward lower-taxed beverages. Additionally, the study documented a shift toward cheaper variants of taxed goods as a means of avoiding higher costs. Although comprehensive data on cross-border alcohol smuggling is limited, earlier research estimated that in 1993, more beer was brought into Wisconsin by out-of-state consumers than was taken out by Wisconsin residents which resulted in a 0.22% net inflow of beer consumers (Beard et al., 1997).

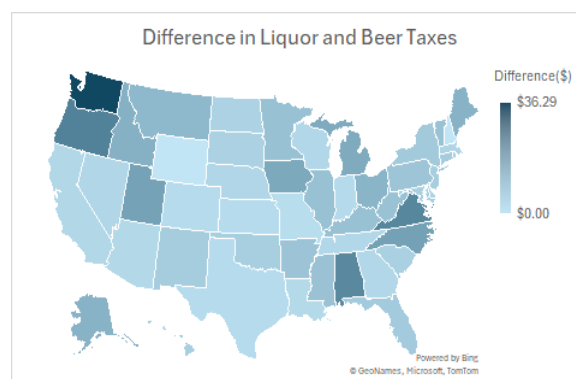
With the lack of data on cross-border sales of alcohol, it is helpful to look at comparable markets for reference. One such market would be for cigarette smuggling, as both alcohol and tobacco are addictive goods that have heavy discrepancies in taxes between states. For instance, cigarette tax rates range from \$5.35 per pack in New York to \$0.17 in Missouri. In New York, 54.33% of cigarettes consumed are smuggled into the state, while 49.15% are smuggled out; in Wisconsin, with a \$2.52 tax per pack, 17.79% of cigarettes consumed are smuggled. These data points collectively suggest that consumers are willing to engage in cross-border purchasing or smuggling to circumvent high excise taxes. The resulting fiscal and economic consequences are significant. States

such as Minnesota and Michigan may face reduced tax revenues, which can impair their ability to fund public services. Conversely, Wisconsin retailers gain an artificial competitive advantage, not through superior quality or service, but through favorable tax policy which ultimately distorts market competitions and hurts relationships between state governments.

The heat map in Fig. 1 illustrates the disparities in alcohol tax rates across the



region. Wisconsin's notably lower taxes on both liquor and beer, as depicted, create a strong incentive for cross-border shopping. As shown in the map, the significant difference in excise tax rates between Wisconsin and its neighboring states highlights why consumers are likely to travel across state lines in search of more affordable alcohol, ultimately shaping local market trends and business strategies. It further highlights the complexity of the current alcohol taxation system, with its uneven impact on neighboring states and the ways in which these tax discrepancies disrupt local economies. For example, the



substantial price advantages in Wisconsin may lead to reduced tax

revenue for states like Minnesota and Michigan, as their residents seek out lower-taxed options. Additionally, this situation creates challenges for local businesses that must compete with out-of-state retailers, who are benefiting from these tax advantages. Ultimately, the heat map underscores the need for potential regulatory reforms that address these disparities in a way that promotes fair competition, improves tax compliance, and reduces market distortion across the region. In addition to that, Fig. 2 provides insight into the levels of discrepancies between taxes on types of alcohol vary between states. This is largely due to the massive difference in beer and spirit tax rates, with Wisconsin having a \$3.25 tax per gallon of spirits and \$0.06 tax per gallon of beer. This lower taxes on beer may encourage beer consumption over stronger spirits. However, a simple alternative for producers would be to increase the alcohol content of spirits, to maximize alcohol intake at a lower cost, which could result in issues with public health that are explored later in this essay.

Understanding the Three-Tier System and How It Impacts Wisconsin

The three-tier system establishes three distinct categories within the alcoholic beverages industry: producers, distributors, and retailers. While exceptions exist, the system generally prohibits producers and distributors from holding or having an interest in retail licenses, restricts retailers from owning or having an interest in production or distribution licenses, and prevents producers from holding distribution permits, and vice versa. Additionally, the three-tier system typically forbids beer wholesalers from entering into exclusive agreements with Class “A” retailers, such as liquor stores, except for products from small craft brewers or brewpubs. The system also prevents brewers, brewpubs, and

wholesalers from compelling Class “B” retailers, such as bars or restaurants, to exclusively sell their products.

Originally, the three-tier system was designed to prevent market monopolies and curb anti-competitive practices. However, recent evidence suggests that the system may be stifling growth in the industry. For example, a study on direct-to-consumer wine shipping found that relaxing such regulations led to a 3.5% increase in the number of wineries (Pesavento, 2022), implying that opening distribution channels could foster market competition rather than hinder it. Moreover, restrictions on brewers' control over distribution channels have been shown to hinder expansion and market entry, particularly affecting craft brewers (Sorini, 2017). This is further illustrated by the limitations placed on brewpubs in Wisconsin, which are capped at 1,000 barrels for self-distribution annually, which has since been increased to 2,000 in Act. 73 (Schmidt, 2024). Furthermore, insufficient staffing and enforcement capabilities lead to differences in enforcement and legal aid for brewers in Wisconsin (Ferral et al., 2023).

For decades, Wisconsin's regulatory framework for alcohol remained largely unchanged, reflecting a legacy of Prohibition-era policies rather than adapting to the needs of a modern, dynamic economy. Despite the previous lack of meaningful legislative updates, Wisconsin consistently ranks among the highest in national alcohol consumption. In fiscal year 2021, the state collected \$73.8 million in alcohol tax revenue, marking a 16.6% increase from the previous year and the highest total in over a decade (Wisconsin Policy Forum, 2021). Despite the growth in economic activity related to alcohol, many producers, sellers, and consumers continued to operate within a rigid

regulatory system. Craft breweries and small wineries faced challenges navigating complex licensing requirements and limited distribution opportunities. Meanwhile, third-party delivery services operate in a legal gray area.

How Has Act. 73 Modernized Legislation?

In 2023, Wisconsin introduced Act 73, marking a significant modernization of the state's alcohol regulatory framework. This legislation permits brewers to open their own locations and sell their products directly to consumers (Ferral et al., 2023). The bill also allows industry agents to invest in new businesses within the sector, though they are prohibited from assuming managerial roles (Ferral et al., 2023). A major reform introduced by the bill is the authorization for brewers and winemakers to sell and serve their products at out-of-state locations, a practice that was previously prohibited. Furthermore, the law also creates a new Division of Alcohol Beverages within the Department of Revenue, streamlining oversight and licensing processes while formally legalizing third-party alcohol delivery services. Proponents argue that these reforms bring much-needed clarity and modernization to a regulatory system that had struggled to adapt to evolving consumer and industry demands (CSP Daily News, 2023). However, critics contend that the new permit system imposes unnecessary restrictions, which could significantly hinder business operations (Wisconsin Institute for Law & Liberty, 2023). Nevertheless, these reforms aim to level the playing field and foster a more competitive environment by updating a system that had long been outdated. They offer smaller, independent businesses increased operational flexibility, thus creating opportunities for growth within Wisconsin's alcohol industry. In addition

to that, they provide consumers with greater access to diverse services and expanded avenues for obtaining alcohol.

Further Means of Modernizing Legislation

As previously discussed, significant discrepancies in alcohol tax laws can lead to market distortions and incentivize cross-border shopping. One potential solution to these issues is the standardization of tax rates across states, which could yield several distinct advantages. First, the problem of unfair competition resulting from lower taxes would be eliminated, as a uniform tax rate would ensure that retailers compete based on quality and service, rather than tax advantages. Additionally, such standardization would simplify compliance for businesses operating in multiple states, reducing the complexity of navigating varied tax laws. This lowers administrative costs and reduces burdens on businesses. Furthermore, local liquor stores would benefit from a level playing field, as they would no longer face competition from out-of-state retailers with favorable tax rates. Although standardizing alcohol excise taxes has not been attempted on a broad scale, there are instances of interstate cooperation on tax matters. States such as Indiana, Kentucky, and Illinois have established income tax reciprocity agreements to simplify the taxation of individuals working across state lines (Walczak, 2022). These agreements have been found to successfully streamline the process and provide benefits to those affected. While it is difficult to directly compare income tax reciprocity with the implementation of a uniform alcohol excise tax, these agreements demonstrate that legislative cooperation on tax policy is feasible. Regional cooperation on alcohol taxation could yield significant benefits for businesses, including stabilizing local economies, reducing administrative complexities,

and ensuring fair competition across state lines.

A common concern surrounding the harmonization of alcohol taxes is that states with relatively low tax rates, such as Wisconsin, would be required to raise them, which may potentially lead to an increase in unrecorded alcohol consumption. However, Rehm et al. (2021) note that cross-border alcohol sales pose a significant issue only in specific regions, most notably northern Europe, largely because the European Union treats alcohol as an “ordinary” commodity with minimal restrictions on cross-border trade. Policy solutions such as reclassifying alcohol as a non-ordinary commodity or implementing harmonized minimum excise taxes could help address these issues without necessitating tax increases. Moreover, empirical evidence indicates that even in contexts where unrecorded consumption might be expected to rise, increases in alcohol taxation have not consistently led to higher levels of unrecorded alcohol use and have, in some cases, coincided with declines (Rehm et al., 2020).

In addition, traditional volume-based tax systems fail to account for variation in alcohol content between beverages, and a switch to alcohol by volume (ABV) taxation would do the opposite. Instead of taxing alcohol by physical volume, it would tax alcohol by the alcohol content in the beverage. This creates a more equitable tax system across all types of alcohol and discourages consumers from buying cheaper versions of strong spirits. Meir et al. (2016) finds that while all tax and pricing policies reduce overall consumption, minimum unit pricing (MUP) and volumetric taxation are most effective at targeting harmful drinking in lower socioeconomic groups in a study conducted in Sheffield. This is because disadvantaged heavy drinkers tend to

purchase cheaper, high-strength alcohol, which these policies directly affect. In contrast, traditional taxes distribute price changes more evenly and are less effective in reducing health inequalities. In the study, the authors conclude, MUP and volumetric taxation “outperform ad valorem taxation and increasing the current UK tax” when the goal is to reduce alcohol-related harm in a socially equitable way. Importantly, this would reduce incentives for producers to increase alcohol strength as a means of circumventing taxes.

To calculate ABV taxes, we could use the current tax per gallon and divide it by the ABV as a decimal, so that the formula would be $\text{Tax per gallon of alcohol} = \text{Tax per gallon} / \text{ABV as decimal}$. For the ABV per decimal, we can use an average of 5% for beer, 12% for wine, and 40% for spirits. In Wisconsin, beer is taxed at \$0.06 per gallon, resulting in a rate of \$1.29 per gallon of alcohol. Similarly, wine is taxed at \$0.25 per gallon, which results in a tax of \$2.08 per gallon of alcohol. Spirits, taxed at \$3.25 per gallon would be taxed at \$8.13 per gallon of alcohol. While this simple calculation can provide a projection on the taxes of a more equitable tax system may result in, it does not account for variability in alcohol content between types of beverages. Furthermore, it hinges on the existing tax rates as opposed to creating a completely new way of calculating the tax rates.

Conclusion

To conclude, the issue of cross-border shopping in alcohol, driven by tax discrepancies, presents a challenge for both state economies and local businesses. Wisconsin’s low alcohol taxes create an artificial market advantage that distorts competition with neighboring states, such as Minnesota and Michigan, and undermines local tax revenues. The three-tier system, though

originally designed to prevent monopolies, now imposes unnecessary restrictions that stifle the growth of smaller businesses and craft brewers, preventing Wisconsin from fully capitalizing on its thriving alcohol market. Act 73, passed in 2023, represents a step forward in modernizing Wisconsin's alcohol regulation and addressing some of these inefficiencies, but further efforts are needed to ensure fair competition and economic stability across the region. Standardizing alcohol tax rates and transitioning to alcohol-by-volume taxation could be vital reforms, reducing market distortions and providing a level playing field for local businesses. While challenges remain in balancing tax policy with public health and economic concerns, these changes could foster a more competitive, fair, and sustainable alcohol market in Wisconsin and its neighboring states.

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ECONOMIC UNCERTAINTY IN AN ERA OF TARIFFS

KHANG DUONG, MFI STUDENT FELLOW

Abstract

The uncertainty and inconsistency of the Trump administration's rhetorics on tariffs have caused extreme turmoil in the U.S. economy, especially in Wisconsin, where industrials and consumer discretionary firms rely heavily on trade, thus are extremely volatile to news about tariffs. As of May 4, 2025, publicly traded firms in Wisconsin experienced a market loss of nearly 10 billion, with some sectors showing slight recovery after one of the biggest market drops in the last decade followed the mass tariff plan on Liberation Day.

Introduction

On May 7, 2025, Jerome Powell, the Fed chair announced that it would leave the interest rates steady, while warning of rising economic risks: "if the large increases in tariffs that have been announced are sustained, they're likely to generate a rise in inflation, a slowdown in economic growth, and an increase in unemployment" (Timiraos, 2025). Indeed, President Trump has increasingly been using tariffs as a "negation tool" since his second term especially with his proposal on "Liberation Day" of imposing a 10% baseline tariffs for foreign nations, with some countries such as Vietnam having 46% tariffs when exporting to the U.S. Most notably of all, the tariffs rates applied to China have been increasingly changing in the past few years. As Bown noted (2025), "US tariffs are more than 15 times higher than before the US-China tariff war began in 2018". In the months between April and May 2025 alone, the tariffs rate on China that had been consistent under President Biden's administration at 20%

went up to 125% on May 2, 2025 before the two nations reaching the agreement of keeping it at 51% on May 14, 2025. Additionally, President Trump's proposal to impose International Emergency Economic Powers Act (IEEPA) tariffs on Mexico and Canada left the global economy crumble before backing it down. Such on and off tariffs have left businesses and investors frustration and uncertainty. This essay aims to explore the impact of the Trump administration rhetoric on tariffs on Wisconsin-based stocks, particularly in the Badgers state's dominant sectors – industrials and consumer discretionary. It will first provide empirical evidence of market uncertainty, followed by laying out the stock selection and methodology, analysis and conclusion.

Measuring Economic Uncertainty by the Yield Curve

One of the most common ways to measure economic uncertainty and predict recession is to use the yield curve. According to the Federal Reserve Bank of New York (n.d.), "the yield curve has predicted essentially every U.S. recession since 1950 with only one 'false' signal, which preceded the credit crunch and slowdown in production in 1967". Additionally, "the yield curve tends to perform quite well in comparisons with other leading indicators [...] Indicators such as stock prices and interest rates may have similar performance to the yield curve at some horizons, but none seem to dominate the yield curve as a predictor".

