

Economics Group

Special Commentary

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Alabama vs. LSU: Big Game in the SEC West

Two Top Five Teams Battle for Leadership of the SEC West

The race for the College Football Playoff has really come into focus, with just two undefeated teams left among Power Five conference schools and just eight one-loss teams. To make the playoffs, a Power Five school can generally afford to lose no more than one game, or win its conference championship in a strong and highly competitive conference. Non-Power Five conference teams need to go undefeated or finish the season with no more than one loss from a highly competitive schedule. Aside from Power Five schools, two teams with a legitimate shot at one of the four playoff spots—Notre Dame and UCF—both remain undefeated. This week will see this list whittled down further, as two teams with only one loss—Georgia and Kentucky—face off, and number one-ranked and undefeated Alabama travels to Baton Rouge to play 7-1 and number four-ranked LSU.

Number one-ranked and undefeated Alabama travels to Baton Rouge to play 7-1 and number four-ranked LSU.

The Alabama-LSU game is one of the most decisive matchups played each year, as it is typically played late in the season with both teams contending for the Southeastern Conference's West Division and a trip to Atlanta for the SEC Championship Game. Alabama has dominated the series in recent years, winning the last seven meetings and leading the all-time series 52-25-5. Despite losing the last seven meetings, LSU has been very competitive in most of those games, including a 20-13 overtime loss in 2014 and a 21-17 loss in 2012, when Alabama scored the winning touchdown in the last minute of the game. The two teams split the prior four games, including a 9-6 LSU overtime win in 2011, which pitted the number one-ranked Tigers against the number-two ranked Crimson Tide. Prior to that four-game split, LSU had rattled off five consecutive wins, which is their longest win streak in the series.

Consistently beating Alabama, even for just a few years, is something few schools can lay claim to. Alabama is one of the most dominant college football programs of all time and has won a league-leading 26 SEC Championships and 17 national championships, including 12 in the poll era. The Crimson Tide is a founding member of the SEC and was the first team to win a conference championship back in 1933. Alabama has been selected to play in each of the four college football playoffs since the series began in 2014, and won the championship in the 2015 and 2017 seasons.

Figure 1

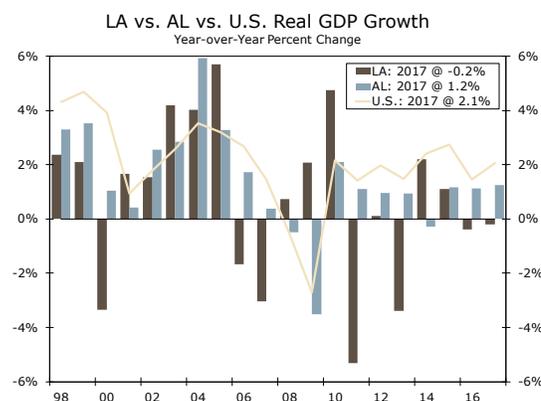
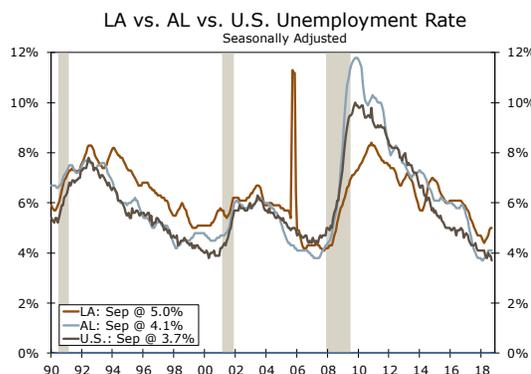


Figure 2



Source: U.S. Department of Commerce, U.S. Department of Labor and Wells Fargo Securities

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Alabama’s Football Dominance Dates Back to the Early Days of College Football

Alabama began playing college football in 1892, similar to other schools in the South. Football was more established in the Northeast and Midwest, with Yale, Princeton, Harvard, Michigan, the University of Pennsylvania and Penn State dominating the first 50 years of college football. Among Southern schools, LSU (1908) and Georgia Tech (1917) both won recognized national titles earlier, but Alabama’s program was one of the first to receive national attention, beating the highly touted 1922 University of Pennsylvania team, coached by John Heisman, 9-7 in Philadelphia and becoming a dominant power during the 1920s.

