The state of Wisconsin is facing a major budget deficit because of lower-than-expected tax collections during the recession. As the economy slows, incomes fall and tax revenues decline. As the economy recovers, incomes and tax revenues will rise and help ease the budget deficit.

Where are the economic engines that will fuel the recovery?

Gross domestic product (GDP) is the broadest and most commonly used measure of economic activity. Using GDP to identify the locations of greatest economic activity in the state highlights the regions that will likely drive the economic recovery and thus help shrink the deficit.

GDP is defined as the value added in the production of goods and services by all the labor and capital located in a state. It is calculated as the sum of private consumption, plus private investment, plus government spending, plus net exports.

The following graph includes the GDP and population of the metropolitan areas (MSAs) located entirely within Wisconsin. In 2006, the 12 MSAs included in the chart accounted for 67 percent of the state’s population and 77 percent of total GDP.

In 2006, the Milwaukee MSA included 27.6 percent of the state’s residents. However, Milwaukee accounted for 34.8 percent of Wisconsin’s GDP. The Madison MSA is home to 9.8 percent of the state’s population and generated 13.5 percent of total state GDP.