In short, the yield curve "is a line that plots the yields or interest rates of bonds that

have equal credit quality but different maturity dates” (Hayes, 2023). The slope of the yield curve tells a relationship between long-term and short-term bond rate, which can be used to predict the direction of interest rates and the economic expansion or contraction that could result. Yield curve usually slopes upward, which means that long term bonds usually have higher interest rate than short term bonds. Such upward sloping curve often indicates a period of economic expansion. On the other hand, an inverted yield curve that slopes downward means short-term interest rates exceed long-term rates, which often is interpreted as a sign for economic recession.

Figure 1 shows the yield curve on May 4, 2025. It is evident that the curve drops (inverts) in the short-term (1M to 2Y), which often signals market’s expectation that the economy “will deteriorate and that the

Fed will cut short-term rates in the future” (Wessel & Kovalski, 2018). However, there appears to be a very steep upward slope in the long-term (3Y to 30Y). This often indicates expectations for high inflation or uncertainty, so that “investors and lenders demand compensation for this by building an “inflation premium” into the interest rate on a loan or bond”. Interestingly, the yield curve slumps over the 1-year to 4-year range, but rises after that, which coincides closely with President Trump term and the expected duration of tariffs. Nguyen et al. (2008) found that when the yield curve is normal and the market is in the latter half of a presidential cycle, the strategy built on this scenario produces superior risk-adjusted returns, which mirrors the market’s historical behavior where investors expect better economic performance and less policy risk in the back half of a presidential term.

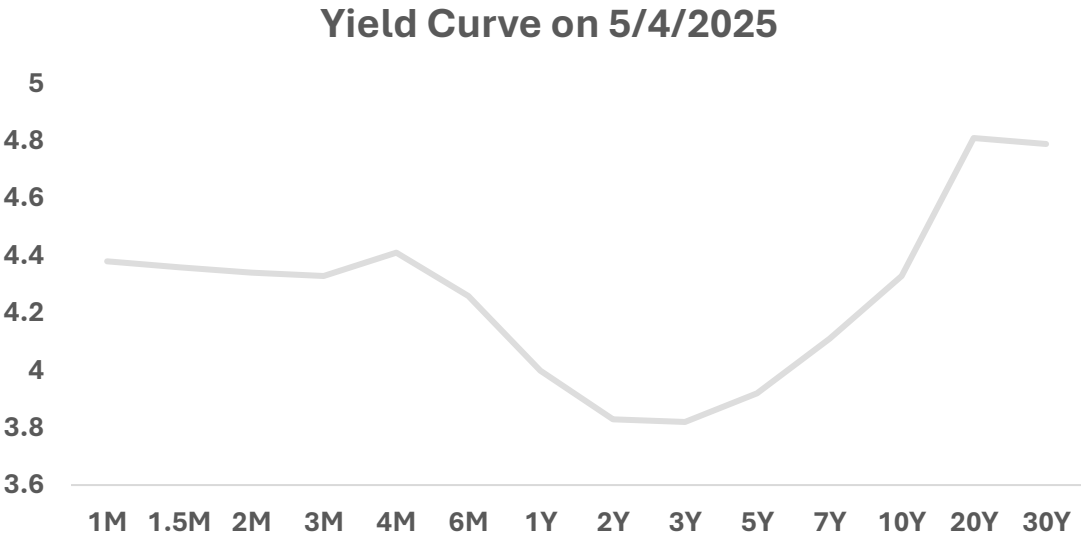


Figure 1: Yield curve on 5/4/2025

Methodology and Stock Selection

In order to track the stock performance, this essay uses the tariff timeline of the Trump administration based on the tariff’s announcement provided by Minsberg’s

(2025) article from the New York Times since President Trump’s inauguration on January 20, 2025, to May 4, 2025 (the day as of this essay was written). These dates are then classified into two categories

based on whether the event is “on-tariffs” or “off-tariffs”. On-tariffs events are announcements, and events that show the potential of the U.S. imposing and reaffirming the effects of tariffs on other nations and vice versa. Off-tariffs events are announcements where the U.S. suspends, pauses and/or withdrawals or eases such tariffs and vice versa.

It is important to keep in mind that there are numerous dates that cannot be easily categorized into either “on” or “off” tariffs due to the inconsistency and uncertainty of multiple announcements made by the Trump Administration. For example, on April 7, 2025, Bangladesh asked the U.S. for a three-month reprieve before any tariffs would be imposed on its exports to the United States, but at the same time, the U.S. threatened an additional 50% tariff on China. Another example was early on April 9, 2025, when the tariffs announced on Liberation Day on some of America’s biggest trading partners took effect and many countries retaliated immediately. However, these tariffs were quickly paused for the next 90 days, except for China later on the day.

To analyze how the Wisconsin-based firms react to news about tariffs, a total of 32 firms were identified across seven different sectors, with a significant concentration in the Industrials sector. For that reason, these stocks are classified into two groups: 20 stocks in “Industrials + Consumer Discretionary” and 12 “Other” stocks to better analyze how Wisconsin’s dominant industries respond to tariff-related news. These firms also must:

- Have been publicly traded for at least five years.
- Be headquartered in the state of Wisconsin.

Additionally, market’s performance, represented by the S&P 500 Index (SPX) is used as a benchmark for comparison.

It is important to reiterate that tariffs are found to have a stronger impact on the industrial and consumer discretionary sectors. For example, in the machinery and construction sector, “tariffs will have negative impacts on production costs, especially for imported raw materials”. Additionally, the higher inflation that follow the tariffs could also impact interest rates and demand in these sectors. Likewise, “U.S. consumer goods, many of which are imported from countries subject to high tariffs, will experience significant price increases in this new tariff environment, which will likely discourage consumer spending even further” (Albornoz, 2025). In short, the products in these sectors are extremely sensitive to tariffs news because they rely heavily on imports and export.

Stock Performance

Figures 2, 3 and 4 show the performance in the past five years for Wisconsin-based firms in the industrial and consumer discretionary sectors, other sectors and the S&P500 respectively. Overall, there are two biggest drops in the past five years.

The first major drop occurring between 2021 and 2022 was most likely caused by the high inflation, hence high interest rate in the U.S during the post-COVID time, where the Fed increased the interest rate 11 times. However, Wisconsin-based firms in the industrial and consumer discretionary sectors took the biggest hit, as their value decreased by almost 40% on average, compared to the firms in Other Sectors’ 25% decrease and the S&P 500’s 30% decrease. While the stocks in other sectors and the S&P 500 quickly entered their bullish trend towards late 2024, the

stocks in the industrials and consumer discretionary sectors have not reached

back to their most recent peak in November 2021.

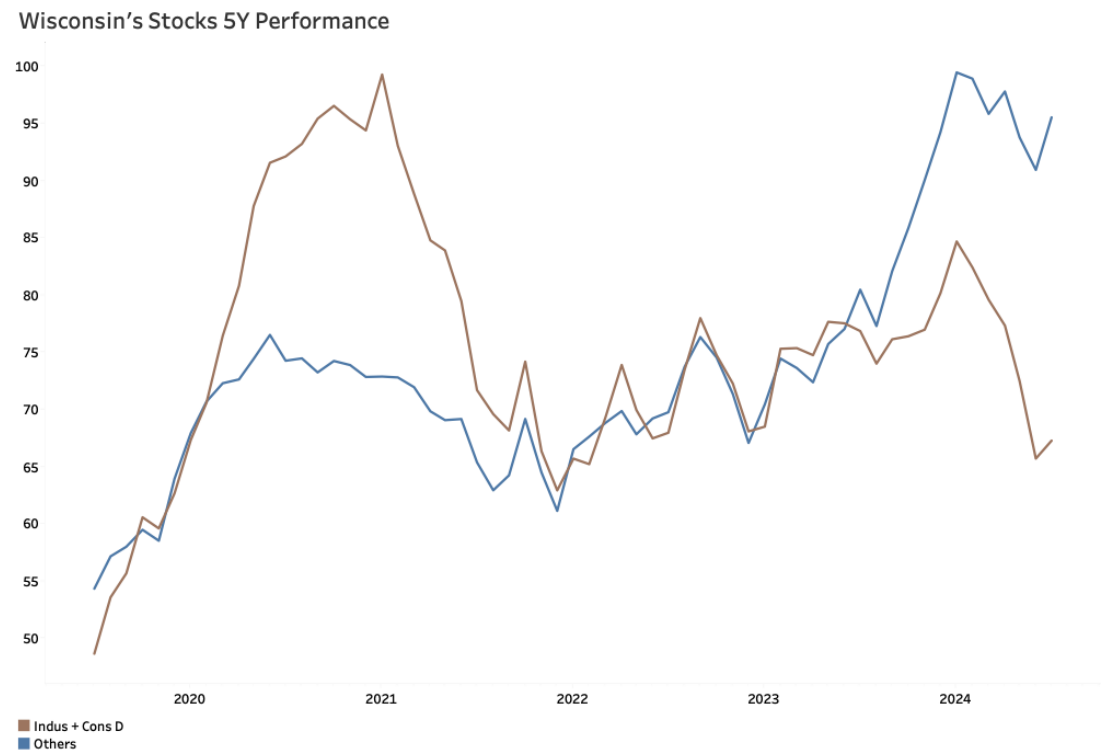


Figure 2: 5Y Average Price for Wisconsin Stocks in the Industrials and Consumer Discretionary and Other Sectors

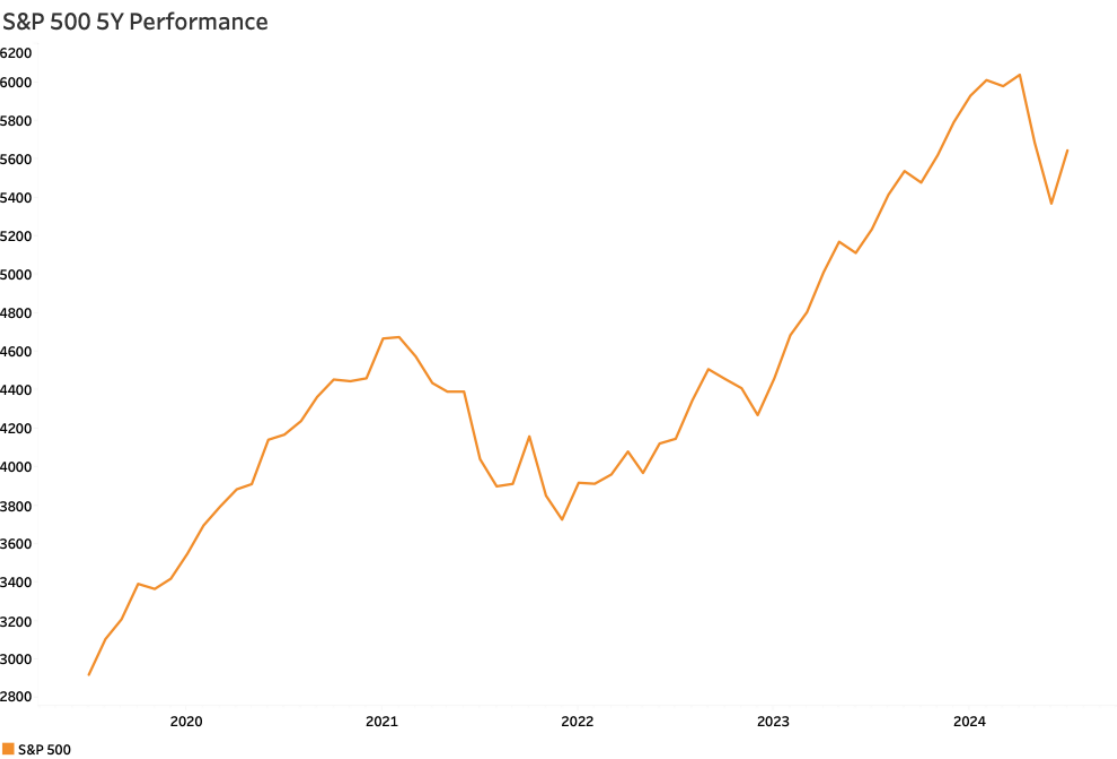


Figure 3: S&P 500's 5Y Performance

The second major decline taking place in the first quarter in 2025, where again, Wisconsin-based firms in the industrial and consumer discretionary sectors suffered the most.

Figures 4 and 5 show the comparison between the YTD performance of the Wisconsin stocks in the industrials and consumers discretionary (as of May 4, 2025) and the other sectors and the

market. While the market and stocks in other sectors saw some oscillating trends between January and March, the stocks in the industrial and consumer discretionary sectors saw a much rapid, and consistent decline. This is also supported by the trend lines, where the industrial and consumer discretionary sectors' lines are steeper than the trend lines in the market and the other group.