Alabama joined the Southern Conference in 1921 and won conference championships in 1924, 1925, 1926 and 1930. Alabama’s 1925 team finished the regular season 9-0-0 and defeated the previously undefeated Washington Huskies 20-19 in the Rose Bowl that year to win their first national championship. The 1926 team also went undefeated and tied Stanford in the Rose Bowl 7-7, finishing 9-0-1 and sharing the national title with Stanford. The 1930 team also went 10-0-0, defeating Washington State 24-0 in the Rose Bowl and sharing the national title with Notre Dame. That was also the season Alabama’s football program began to be associated with elephants. The reference is believed to have come from numerous sports writers that noted the Alabama players looked like a herd of red elephants, due to their relative size compared to their opponents from Ole Miss, which they played on a muddy field that day. The Crimson Tide nickname has a similar history, coined by a Birmingham sportswriter in 1907, when Alabama “tied” a highly touted Auburn team, with jerseys turned crimson by the muddy Birmingham field.

There are several theories as to why Alabama had so much early success in college football. The most plausible is that the early coaching philosophies of Xen Scott, Wallace Wade and Frank Thomas emphasized defense, which required rigorous practice and teamwork as opposed to recruiting a handful of star players each year. The focus on defense was evident in the 1920s when relatively few of Alabama’s opponents managed to score any points. The 1925 national championship team only allowed seven points to be scored against it during the regular season, shutting out the other eight opponents. The focus on defense continued under Bear Bryant, who became head coach in 1958. The emphasis on defense is one reason why it took so long for an Alabama player to win the Heisman Trophy; running back Mark Ingram was the first to win, in 2009.

Demographics provided Alabama an early advantage but have created challenges more recently. The state’s population totaled 2.36 million in 1920, making it the nation’s 18th largest state and the third largest state in the Southeast behind Georgia and Kentucky. Most of college football’s perennial powers hailed from large industrial states in the Northeast and Midwest. Alabama’s industrial base may have played a part in their early success. The state’s rich deposits of iron ore, limestone and coal helped make Birmingham an industrial powerhouse, becoming known as the Pittsburgh of the South. The industrial ties to the Midwest likely contributed to the state’s early interest in college football. The reliance on heavy industry also contributed to its underperformance during the later part of the 20th century, which saw manufacturing employment decline.

Alabama’s industrial base may have played a part in their early success.

Figure 3

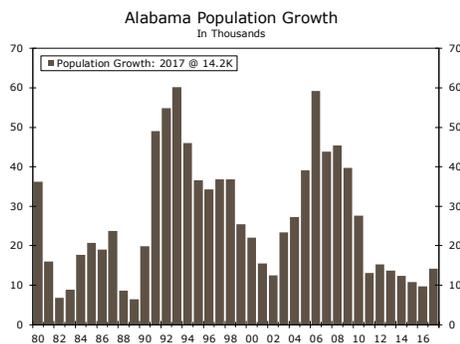
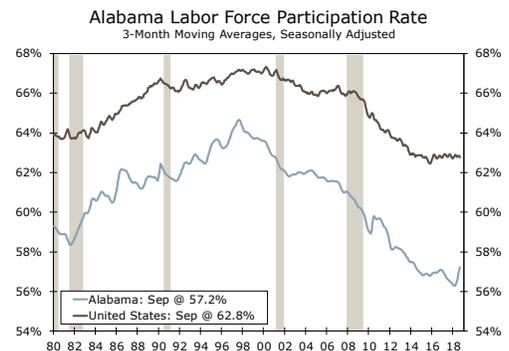


Figure 4



Source: U.S. Department of Commerce, U.S. Department of Labor and Wells Fargo Securities

Alabama Remains a Powerhouse But is Evolving

Alabama’s economy struggled along with the nation during the 1930s, but the ramp up in industrial activity for World War II and the postwar prosperity that followed were good times for the Alabama economy and particularly Birmingham’s iron and steel industry. Birmingham was the largest economy in the Deep South during this period and enjoyed a great deal of prosperity. By the 1960s, however, trade and commerce began to significantly outpace manufacturing. Along those lines, the center of economic activity shifted east to Atlanta, which had a more diverse economy built around transportation, financial services and trade.

With economic growth decelerating, Alabama has had to find ways to diversify its economy. While the iron and steel industry remains important, it accounts for a much smaller share of the region’s economy. Healthcare and financial services have become more important. Birmingham has become a major medical center and is the birthplace of sports medicine. The state also embarked on an ambitious effort to diversify its industrial base, providing aggressive incentives to land a new assembly plant for Mercedes-Benz in the 1980s and subsequently landing assembly plants for Honda, Hyundai and, most recently, Toyota-Mazda. The state’s aerospace industry has also gained considerable momentum, landing a number of commercial and defense projects, including an assembly plant for Airbus in Mobile and expansions by Aerojet Rocketdyne and BAE Systems in Huntsville.