YTD Performance Comparison

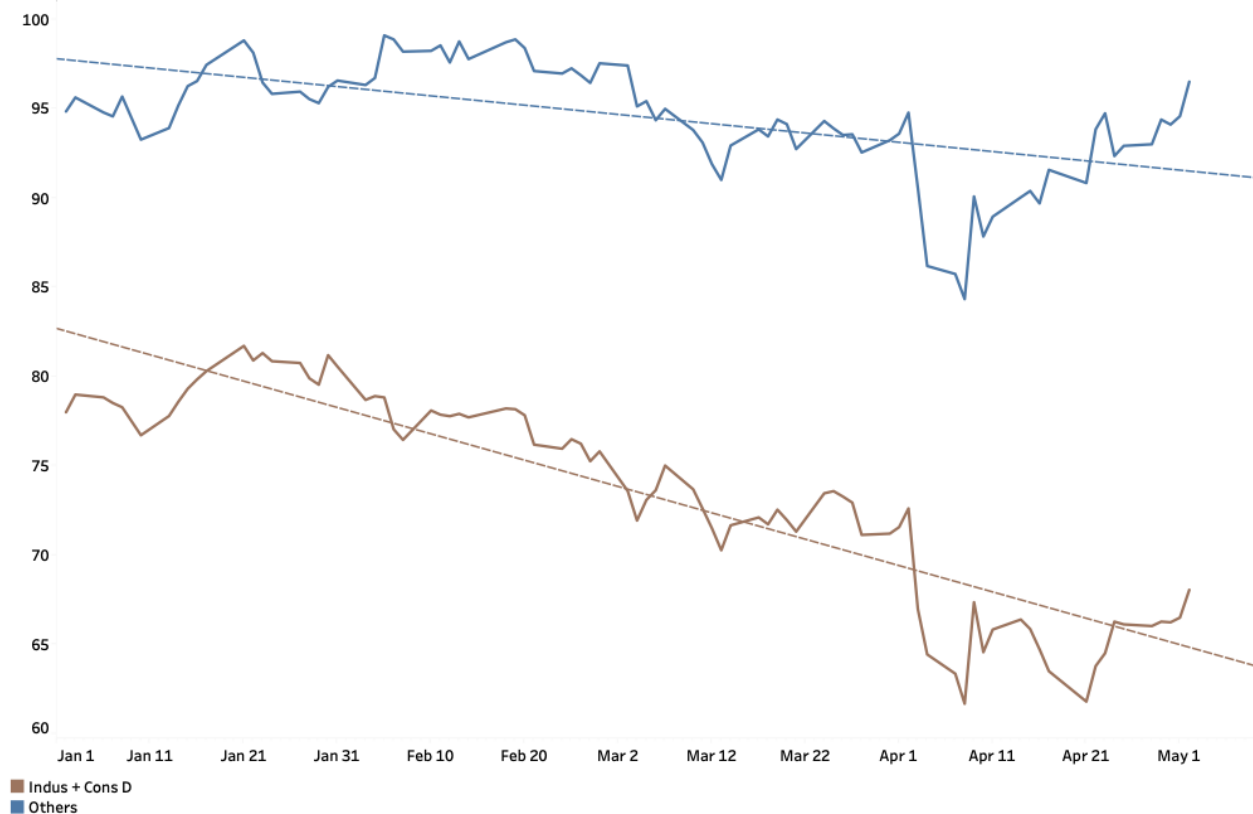


Figure 4: YTD Performance for Wisconsin Stocks

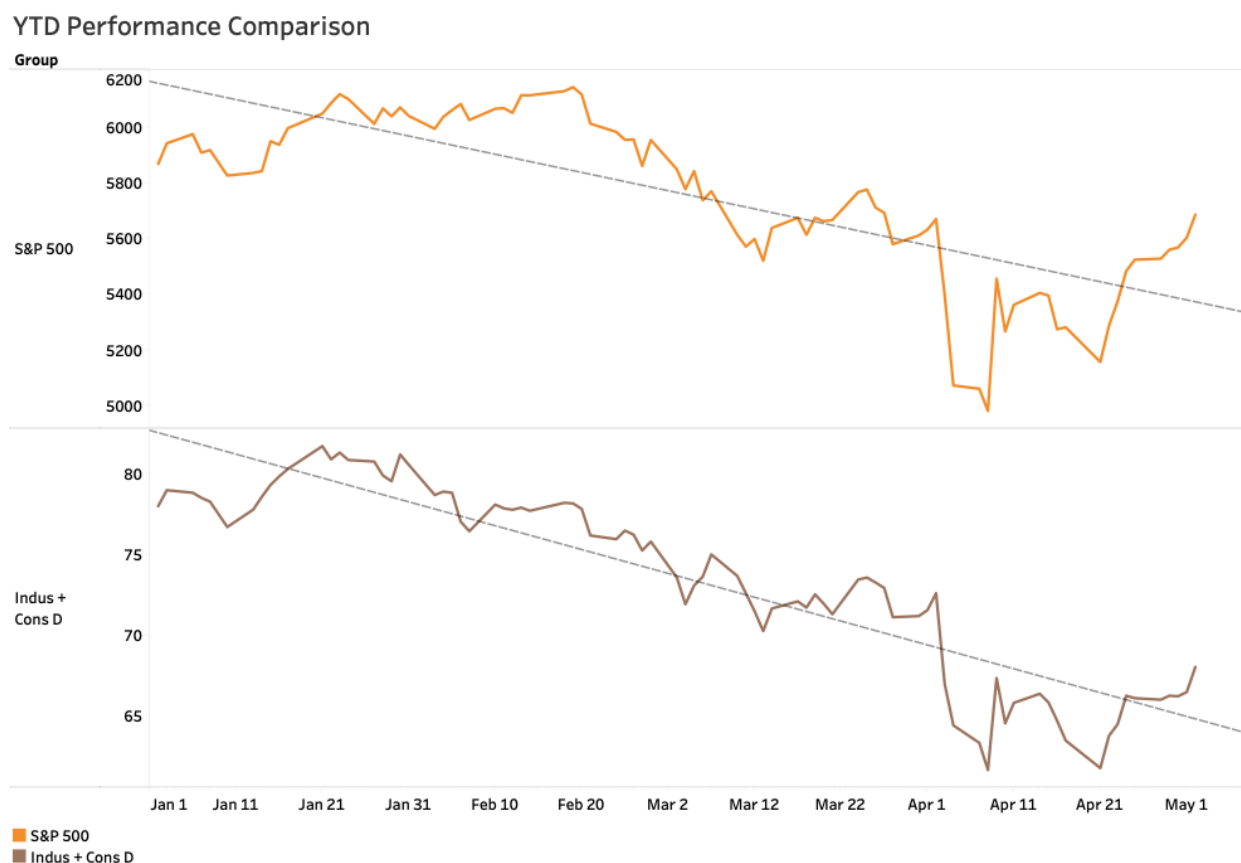


Figure 5: YTD Performance for Industrials and Consumer Discretionary Sectors and the S&P 500

Figures 6 and 7 illustrate the YTD price of the three groups with vertical lines marking the dates of tariff announcements. The solid lines represent the dates of “on-tariffs” events/announcements, whereas the dashed lines represent the dates of “off-tariffs” ones. The three groups all suffered greatly after April 2, 2025 – Liberation Day, where President Trump announced a 10% baseline tariff on all global imports and reciprocal tariffs (varied by country). For example, “Chinese goods were subject to a 104 percent tariff, European goods faced a 20 percent import tax, Japanese goods were taxed 24 percent and Vietnam products 46 percent” (Minsberg, 2025). As

a result, one week after the announcement, the S&P 500 dropped 12% - “a decline not typically seen outside of extreme events like the Covid-19 pandemic and the subprime mortgage crisis of 2008” (Wile, 2025). Meanwhile, Wisconsin stocks in the industrials and consumer discretionary sectors decreased 15% in value, and stocks in the other sectors decreased 10%.

More importantly, as the Trump administration and world leaders made continuous announcements regarding tariffs announcement in Mid-April and eventually postponed the tariff plan, the market and the stocks in the other sectors saw some significant recovery, but the

stocks in the industrials and consumer discretionary did not. This can easily be observed through figure 8, which shows

the performance of the three groups between April and May 2025.

Wisconsin's YTD Performance

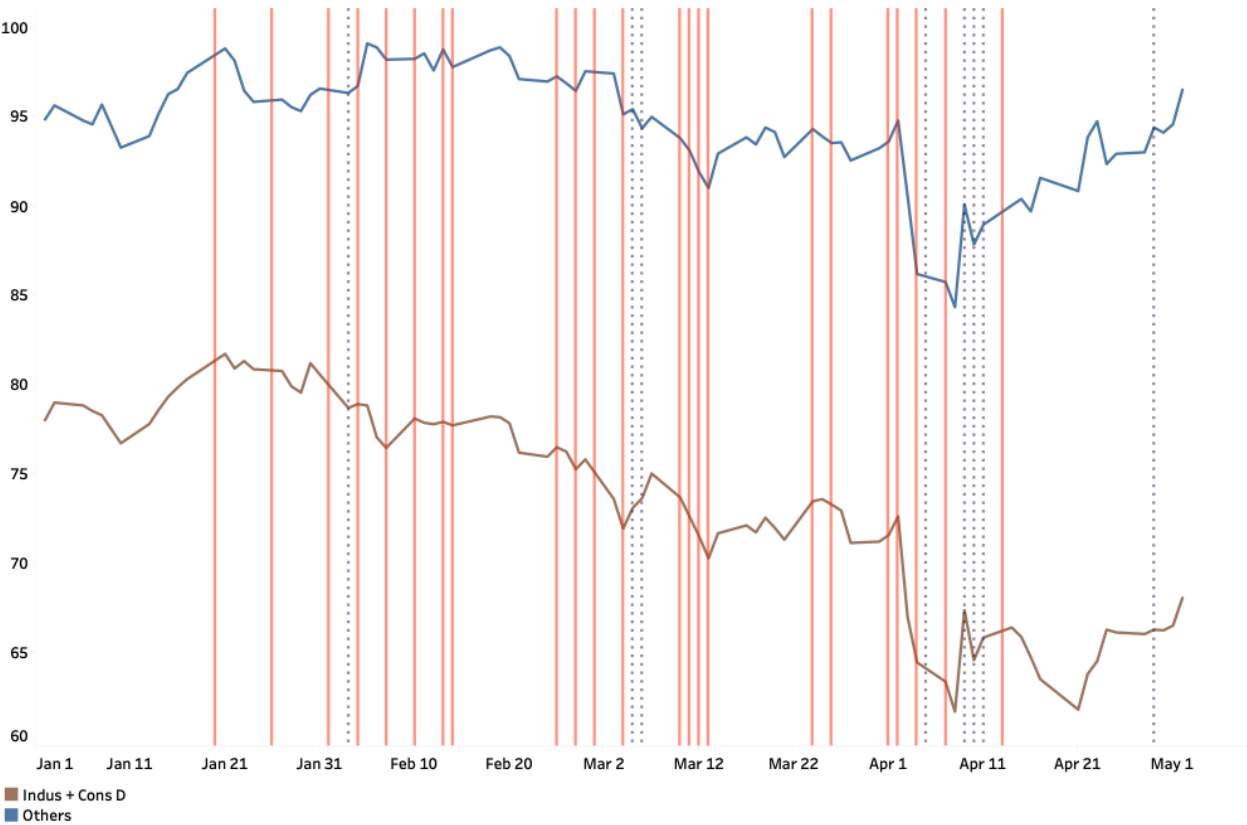


Figure 6: YTD Average Price for Wisconsin Stocks

Wisconsin's YTD Performance

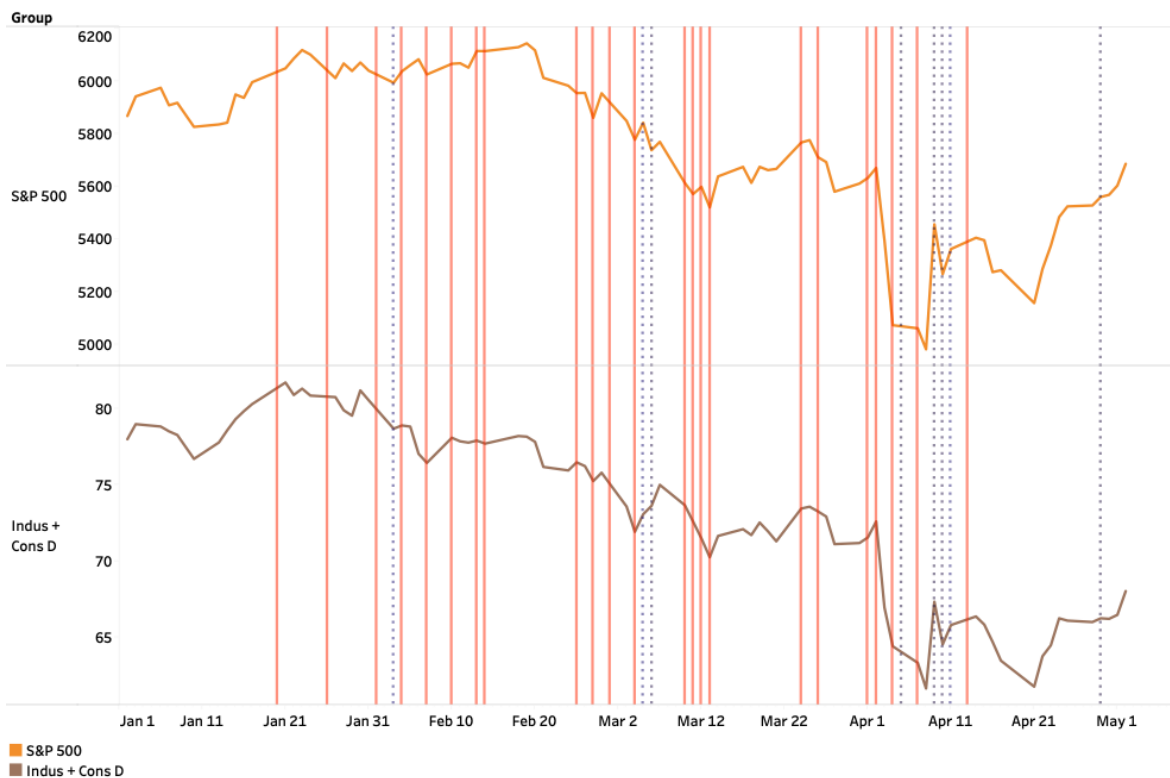


Figure 7: YTD Price for S&P500 and Industrials and Consumer Discretionary Sectors

April-May Performance Comparison

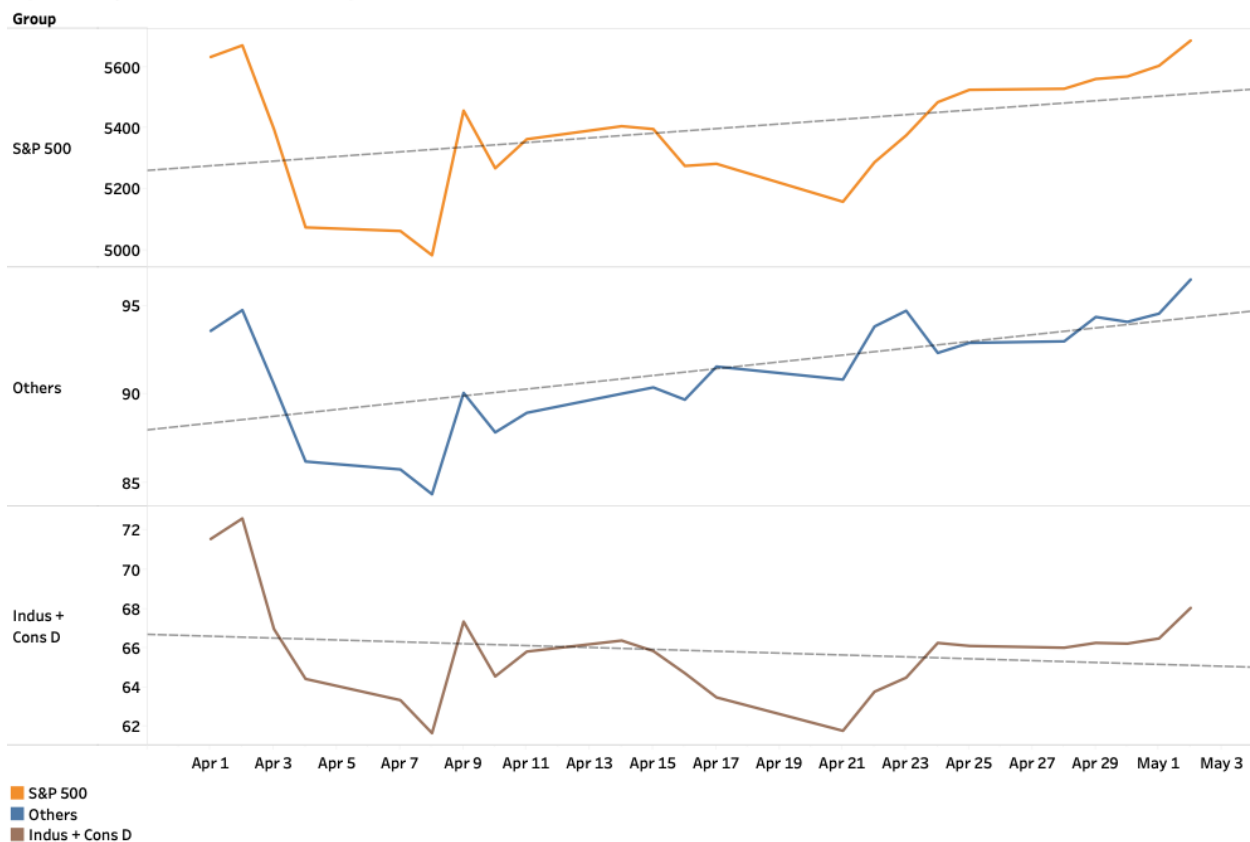


Figure 8: April-May 2025 Performance Comparison

Stock Volatility

Figure 9 compares the daily price change (%) between Wisconsin Stocks in the industrials and consumer discretionary sectors with the market (S&P500) and figure 10 compares the daily price change

(%) between Wisconsin Stocks in the other sectors with the S&P500. Unsurprisingly, the stocks in the industrials and consumer discretionary sectors fluctuated within a relatively wider range compared to the S&P500 and the stocks in other sectors.

Wisconsin's Industrials & Consumer Discretionary Daily Price Change

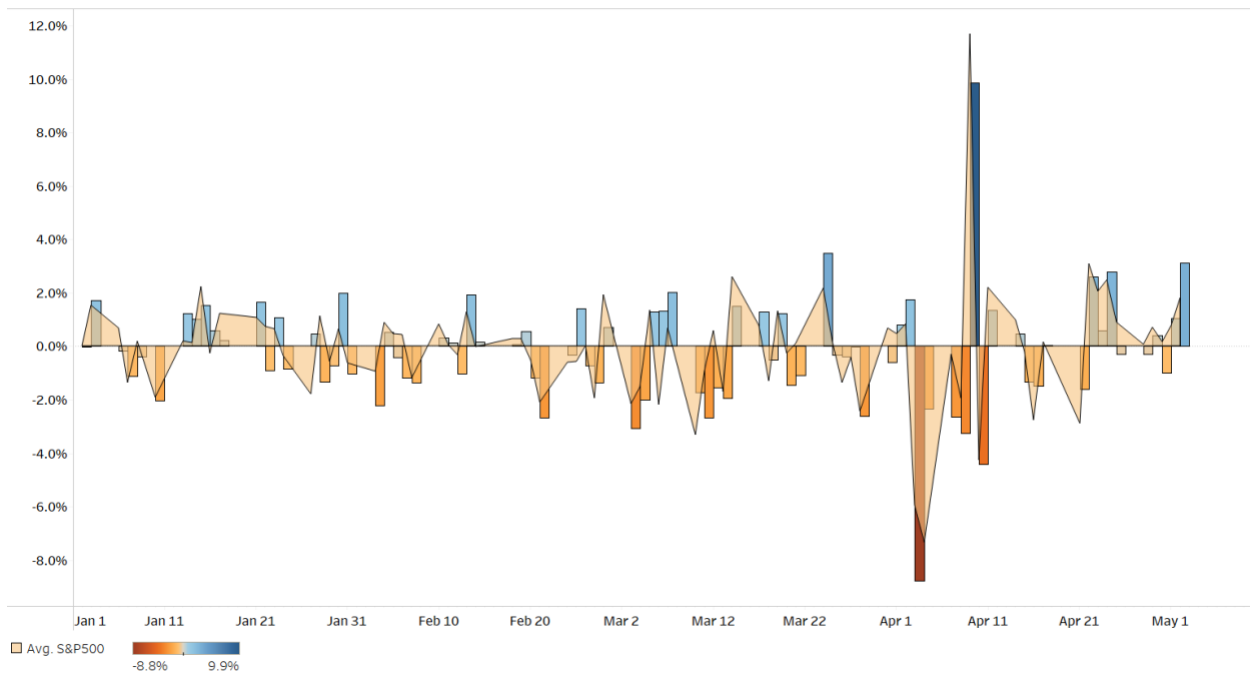


Figure 9: Daily Price Change Comparison for Wisconsin Stocks in the Industrials and Consumer Discretionary Sectors

Wisconsin's Other Sectors Daily Price Change

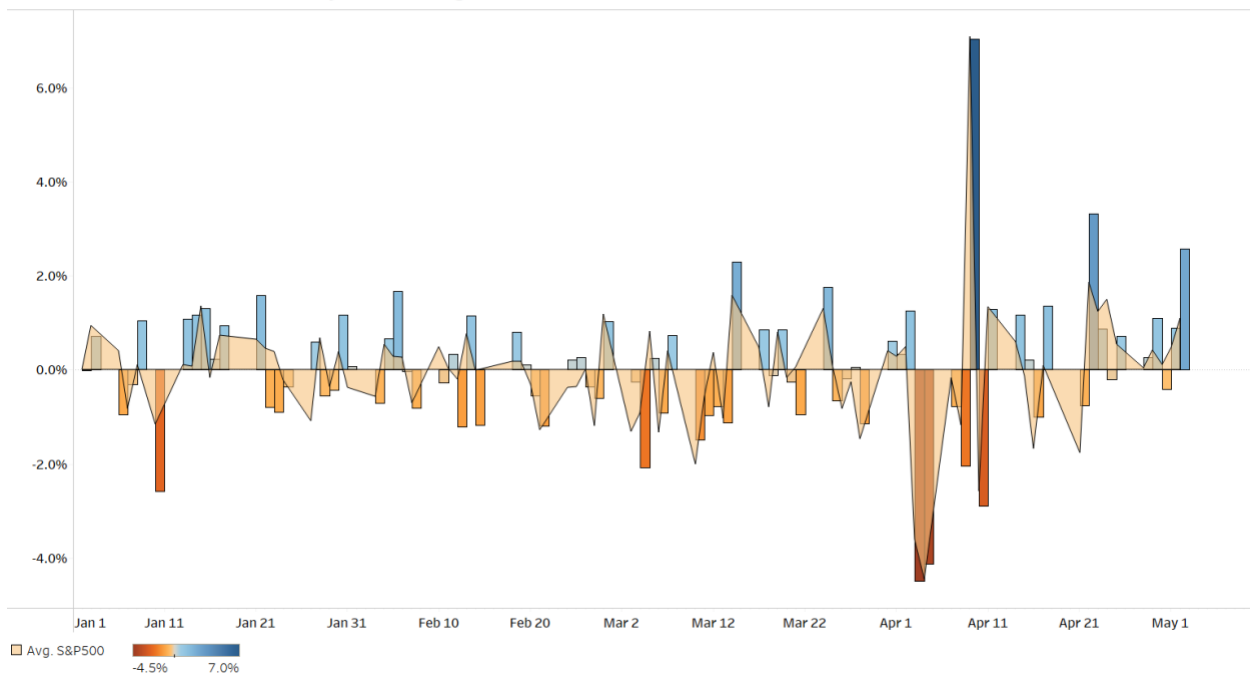


Figure 10: Daily Price Change Comparison for Wisconsin Stocks in the Other Sectors

Such high volatility could also be observed more easily when calculating the standard deviation of each group. Table 1 shows the

comparison between the annualized five-year standard deviation and the annualized 2025 (as of May 4, 2025) among

the three groups. For more accuracy, the five-year standard deviation is computed by taking the daily price change of each of the stocks selected in the past five years up until the beginning of the 2025 fiscal year.

Among the three groups, the industrials and consumer discretionary stocks have the highest five-year standard deviation of

40.7%, followed by the other sectors' 31.5% and the S&P500's 16.8%. Intriguingly, in 2025, the market experienced a much higher volatility, with the S&P500 standard deviation reaching 29% as of 5/4/2025, almost twice its historical 5Y standard deviation. Nonetheless, the other two groups also experienced an increase in volatility, but to a much smaller extent.

	5Y Standard Deviation	2025 Standard Deviation (as of 5/4/2025)
Industrials & Consumer Discretionary	40.70%	46.00%
Others	31.15%	34.94%
S&P500	16.88%	29.05%

Table 1: Standard Deviation Comparison

The Impact of Tariff Announcements

Table 2 displays the year-to-date performance of the two groups in response to tariff-related announcements (as of May 4, 2025). The industrials & consumer discretionary sectors experienced a significant decline in market capitalization, dropping by approximately \$17 billion, or 15.03%, between early April and early May. At their lowest point, the group reached a YTD return of 23.62% on April 8, 2025.

In contrast, all the sectors saw a slight recovery during the same period, shifting from a 10.58% YTD loss to a 3.56% gain,

resulting in a \$7.26 billion increase in market value. This divergence suggests that tariff news had a disproportionately negative impact on industrials and consumer discretionary firms, possibly due to their greater exposure to international trade and supply chain disruptions.

	Market Cap	YTD return (as of 4/8/2025)	YTD return (as of 5/4/2025)	YTD Market Cap Gain/Loss (as of 5/4/2025)
Industrials & Consumer Discretionary	113,116.8571	-23.62%	-15.03%	(16,996.17)
Others	203,736.1301	-10.58%	3.56%	7,256.04

Table 2: YTD Market Capitalization Gain/Loss

Conclusion

This essay highlights the profound effect that tariff-related announcements can have on the stock market, with a focus on Wisconsin's stocks in the industrials and consumer discretionary sectors. The yield curve points to heightened uncertainty in early 2025, marked by an inverted short-term slope and steep long-term expectations, which in turn signals fears of recession and inflation risk, respectively. Additionally, Wisconsin-based industrial and consumer discretionary firms suffered the greatest losses in both stock value and market capitalization during tariff escalation, highlighting their vulnerability to trade policy shifts. Conversely, other sectors and the broader market showed some signs of recovery when tariffs were eased or postponed.

As of May 9, 2025, the Trump administration has slightly shifted its rhetoric on tariffs. For instance, "President Trump suggested on Friday that he was open to sharply reducing the tariffs that the United States had imposed on China, as American and Chinese negotiators prepare to meet in Switzerland this weekend for high-stakes trade talks" (Rappeport et al., 2025). Additionally, the recently announced trade deal between the U.S. and the U.K. also suggests that "the US 10% baseline tariff is likely to remain in place for other trading partners with virtually no exceptions, but signals more flexibility than expected on sectoral tariffs" (Hatzius, as cited in Rao & Taylor, 2025).

Yet, amid these mixed news and uncertainty, at the moment, things are still looking surprisingly good. The pace of job creation has been steady, with the economy adding an average of 155,000 jobs over the past three months [...] Hiring has slowed, but businesses have so far

been reluctant to cut workers, and the level of initial jobless claims remains low. (Whalen & Lanhard, 2025). However, as Casselman and Smith (2025) suggest, "economists say it is a matter of time before the impact of tariffs and the uncertainty that Mr. Trump's on-again, off-again approach to trade policy has created begin to show up in the hard data."

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ECONOMIC VALUE ADDED BY HABITAT FOR HUMANITY IN LA CROSSE COUNTY

OWEN SCHULER, MFI RESEARCH INTERN

Decreasing affordability has become a common theme in the U.S. economy. With median home prices significantly outpacing median household income in the U.S., affordable housing is as important as ever. According to Harvard's Joint Center for Housing Studies, the national home price to income ratio has reached record highs. Due to low interest rates during the pandemic, monthly mortgage payments stayed relatively stable as house prices rose. However, now that interest rates have increased, housing is far less affordable for the average American family than it was five years ago (Hermann & Whitney, 2024). This growing affordability crisis has significant effects on both individual households and the broader economy, highlighting the need for affordable housing. Affordable housing allows families to focus their time and money on food, childcare, and education, making it a necessity for class mobility.

Habitat for Humanity: Overview

Habitat for Humanity is a nonprofit organization focused on providing families in need with affordable, healthy housing through the support of donors. Habitat for Humanity acquires properties to construct or rehab affordable single-family homes that prospective homeowners volunteer to help build. Habitat for Humanity uses volunteers to rehab and construct houses with donated materials, therefore ensuring that the houses are both affordable and constructed sustainably.

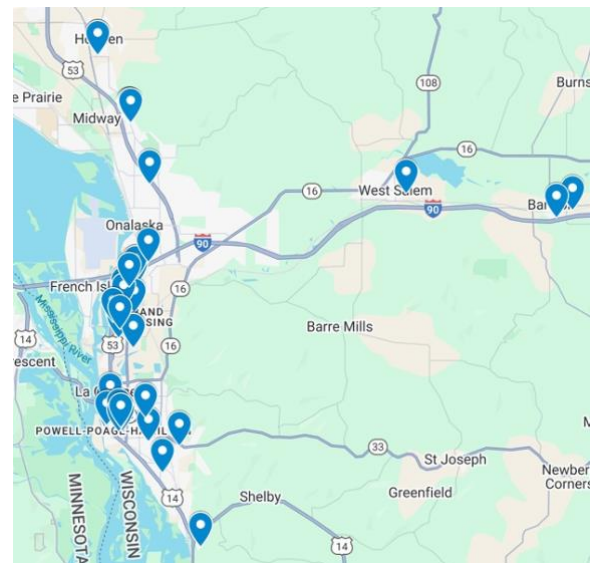
Interested families apply and then Habitat for Humanity assesses their need and financial readiness for homeownership. Once selected, the

families receive personalized guidance and training on homeownership. Habitat further sets up the new homeowners for success by giving them a 0% mortgage as well as tailoring the deals so that the mortgage payments plus taxes and insurance are less than 30% of their monthly income.

Habitat for Humanity: In La Crosse

Habitat for Humanity in the greater La Crosse area has been supporting the community for over 30 years and has never foreclosed on a home. Figure 1 shows the 52 properties in La Crosse County that Habitat for Humanity has either rehabilitated or newly constructed.

Figure 1: Habitat for Humanity Projects in La Crosse County



Methodology

The economic value added by Habitat for Humanity was measured in two different ways: the increase in property value after the project and the increase in tax base after the project. These methods reflect both the benefit to the individual household as well as the benefit to the

community. These initial measures provide a baseline for further research into the economic impact of Habitat for Humanity. Other tangible benefits that are currently unmeasured are the sum of marginal property tax collected after projects, the wealth increase from building home equity for the family, and the increase in neighboring properties after the project.

Results

Across the 52 projects in La Crosse County with available data starting in 1993, Habitat for Humanity has added \$7,670,000 in property value which directly increases the wealth of the households selected. Additionally, a \$6,650,000 increase in the property tax base is attributable to Habitat for Humanity homes. This increase in taxable property has a direct benefit to the community through increased funds from social services. Figure 2 shows the distribution of property value added by city in La Crosse County.

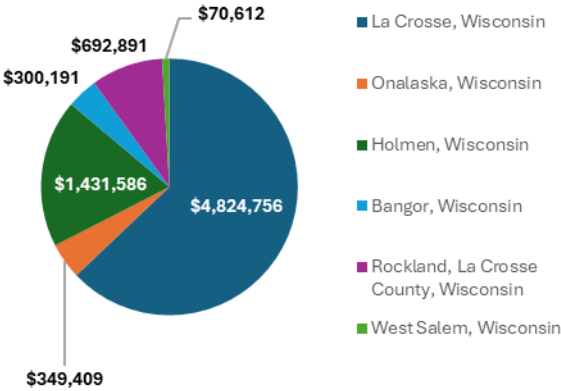


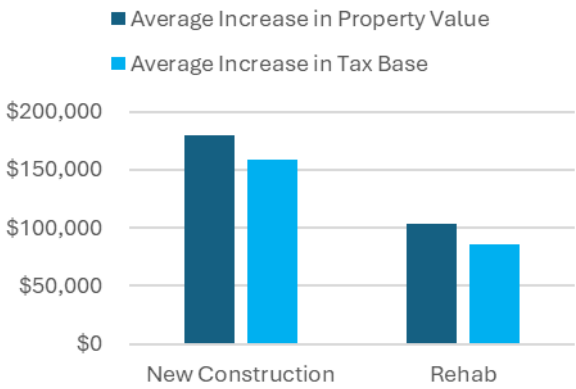
Figure 2: Increase in Property Value by Location

As shown in the chart, Habitat for Humanity has had the biggest impact in La Crosse but has still benefited the surrounding cities considerably.

It is important to distinguish between newly constructed homes and rehabilitated. The projects were relatively evenly distributed between the two with

30 being new construction and 22 being rehabs. The average increases in tax base and property value by type of project can be seen in Figure 3.

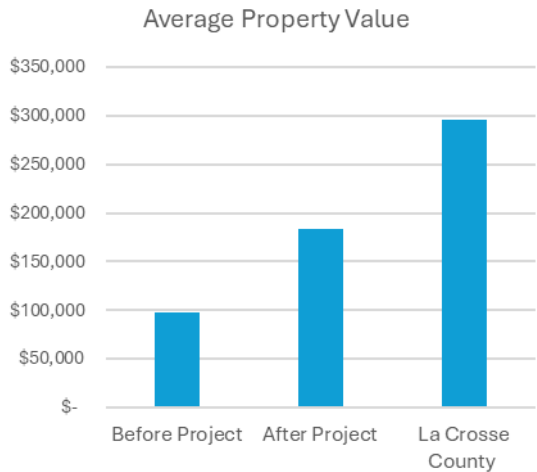
Figure 3: Rehabilitated vs Newly Constructed



Additionally, the average increase in value relative to the original property value was 210% for rehab projects.

In aggregate, the average property value before a Habitat for Humanity project was approximately \$98,000. The average value after a project was \$210,000. This is still well below the average property value of \$296,000 in La Crosse County. Figure 4 visualizes this below.

Figure 4: Habitat for Humanity Property Value Compared to La Crosse County Average

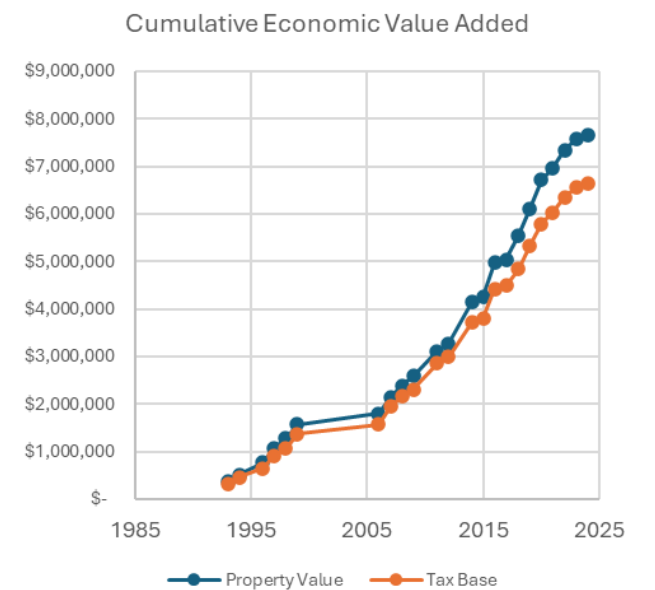


When compared with the average property value in the La Crosse area, the Habitat homes are modest. However, this

disparity highlights the role Habitat for Humanity plays in ensuring that low-income households are provided accessible housing. Besides the individual financial gain from these projects such as home equity and increased net worth, these projects also strengthen the community. Healthy, affordable housing decreases the burden on social services such as warming shelters and public healthcare services. Another significant impact of these projects is the ability of the new homeowners to establish permanent roots in the community through home ownership as opposed to temporary renting. This means they gain a much larger stake in the well-being of the community.

The cumulative value added by Habitat for Humanity's projects over time further illustrates their lasting impact on both individual families and the broader community. Figure 5 highlights how these contributions have grown steadily, reinforcing Habitat’s ongoing role in fostering economic stability and community development.

Figure 5: Cumulative Economic Value Added Since 1993



As demonstrated by the steady growth in cumulative value, Habitat for Humanity's efforts extend beyond individual projects to create lasting economic and social benefits. This underscores the role the organization plays in tackling the problem of decreasing housing affordability.

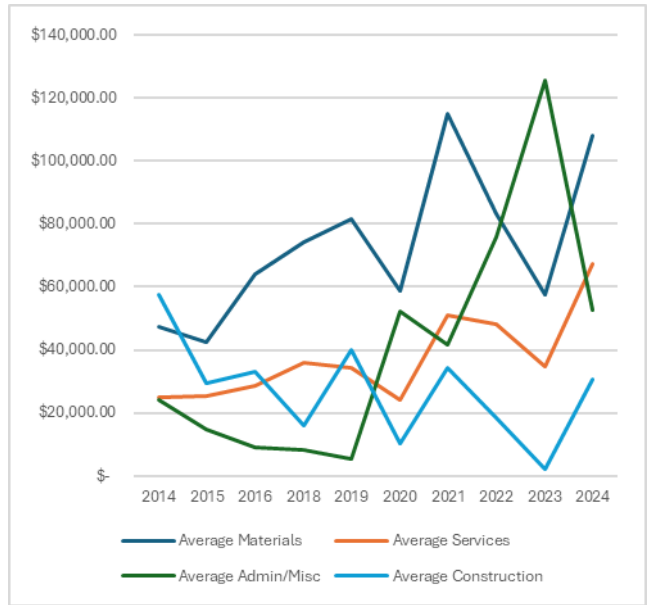
Construction Costs

Construction cost data was analyzed for 32 projects in La Crosse County. There was no overlap between the two sets of projects, so all cost-benefit analyses are generalized averages.

Construction costs were grouped into four groups: materials, construction, services, and general/administrative with the two largest being materials and general/admin. On average, each project cost \$180,000 and the average property value after the project was \$210,000.

When looking at how these costs and benefits have changed over time, rising material costs have made these projects less feasible. The change in costs over time are illustrated in Figure 6.

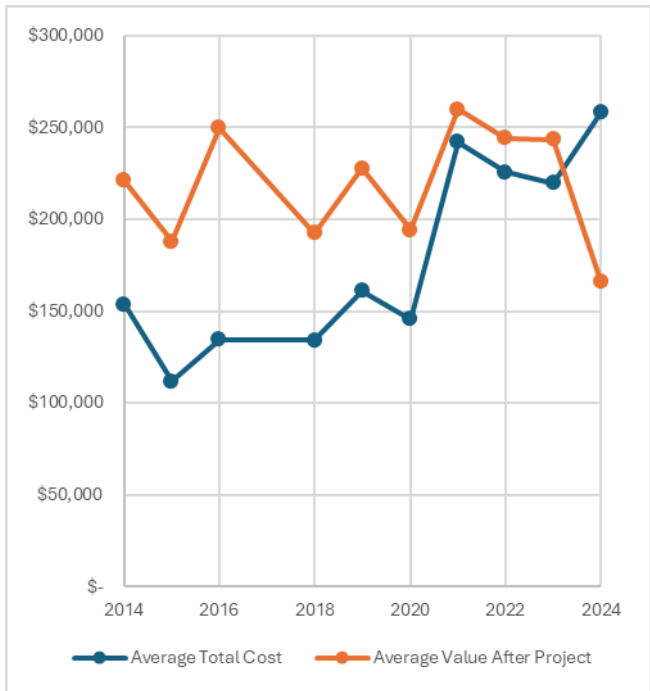
Figure 6: Average Costs from 2014 to 2024



With the cost of building materials such as windows, siding, and flooring doubling over the last ten years, the

returns to Habitat for Humanity projects has decreased. The changes in costs versus property values is shown in Figure 7.

Figure 7: Project Costs vs Valuations from 2014 to 2024



With costs rising quickly, it is important to dive deeper into the key drivers of cost growth. The five subcategories that account for the largest expenses per project were Admin. Costs, Framing & Walls, Foundation, Plumbing, and Interior Doors, Trim, & Cabinets. The exact average costs are shown in Figure 8.

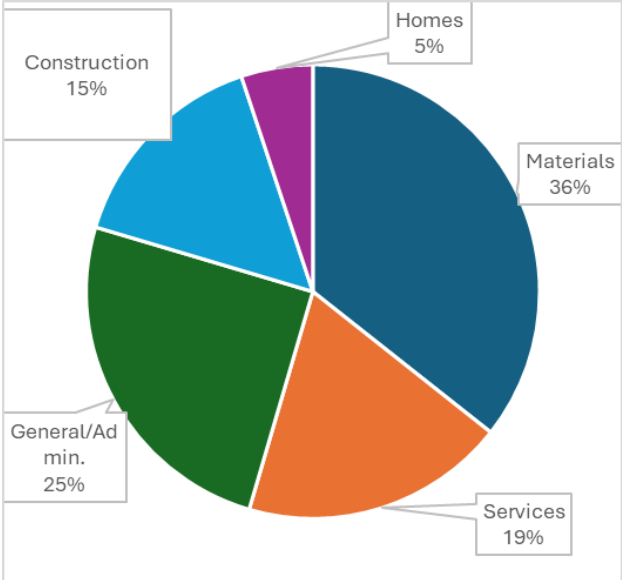
Figure 8: Top Five Cost Categories

Expense	Average per Project
Admin Costs	39,653
Framing & Walls	15,705
Foundation	13,342
Plumbing	11,252
Interior Doors, Trim, & Cabinets	10,898

As seen in Figure 8, administrative costs are the largest expense on average, totaling about \$40,000 per property.

Administrative costs accounted for 25% of the total construction costs over all projects that data was available for. The breakdown by group is shown in Figure 9.

Figure 9: Group Costs as a Share of Total Costs



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COGNITIVE FRICTION IN THE LAND OF OPPORTUNITY

NAINIL JARIWALA, MFI STUDENT SCHOLAR

Immigrant entrepreneurship in the United States plays a pivotal role in shaping the nation's economic and cultural landscape. Yet, despite increasing visibility and contributions, immigrant-owned businesses continue to encounter unique challenges that stem from both structural and psychological barriers (Jariwala, 2024; Kuo, 2014). These obstacles are often embedded in consumer behavior, cultural perception, and systemic financing gaps. This paper examines how stereotype threat and implicit biases, particularly those activated by ethnically marked brand names, affect consumer trust and business success for immigrant entrepreneurs (Steele & Aronson, 1995; Tao & Peek, 2022; Kaiser & Helbling, 2022).

In this paper, the term 'immigrant' is used inclusively to encompass individuals who have migrated to the United States of America under both voluntary and involuntary circumstances. This includes not only first-generation immigrants but also refugees, international students and sojourners, migrant workers, and members of ethnic minority groups such as later-generation immigrants (Bemak & Chung, 2008).

Through a mixed-methods approach combining survey data, decades of behavioral economic research, and qualitative interview, we investigated the nuanced ways in which cultural cues influence consumer choice, explore the emotional and psychological adaptation of immigrant professionals, and assess the structural advantages and limitations of the U.S. business

environment (Berry, 1997; McLiesh & Djankov, 2003). By integrating insights from both consumer research and acculturation theory, this paper highlights the often-overlooked intersection between identity-based bias and marketplace behavior. In doing so, it aims to bridge the gap between theoretical understanding and lived entrepreneurial experiences, offering a more holistic view of the immigrant business journey in the American Midwest and beyond.

Stereotype Threat in Consumer Behavior

To explore how immigrant identity influences consumer perception, we examined the effects of stereotype threat using an A/B testing framework. Stereotype threat refers to the situational pressure stemming from an individual's awareness that they may be judged or treated differently based on negative stereotypes associated with their group identity (Steele and Aronson, 1995; for reviews, see Steele, Aronson, and Spencer, 2007).

Traditionally, research on stereotype threat and consumer stereotyping has progressed along separate lines. Within consumer behavior literature, scholars have primarily examined how consumers employ stereotypes in evaluating products, service providers, or fellow consumers (Matta and Folkes, 2005; Pechmann and Knight, 2002). Our findings bridge this gap by extending the discussion of stereotype threat beyond performance-oriented domains into consumer decision-making contexts.

This shift highlights for the marketing community that stereotypes not only

influence perception but also actively threaten consumers and their decision processes. Given the breadth of settings in which group-based negative associations occur—indeed, as many as there are identity groups—it is notable that such contexts remain underexplored. This gap is striking considering the everyday relevance of these biases and their implications for consumption behavior, consumer choice, and financial well-being (Lee, Kim, & Vohs, 2011).

The Survey: Structure and Design

In a survey (N = 68), we investigated consumer preferences when asked to choose between a “mainstream Anglo-American brand name” and a “culturally distinctive or ethnically associated brand name.” The survey was primarily composed of A/B testing questions designed using conceptual traps from behavioral economics. These controlled scenarios asked participants to select between names perceived as traditionally white-American and names associated with ethnically diverse identities (e.g., Whitestone Capital vs. SecuraPay India). The aim was to determine whether individuals consciously acknowledge making brand-related distinctions based on cultural cues embedded in names.

The design of the survey incorporated various behavioral principles, including the ‘store environment trap,’ ‘emotionally layered questions,’ and ‘implicit bias snap judgments,’ among others. Each forced-choice question was followed by an optional free-response field, offering participants the opportunity to explain or contextualize their decisions.

To probe deeper into the role of subconscious bias, the survey concluded with a one-to-ten scaled question: “How much do names, accents, and/or cultural

visuals influence your trust in businesses or business owners?” Despite many participants likely perceiving themselves as impartial, the results revealed a contrasting reality: 67% of respondents indicated that such factors negatively influenced their trust, often without conscious recognition. This finding suggests that implicit cultural biases continue to shape consumer trust, even among individuals who view themselves as unbiased.

Name-Based Stereotypes and Consumer Trust

Several free-response comments offered insight into the reasoning behind participants' brand choices. For example, some respondents cited unfamiliarity with international tools or the use of the metric system as reasons for avoiding stores with ethnically Asian names. Others expressed a belief that “Smith’s store would be safer,” reflecting implicit trust in Anglo-American branding.

Importantly, this perception persists despite the factual inaccuracy of such assumptions. A store named Smith could just as easily be owned by someone from Great Britain, use the metric system, and operate internationally. Yet the cultural coding of names led participants to interpret the Asian-sounding business as foreign and unfamiliar, while Smith remained within the bounds of perceived normalcy and safety.

However, name-based stereotyping still presents a significant barrier. The perception that a store with an ethnically Asian name might rely on the metric system or international tools, whereas a store named “Smith” is deemed more familiar or secure, reveals entrenched patterns of unconscious bias. As previous research has shown, names convey powerful cultural cues that shape judgments of trust, belonging, and

A word cloud visualization of the text "Local families are the backbone of the American economy". The words are arranged in a circular pattern, with "local" and "families" being the largest and most prominent. Other large words include "American", "economy", "backbone", "are", "the", "of", "and", "to", "with", "in", "on", "at", "by", "for", "from", "into", "out", "up", "down", "across", "through", "under", "over", "above", "below", "beside", "between", "among", "within", "without", "inside", "outside", "before", "after", "during", "before", "after", "during", "before", "after", "during". Smaller words include "business", "likely", "appeal", "always", "personable", "may", "reliable", "might", "supporting", "product", "Smith", "family", "outside", "made", "Support", "option", "seen", "best", "workers", "relate", "brands", "Hardware", "appealing", "customer", "recommendations", "decades", "want", "need", "feel", "help", "friends", "choose", "trust", "town", "serving", "trying", "supply", "stand", "Either", "drurable", "owned", "selling", "us", "mind", "sale", "sounds", "loyal", "establishes", "served", "legit", "familiar", "ve", "store", "hardware", "business", "likely", "appeal", "always", "personable", "may", "reliable", "might", "supporting", "product", "Smith", "family", "outside", "made", "Support", "option", "seen", "best", "workers", "relate", "brands", "Hardware", "appealing", "customer", "recommendations", "decades", "want", "need", "feel", "help", "friends", "choose", "trust", "town", "serving", "trying", "supply", "stand", "Either", "drurable", "owned", "selling", "us", "mind", "sale", "sounds", "loyal", "establishes", "served", "legit", "familiar", "ve", "store", "hardware".

A word cloud visualization of the text "Local families are the backbone of the American economy". The words are arranged in a circular pattern, with "local" and "families" being the largest and most prominent. Other large words include "American", "economy", "backbone", "are", "the", "of", "and", "to", "with", "in", "on", "at", "by", "for", "from", "into", "out", "up", "down", "across", "through", "under", "over", "above", "below", "beside", "between", "among", "within", "without", "inside", "outside", "before", "after", "during", "before", "after", "during", "before", "after", "during". Smaller words include "business", "likely", "appeal", "always", "personable", "may", "reliable", "might", "supporting", "product", "Smith", "family", "outside", "made", "Support", "option", "seen", "best", "workers", "relate", "brands", "Hardware", "appealing", "customer", "recommendations", "decades", "want", "need", "feel", "help", "friends", "choose", "trust", "town", "serving", "trying", "supply", "stand", "Either", "drurable", "owned", "selling", "us", "mind", "sale", "sounds", "loyal", "establishes", "served", "legit", "familiar", "ve", "store", "hardware", "business", "likely", "appeal", "always", "personable", "may", "reliable", "might", "supporting", "product", "Smith", "family", "outside", "made", "Support", "option", "seen", "best", "workers", "relate", "brands", "Hardware", "appealing", "customer", "recommendations", "decades", "want", "need", "feel", "help", "friends", "choose", "trust", "town", "serving", "trying", "supply", "stand", "Either", "drurable", "owned", "selling", "us", "mind", "sale", "sounds", "loyal", "establishes", "served", "legit", "familiar", "ve", "store", "hardware".

their products as “Made in America.” Doing so may help overcome implicit biases and increase consumer trust and acceptance.

Ethnically marked names like “Patel”, “Thao” or “Maria”, often triggered snap judgments, while more Anglo-American names like “Smith” were assumed to represent safety, legitimacy, or mainstream norms. Such tendencies underscore how name-based biases reinforce exclusionary perceptions and impose an added psychological burden on ethnic businesses to prove their familiarity; an expectation rarely placed on their mainstream counterparts.

Some of the open responses further underscored the depth of these biases. One respondent openly stated, “I am not trusting Indians with my credit card information,” while another simply wrote, “the stereotype.” These responses point to the persistence of harmful cultural generalizations and reinforce how business success, particularly for ethnically branded enterprises, can be impeded by consumer decisions shaped by historical bias and identity-based assumptions.

Theme	Ethnic Brand Example	Mainstream Brand Example	% Preference	Notable Insight
Grocery Preference (Visual)	Thao Brothers Supermarket	Miller Market	83% Thao	Convenience outweighed bias when product quality was assumed identical.
Restaurant Bias (Name/Cuisine)	Cafe Sakura (Japanese)	Cafe White Lotus (American)	67% White Lotus	Mainstream food was perceived as "more substantial" or "familiar."
Trust in Store Names (Hardware)	Han's Tools	Smith's Hardware	74% Smith	"Local" and "Anglo" names projected trust and familiarity.
Brand Safety (Tech Firm Name)	Shinomiya Tech	Liberty Computers	56% Liberty	Names perceived as "American-made" invoked stronger assumptions of reliability.
Boutique Excitement (Cultural Flair)	Maria's Boutique	Harper & Co.	64% Harper	Cultural uniqueness often lost to perceptions of professionalism or utility.
Hygiene & Regulation Perception	Cafe Sakura	Cafe White Lotus	67% White Lotus	Participants assumed stricter compliance from Anglo-named businesses.
Data Security (Fintech Name)	SecurePay India	Whitestone Capital	92% Whitestone	Strongest bias: ethnic name strongly associated with distrust in data handling.
Community Engagement Expectation	Patel Brothers, LLP	Daniel Consulting, LLC	51% Daniel	Slight tilt toward Anglo names as "more involved" in local life.

Table 1: Summary of Thematic Biases in Perceptions of Ethnic vs. Mainstream Brands

Cultural Cues in Food and Dining

Prior research has consistently associated traditional dishes and foods with comfort food experiences (Locher et al., 2005; Spence, 2017). Consumer familiarity has been shown to heighten the emotional resonance of food-related motives, with comfort food consumption often linked to feelings of nostalgia and cultural grounding (Frez-Muñoz, Fogliano, & Steenbekkers, 2024).

In our survey, participants were prompted to select descriptors related to casual dining, with 67% identifying "casual" as the most appropriate term, indicating an emotional and behavioral association between familiarity, ease, and food preference.

Another key question explored the interplay between family dining experiences and ethnic restaurant choices. Here, 64% of participants chose a Chinese buffet as their preferred family dining option. This pattern may suggest a growing comfort with certain ethnic cuisines, particularly Chinese, among mainstream consumers, potentially reflecting increased cultural exposure,

normalization, and a positive trend toward acceptance of select ethnic foods within Western culinary spaces.

Interview: Insights from an Immigrant Entrepreneur in the Midwest

To deepen our understanding of the behavioral challenges faced by immigrant entrepreneurs, we conducted a qualitative interview in the Midwestern United States. Some of the future goal of this on-going research includes conducting an additional one to two interviews to deepen our understanding. The interviewee is an experienced immigrant entrepreneur who transitioned from a career in

academia and chemical engineering to establish a high-tech manufacturing enterprise in Wisconsin. Having moved to the United States in the late 1990s and settling in the Midwest by the mid-2000s, he leveraged his advanced technical background to launch a company focused on producing high-performance industrial components.

Barriers to Growth and Financial Access

The interview covered several domains: foundational business development, access to capital and financing, regulatory and operational barriers, public perception of ethnic branding, community and governmental engagement, and future policy needs.

To quantify the tone and implications of the interview, a basic sentiment analysis using machine learning techniques yielded a sentiment score of 6.5 out of 10. Overall, the conversation revealed a moderately optimistic outlook paired with significant systemic concerns.

The interviewee acknowledged the presence of institutional support, particularly for technically oriented ventures such as those in engineering and advanced manufacturing. However, he emphasized persistent financial exclusion. Notably, there are few, if any, loan products designed specifically for immigrant entrepreneurs. Most of his business financing came from personal credit lines rather than structured business loans or targeted grant programs.

Two major themes emerged from the interview:

Business Growth Barriers: The entrepreneur described weak professional networks, limited ties to investors or local government officials, and difficulties in accessing grants due to a lack of perceived credibility.

Financing Disparities: Consistent with broader data, immigrant entrepreneurs in Wisconsin face disproportionately low loan approval rates, reduced access to credit lines, and minimal grant funding compared to both non-immigrant

entrepreneurs and the broader Midwest average (Jariwala, 2024).

Psychological Adaptation and Cognitive Friction:

A particularly revealing insight from the interview concerned internal psychological and cultural challenges that immigrant professionals face as they integrate into U.S. business environments. These challenges fall under the broader framework of Cognitive and Psychological Adaptation in Professional Acculturation.

“Even now, I still think there’s a strong [thinking] barrier. Between them and the big boss or people—it’s true. The barrier is always there. It’s very hard to break it. Very hard. Even if you have the skills, the thinking barrier is harder than the language. It takes 10-15 years to understand how people think here... even now, I still don’t fully get it.”

A quote from the interview

Acculturation refers to the process of adapting to a different culture, typically the dominant one (Oxford Languages, 2025). The interviewee described this adaptation as emotionally and mentally taxing, especially in professional settings that demand quick cultural assimilation.

This aligns with classic coping theory, which defines coping as “the constantly changing cognitive and behavioral efforts to manage specific external and/or internal demands that are appraised as taxing or exceeding the resources of the person” (Lazarus & Folkman, 1984, as cited in Kuo, 2014).

As one interviewee plainly articulated, “Even if you have the skills, the thinking barrier is harder than the language.” This statement encapsulates a recurring theme in immigrant entrepreneurship: the challenge of cultural cognition and

Cross-Cultural Cognition and Communication

This cultural tension does not arise because either the Western system or Asian cognitive frameworks are

Jing Yang's (2017) research on cross-cultural cognition further illustrates the depth of these challenges. For example, traditional Chinese thinking tends toward circularity, favoring a helical, layered communication style that delays direct confrontation with the central message. In contrast, Western communication is linear: a clear lead-in, direct theme, supporting points, and conclusion. Yang notes that while modernization and globalization are narrowing these differences, mutual understanding requires conscious effort. Effective cross-cultural communication cannot rely on one cultural logic alone.

Despite these cognitive and cultural hurdles, the United States continues to rank among the most attractive destinations for international entrepreneurs. According to the World Bank's Doing Business report, the U.S. ranked third globally in ease of doing business in 2007 (Geck, 2008). This appeal is driven by a combination of factors: the country's large consumer market, high-quality regulatory systems, and favorable tax structures (Chumakov, 2020).

I appreciate the United States. It is a free land, has more opportunity for people—even foreigners—if they have good ideas. They can get funding from government. This is a very nice place. After getting grants from Department of Energy, they considered us one of the experts in this area. They even asked us to give opinions on government policy. That surprised me.

A quote from the interview

However, the global dominance of the U.S. business model has been periodically questioned, particularly in the wake of financial crises and high-profile corporate scandals during the late 1990s and 2000s (Cappelli, 2009). Despite this, lighter-touch regulation in the U.S. continues to be linked with positive institutional outcomes.

Research by McLiesh and Djankov (2003) suggests that less burdensome regulatory environments correlate with more efficient public institutions, lower transactional delays, reduced operational costs, and increased productivity and capital investment.

Recommendations and Policy Implications

The findings of this research highlight the complex interplay between behavioral biases, cultural adaptation, and structural barriers that immigrant entrepreneurs face, particularly in the Midwest. While these insights offer a valuable foundation for understanding the immigrant entrepreneurial experience, their true value lies in informing institutional and policy reforms. Based on the data and interview, we recommend the following:

1. Develop Culturally Inclusive Funding Mechanisms

Create grant and loan programs specifically designed for immigrant entrepreneurs, with alternative

qualification criteria such as technical expertise, peer endorsements, or business model feasibility, rather than relying solely on traditional credit or network-based evaluations. This directly addresses the financial exclusion and capital access disparities highlighted by Jariwala (2024). The city of Minneapolis, through its Community Planning and Economic Development (CPED) department, launched a Commercial Property Development Fund and Business Technical Assistance Program (B-TAP), which specifically includes immigrant entrepreneurs as a target group (City of Minneapolis, 2025). Establishment of similar program in Wisconsin could mitigate the accessibility to funding barrier.

2. Promote Bias-Awareness in Consumer Education

Local economic development agencies, chambers of commerce, and business incubators should implement consumer-facing awareness campaigns addressing unconscious bias in marketplace decisions, especially concerning branding, naming, and trust in diverse businesses. This recommendation follows from findings on name-based stereotyping and implicit bias documented in both survey responses and relevant behavioral literature (Tao & Peek, 2022; Kaiser & Helbling, 2022). Welcoming America, a nonprofit organization supported by the Federal Government and philanthropic partners, helps cities like Dayton, Ohio launch public education campaigns to shift customer attitudes toward immigrant contributions (welcomingamerica.org, 2025; welcomedayton.org, 2025). Introducing similar initiatives, at academic level and in the community, like Dayton's "Welcome Dayton" can contribute to combat stereotypes and promote more inclusive economic participation.

3. Institutional Mentoring and Cross-Cultural Business Training

Partner universities and technical colleges with immigrant-led startups to offer structured mentorship and culturally contextualized training on navigating U.S. business norms, tax systems, and professional communication. This is supported by Berry's (1997) theory of acculturation, which emphasizes the importance of environmental supports in facilitating successful adaptation. Such recommendation can already be witnessed at the University of Nebraska – Lincoln. UNL collaborates with immigrant-owned businesses in its Engler Agribusiness Entrepreneurship Program to provide tailored mentorship and business training to immigrants and refugees in the region, with a brief emphasis on cultural adaptation and languages.

4. Bridge Mental Health and Acculturation Support

Establish targeted mental health resources and professional support networks to help immigrant entrepreneurs manage the psychological toll of acculturation, particularly around isolation, cognitive stress, and adaptation fatigue. As Kuo (2014) notes, stress and coping are intrinsic to the acculturative process, and chronic stressors without proper outlets can undermine long-term integration and performance.

Final Notes

The stories and patterns uncovered in this research reflect more than isolated challenges; they reveal structural and cultural gaps that continue to shape the entrepreneurial journeys of immigrants in the Midwest. While the U.S. remains a promising environment for business, that promise isn't experienced equally.

From financial roadblocks to name-based bias, the barriers are often subtle but deeply rooted. Real progress depends on more than recognizing these issues; it requires community-level and institutional action. Creating space for immigrant entrepreneurs to thrive means rethinking how support is defined, how trust is built, and how systems can be made more inclusive, not just in theory, but in practice.

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WISCONSIN'S REGIONAL HOUSING MARKETS: A CBSA-LEVEL ANALYSIS OF AFFORDABILITY, SUPPLY, AND ZONING POLICY

NICHOLAS MCFADEN, MFI RESEARCHER

Summary

This essay surveys and compares Wisconsin's regional housing markets. Home prices have risen faster than incomes and rent burdens remain widespread, while new construction lags and the housing stock ages—evidence of binding supply constraints. These trends are partly the result of local zoning policies, which create procedural complexity and exclusionary regulations that restrict what can be built. Because local resistance makes reform difficult, state intervention is essential. While Wisconsin has implemented meaningful reforms in recent years, broader state-level measures are needed to expand supply, moderate price growth, and bolster long-term economic vitality.

Introduction

While housing affordability is a national problem, it is a local issue at its root. Housing policies and regulations are primarily determined at the most local levels of government, such as cities, towns, villages, and subdivisions. As I discuss in previous work, this hyper-localized control often enables strong Not in My Backyard (NIMBY) attitudes to shape local policy decisions (McFaden, 2025). Yet, if each local community restricts the supply of new housing, the consequences not only impact local communities, but also create significant ramifications at the regional, state, and national levels as well.

This essay is intended to provide a basic overview of Wisconsin's regional housing markets by investigating key housing indicators and regulatory measures across throughout the state at the core-based statistical area (CBSA) level. A CBSA is defined as a set of one or more counties built around an urban core of at least 10,000 people, plus any neighboring counties where a significant share of residents commute into that core. In effect, CBSAs represent large, distinct regional economies. CBSAs can be either Metropolitan Statistical Areas (MSAs) or Micropolitan Statistical Areas (μSAs): MSAs have an urban core of 50,000 or more residents, while μSAs have at least 10,000 but no more than 50,000 residents in their urban core.

Wisconsin has 29 CBSAs; 15 are MSAs and 14 are μSAs. Because regional economies may sometimes overlap borders, so too can CBSAs. Wisconsin has several of these overlapping CBSAs. To keep the focus primarily on Wisconsin's regional housing markets, CBSAs with urban cores located primarily outside of Wisconsin are removed from the following analysis. As a result, three CBSAs are excluded: Minneapolis-St. Paul-Bloomington, MN-WI; Duluth, MN-WI; and Iron Mountain, MI-WI.

Unless otherwise stated, all data is derived from the U.S. Census Bureau's American Community Survey (5-year

estimates) and Building Permits Survey. Due to the availability of data at the CBSA level, the following analysis will primarily focus on the period from 2010 to 2023. First, home price-to-income ratios and rent burdens are examined to identify price differences across Wisconsin's CBSAs. Next, supply trends are analyzed, focusing on new housing units permitted per capita and housing stock age. Finally, zoning complexity and exclusion measures are investigated. Finally, policy solutions are discussed, focusing on recent zoning reforms in Wisconsin and successful examples from other states.

Price Measures

As shown in Figure #, home prices have been consistently outpacing incomes in recent years. Unsurprisingly, the Milwaukee-Waukesha and Madison CBSAs are outliers for their high home price-to-income ratio. La Crosse-Onalaska, Eau Claire, and Whitewater are also on the upper end of this measure, likely due to the presence of a major UW campus in each.

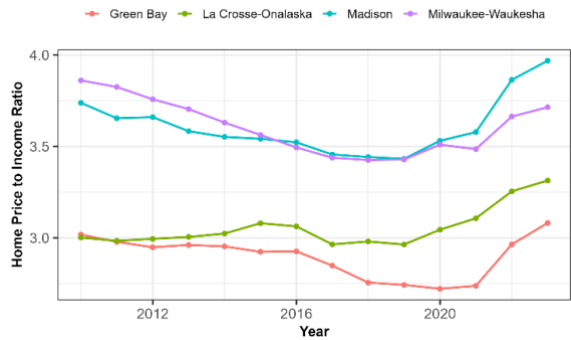


Figure 1: Home price-to-income ratios, select Wisconsin CBSAs, 2010-2023

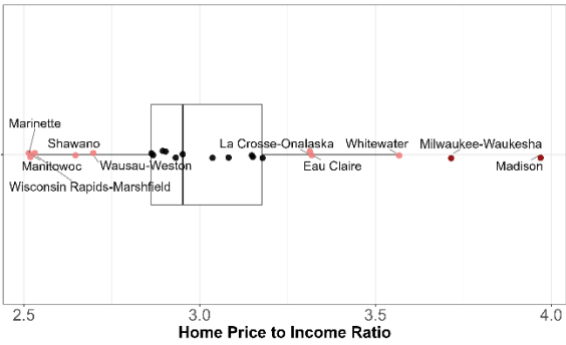


Figure 2: Home price-to-income ratios, 2010-2023 Wisconsin CBSA averages

Over the past 13 years, on the other hand, rent burden rates (defined as the share of the population spending more than 30% of gross income on rent) throughout Wisconsin's CBSAs appear to have declined overall, but have begun to rise again in more recent years. Of course, this is not to say that rent burden is no longer an issue. In fact, the rent burden rate exceeds 30% in every Wisconsin CBSA. This problem is particularly severe in Milwaukee-Waukesha, Madison, La Crosse-Onalaska, and Janesville-Beloit which have rent-burden rates of more than 40 percent. On the lower end, Sheboygan is an outlier with its 30 percent rent-burden rate.

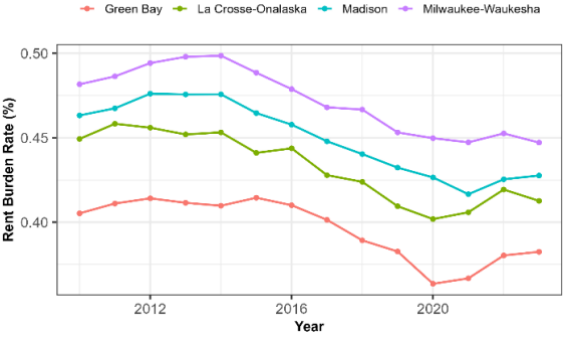


Figure 3: Rent burden rates, select Wisconsin CBSAs, 2010-2023

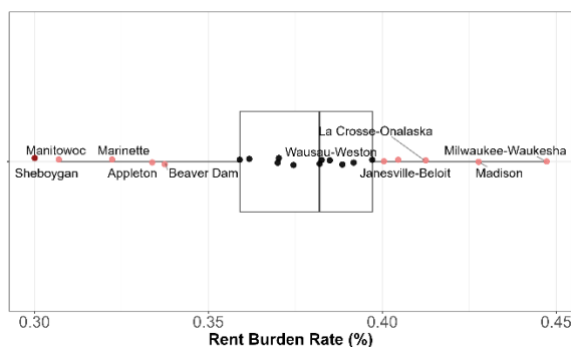


Figure 4: Rent burden rates, 2010-2023 Wisconsin CBSA averages

Supply measures

Of course, home and rent prices are determined by the supply of and demand for housing. Yet, economists generally agree that constraints on supply are primarily responsible for rising home and rent prices (Gyourko and Malloy, 2015).

As seen in Figure #, the number of new housing units permitted per 1,000 people has stagnated in many Wisconsin CBSAs since 2010. One exception to this is Madison, which has experienced strong housing growth and has undertaken meaningful reforms to increase its housing supply in recent years. Figure # is a boxplot of each CBSAs average number of new unit permits per 1,000 residents from 2010 to 2023. As can be seen, Eau Claire is another area that produces many new housing units relative to its current population. At the low end of this measure are Milwaukee, Sheboygan, and Janesville-Beloit.

Figure 5: Total units permitted per 1,000 people, select Wisconsin CBSAs, 2010-2023

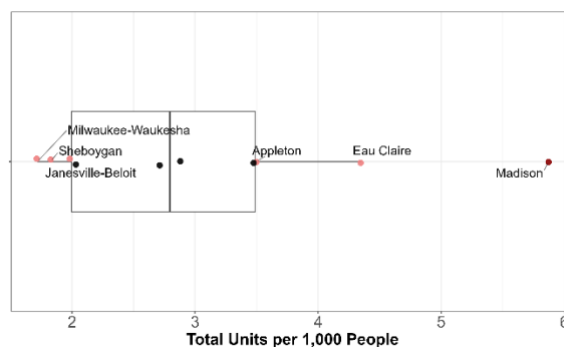


Figure 6: Total units permitted per 1,000 people, 2010-2023 Wisconsin CBSA averages

While the above figures show the total number of new units permitted per 1,000 residents, it is worth noting that CBSAs in Wisconsin vary greatly on the type of housing developments that they permit. As figures # and # indicate, Madison has dramatically increased its permitting of multifamily housing units in recent years compared to other areas.

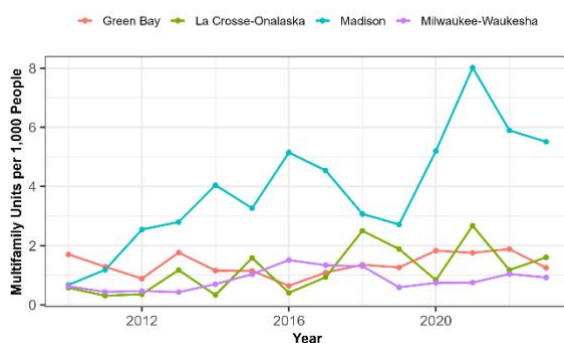


Figure 7: Multifamily units permitted per 1,000 people, select Wisconsin CBSAs, 2010-2023

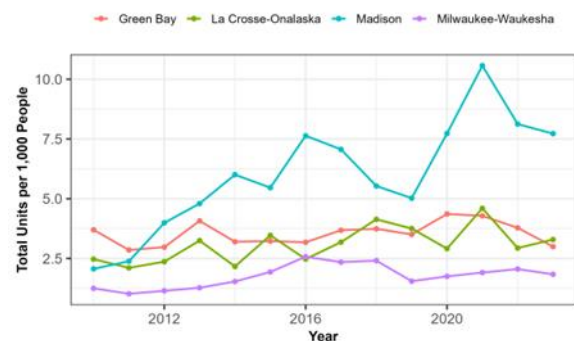
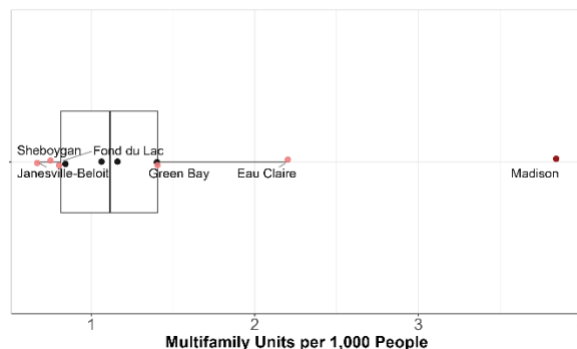


Figure 8: Figure 6: Multifamily units permitted per 1,000 people, 2010-2023 Wisconsin CBSA averages

Another measure of an area's housing production is the age of its housing stock. Figure # displays CBSAs by the share of homes built before 1940. As can be seen, Fond du Lac, Beaver Dam, Sheboygan, and Manitowoc have some of the largest shares of old homes, with more than 25 percent of homes having been built prior to 1940. Green Bay and Madison, on the other hand, stand out with less than 15 percent of homes having been built before 1940.

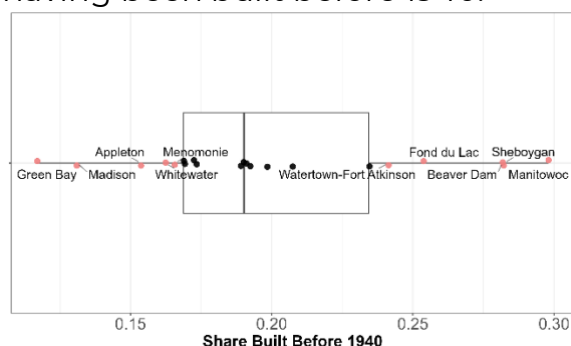


Figure 9: Share of homes built before 1940, Wisconsin CBSAs, 2023

Regulatory Measures

Local governments regulate land use through zoning ordinances that specify building types, height, density, lot size, and allowable uses. They may also grant variances or conditional-use permits to development projects deviate from those rules. Localities further exercise discretion during the development approval process; Public hearings, environmental reviews, and negotiations with developers often determine a project's fate. In many cases, political considerations and community opposition can delay, modify, or block projects, even if they meet zoning requirements. By limiting what can be built and creating uncertainty during the development process, zoning regulations restrict the supply of housing

and raise prices (Gyourko and Malloy, 2015).

A recent paper by Bartik, et al. (2025) introduces a new nationwide index of local zoning regulations which uses a large language model (LLM) to parse statutes and administrative documents at the city, town, and subdivision level. Prior datasets of local zoning regulations relied on less exact and reliable surveys of local officials. The authors use population weighting to aggregate local measures of zoning regulation to the CBSA-level.

Using principal component analysis, Bartik et al. reduce these regulatory variables to two principal components. The first component (PC1) reflects "regulatory complexity," including affordable housing mandates, public hearing requirements, and permit wait times. The second component (PC2) captures "exclusionary zoning" features, such as minimum lot sizes, frontage requirements, multifamily restrictions, and density caps which are often driven by local NIMBY attitudes. For these measures, higher scores correspond to more complex (PC1) or more exclusionary (PC2) zoning policies.

Figure # clusters CBSAs into four groups based on the relationship between their PC1 and PC2 scores. As we can see, areas in cluster one generally score worse than average on both PC1 and PC2. These tend to be high-demand urban areas with large suburban offshoots, such as Milwaukee-Waukesha, Madison, and Green Bay. Cluster three consists entirely of CBSAs that score worse than average on PC1, but better than average on PC2. All areas in cluster four score better than average on PC1, while some are above average on PC2 and some are below.

Cluster two stands out as it consists of just two CBSAs – Wisconsin Rapids-Marshfield and Watertown-Fort Atkinson – which both score extremely low on zoning complexity and extremely high on exclusionary zoning indicating that they have simple, but highly exclusionary zoning.

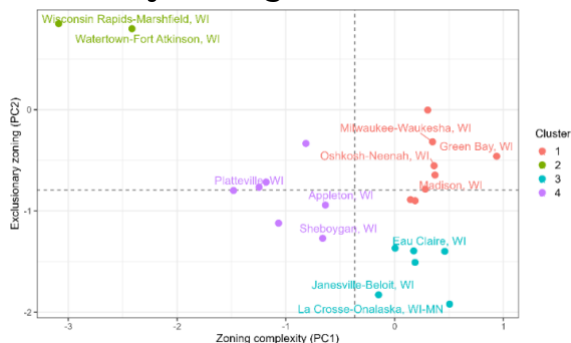


Figure 10: Zoning complexity (PC1) by exclusionary zoning (PC2), Wisconsin CBSAs

While these measures of overall zoning complexity and restrictiveness provide a comprehensive view of CBSA-level zoning policy, it is worth looking at a few key policies that contribute to these measures.

Figure 10 contains boxplots of three numeric measures of zoning complexity at the CBSA-level. “Maximum Review Waiting Time” refers to the maximum number of days a government body is provided to review a development application; “Mandatory Approval Steps” counts how many sequential procedural approvals a developer must secure before a project can proceed; and “Distinct Approval Bodies” refers to the number of separate boards or commissions who must approve a development project in each municipality. Again, these values are population weighted to the CBSA-level. As can be seen, outliers exist only for the Maximum Review Wait Time measure. Despite its otherwise relatively simple zoning process – as discussed previously

– Watertown-Fort Atkinson has the longest maximum review wait time of any Wisconsin CBSA by a significant margin. On the opposite end, Eau Claire, Beaver Dam, and La Crosse-Onalaska have some of the shortest maximum review wait times. To be clear, the maximum time allotted for review decisions to be made does not necessarily correspond to the actual time taken for such decisions. It may be possible that government bodies in Watertown-Fort Atkinson complete reviews far ahead of the unusually long review deadline. At the low end, however, these maximum review times may be more binding.

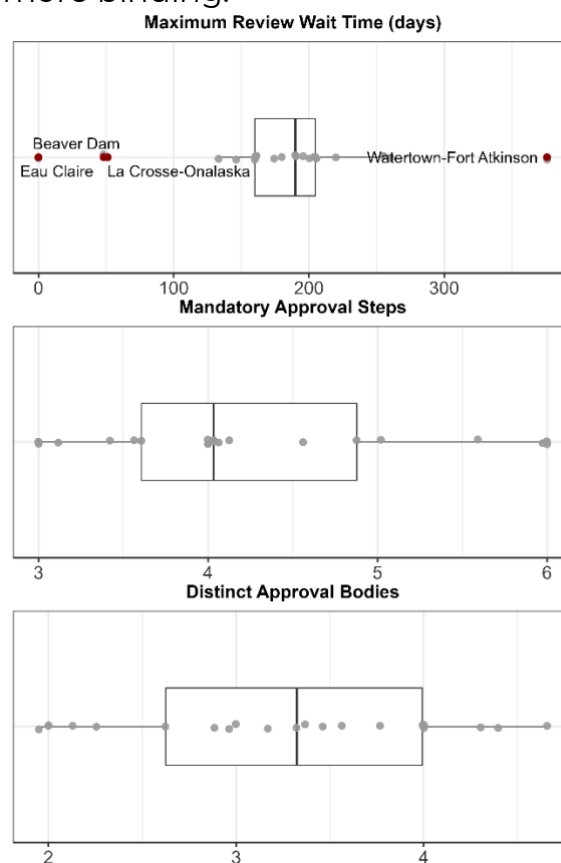


Figure 11: Measures of zoning complexity, Wisconsin CBSAs

A locality’s minimum lot size is a key measure of how exclusionary its zoning policy is. Larger minimum lot sizes prevent dense development and encourage urban sprawl. Because

minimum lot sizes differ by zoning district, Bartik et al. compute three municipal-level metrics: the smallest, the average, and the largest minimum lot size across all of a municipality's zoning districts. To obtain CBSA-level values, they then take each of those three metrics and calculate a population-weighted average across all municipalities in the CBSA. Figure # contains boxplots of these CBSA-level measures of minimum lot size.

As can be seen, Milwaukee-Waukesha has some of the highest low minimum lot sizes on average. This is likely the result of high minimum lot sizes in the suburbs pulling up the average for the overall CBSA. On the other end, Watertown-Fort Atkinson has the lowest average low minimum lot size. This helps to explain why it scores so highly on the overall measure of exclusionary zoning. Madison and Milwaukee-Waukesha have the highest average minimum lot sizes. Likewise, these CBSAs have the highest high minimum lot sizes on average. This is likely due to the presence of wealthy, suburban districts with disproportionately high minimum lot sizes in these CBSAs.

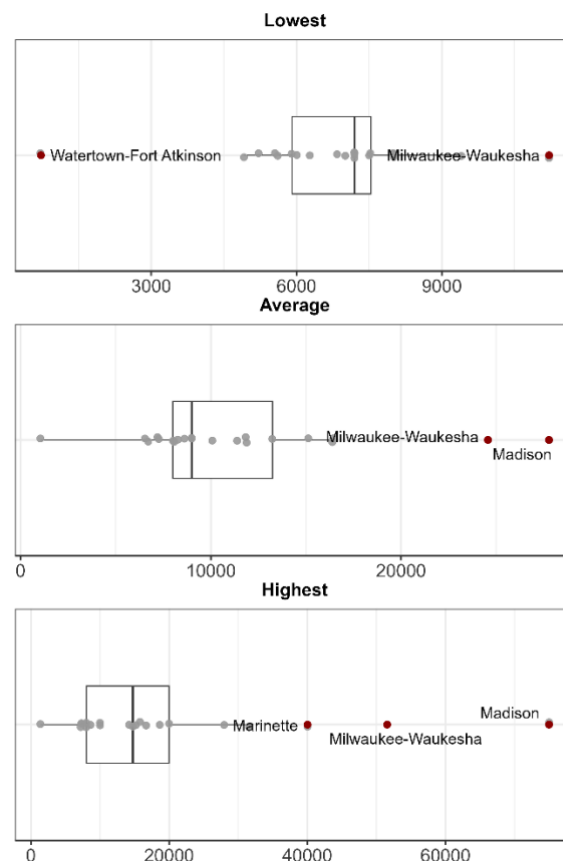


Figure 12: Measures of minimum lot size, Wisconsin CBSAs

Policy Solutions

Since local policy decisions created the housing shortage, it is particularly challenging to address the problem at this level of government. NIMBY attitudes not only impact zoning decisions, but they also make reforming the zoning process itself more challenging. Even as the housing affordability problem worsens and the Yes In My Backyard (YIMBY) movement grows, reformers tend to be outnumbered and overlooked at local zoning meetings.

Instead, successful policy change in the US has often come at the state level. The ability to set zoning policies is not an inherent power of local governments. This power is created at the state-level through statutes known as “enabling

acts,” which allow localities to adopt zoning ordinances which conform to state law. Thus, states have the authority to preempt local zoning regulations to reign in excessive zoning. This can be done by restricting the types of ordinances that can be implemented or by setting reasonable statewide standards.

States have a legitimate interest in addressing housing shortages in their regional economies. High home prices and cumbersome development regulations make communities less desirable places to live and invest. In the long-term, this can cause states to experience reduced economic growth, lower tax revenues, and population loss to other states.

Recently, Wisconsin has taken advantage of this state-level authority to introduce meaningful reform to the zoning process. 2023 Wisconsin Act 16 established “by-right” zoning throughout the state, which limits local government discretion by requiring that any proposal which meets local zoning regulations be approved (Wisconsin Legislative Council, 2023). Act 16 also reforms the judicial review process. Previously, any taxpayer could use certiorari review to delay or block a development. They must now show personal and distinct harm. This more stringent condition can reduce unnecessary delays or disruption. While the above provisions simplify the development process, they do not alter existing zoning ordinances. To facilitate direct zoning reform, Act 16 lowers the upzoning vote threshold (when over half of affected landowners object) from a three-quarters supermajority to a simple majority while retaining a two-thirds vote requirement for downzoning. As a

result, upzoning in the face of local opposition is now easier than downzoning, reversing the previous balance.

Beyond this, Wisconsin can follow the guidance of other states that have successfully preempted local zoning authority to implement reform. In some cases, these reforms are applied to all localities statewide. A common example is statewide accessory dwelling unit (ADU) laws, which have been passed in 14 states to prevent any locality from banning ADUs (Hamilton and Houseal, 2024).

However, reforms do not necessarily need to apply across all localities in a state to be effective. In fact, any proposed reform that applies to all localities may necessarily be more limited in its ambition in order to get passed and be signed into law. Yet, overly burdensome zoning regulations are more impactful when they limit what can be built in a state’s largest and most agglomerated cities. Zoning regulations in more rural areas, on the other hand, are much less harmful to the overall state economy. Thus, a more pragmatic solution may be to target state-level zoning reforms at the larger regional economies throughout the state.

Some states have already adopted this strategy. For example, Oregon, Minnesota, and Washington preempt local zoning regulations to allow by-right “missing middle housing” – duplexes, triplexes, fourplexes, townhomes, etc. – on all lots currently zoned for single family homes in larger cities. In Minnesota, cities with more than 10,000 residents must allow two-unit and three-unit buildings on any residential lot (Minnesota House of Representatives,

2023). In Oregon and Washington, these density increases are applied along a sliding scale (Washington State Legislature, 2019; Oregon State Legislature, 2019). In Oregon's case, any city with more than 10,000 inhabitants must allow duplexes on all residential lots and any city with more than 25,000 must allow triplexes, fourplexes, townhomes, and cottage clusters. Wisconsin should follow suit and – if necessary – apply a sliding scale strategy like Oregon and Washington in order to achieve greater density in its largest cities.

Other zoning policies could be reformed using this same framework. Some states have used population thresholds to require larger cities to allow ADUs (Hamilton and Houseal, 2024). In addition to this, Wisconsin could allow commercial-to-residential conversions by right, require lower minimum lot sizes, or reduce parking minimums in all cities above a certain population threshold. However, this strategy does not necessarily need to be based on a city's current population. Policies could be designed such that any city within the commuting zone of a major urban core is likewise subject to the density-increasing standards as their larger neighbors. Perhaps the policy could be designed such that if more than 25 percent of a smaller city's residents commute to a nearby larger city, then the smaller city must face increased density standards as well. Such a policy would allow for greater housing supply growth in Wisconsin's growing metro areas while also reducing urban sprawl.

Conclusion

Across Wisconsin's regional housing markets, measures of affordability and production vary greatly. Yet, home prices

have broadly outpaced incomes and rent burdens remain high across the board. A key cause of this is unaffordability insufficient supply. New housing construction has stagnated in many areas and much of the housing stock is aging. Even in regions where new production is relatively high – like Madison and Eau Claire – the supply of homes still fails to meet demand. These patterns are shaped in part by local zoning policies, which range from complex and exclusionary in some large metro areas to simpler but even more restrictive in smaller regions. Despite their differences on the above measures, Wisconsin's regional housing markets share the same broad challenges. To address them, state-level reform is necessary to sidestep local veto points and bring zoning practice into line with the state's broader economic goals. Building on Act 16, Wisconsin can further pre-empt exclusionary ordinances by expanding by-right approvals, setting minimum density or lot-size standards for larger CBSAs and their commuter zones, and legalizing accessory dwelling units statewide. Targeted measures of this kind would relieve supply bottlenecks, temper price growth, and ensure that every regional economy can share in the state's future prosperity.

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