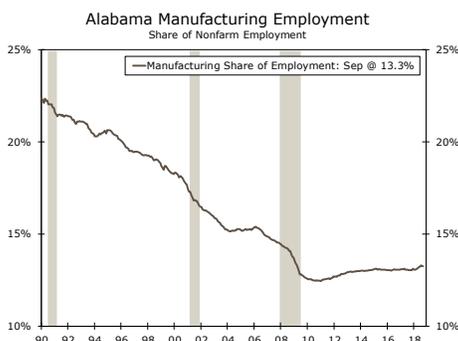
The influx of industrial investment has helped sustain solid economic growth. Alabama’s economy faces challenging demographics, however, with a slow growing population and low labor force participation rates in many of its rural areas. Overall growth has been fairly modest during the most recent expansion, with real GDP growth slightly trailing the nation. Nonfarm employment has risen 1.3% over the past year, which has been sufficient to hold the unemployment rate around 4%. The latest data show the state’s unemployment rate at 4.1%, and the unemployment rate is just 3.8% in Birmingham, 3.6% in Huntsville, 4.2% in Montgomery and 5.0% in Mobile.

Alabama’s football program has also had to adjust to a changing economic landscape. With population growth slowing, the Crimson Tide has needed to recruit more top-notch football players from around the country. The Crimson Tide’s current roster features players from 22 other states and the District of Columbia. There is still plenty of talent in the state too. Alabama boasts the second highest high school football participation rate, which means that the state produces a relatively high proportion of top recruits on a per capita basis. The team’s recent success means the Crimson Tide is typically the top choice of many of the state’s top prospects, although the bounty of locally produced players is also shared with Auburn as well as upstart programs such as UAB and Troy. Alabama’s game plan has also changed. While a stout defense is still their centerpiece, the Tide’s strategy has evolved considerably from its legendary ‘three yards and a cloud of dust’ approach and now employs a multi-threat offense led by its two highly rated quarterbacks, Tua Tagovailoa and Jalen Hurts.

Birmingham was the largest economy in the Deep South during the post-WWII period and enjoyed a great deal of prosperity.

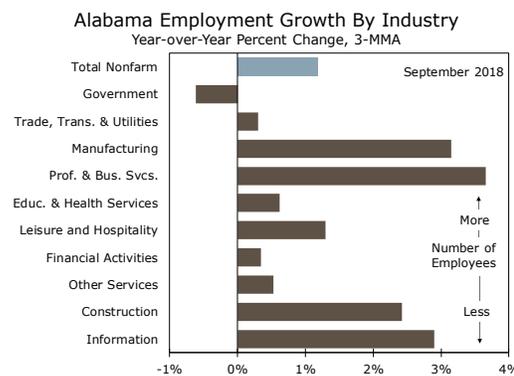
Alabama’s football program has also had to adjust to a changing economic landscape.

Figure 5



Source: U.S. Department of Labor and Wells Fargo Securities

Figure 6



LSU began playing college football on a regular basis in 1893 and followed a similar path to other schools in the South.

LSU Has a Long History of Success As Well

LSU began playing college football on a regular basis in 1893 and followed a similar path to other schools in the South, initially competing in the Southern Intercollegiate Athletic Association and the Southern Conference before joining the SEC as a founding member in 1932. LSU enjoyed some success, going 10-0 in 1908 and sharing a national championship with Pennsylvania. The 1908 team was accused of using professionals, however, and was not awarded a conference championship. LSU’s first consensus national championship was in 1958, when the Tigers finished the regular season 10-0-0 and defeated 12th-ranked 7-0 Clemson in the Sugar Bowl.

The late 1950s were a good time for LSU football. The 1959 team finished ranked number three, winning a 7-3 regular season squeaker over 3rd-ranked Ole Miss. Billy Cannon won the Heisman Trophy and the team appeared set for a second national title. LSU faced Ole Miss again in the Sugar Bowl but wound up being dominated much of the game and lost 21-0. The Tigers won the SEC championship again in 1961 and went 9-1-1 in 1962. The program’s performance diminished in the late 1970s, however, and saw intermittent success amid a series of coaching changes over the next 20 years. Nick Saban’s arrival in 2000 marked a real turning point; LSU won two conference championships and a national championship in 2003 in his five years at the school.

LSU’s success continued under Les Miles, who took over as head coach in 2005 and regularly contended for the division and conference titles. LSU won their second national title in 2007 and played for another in 2011, but were trounced 21-0 by an Alabama team they had beaten 9-6 in the regular season. Ed Orgeron took over as head coach in 2016 and has LSU running in top form this year, with a 7-1 record and number four ranking going into this weekend. While Alabama is a 15-point favorite going into the game, the game is being played at night at LSU, which typically makes for an intense environment where anything is possible.

Louisiana is home to a large off-shore energy business, which has not bounced back as quickly as the various shale plays in west Texas.

Louisiana’s economy has been more challenging than Alabama’s. The state has had a hard time recovering from Hurricane Katrina, which devastated New Orleans and led to an outflow of residents. Louisiana’s economy is heavily tied to the energy sector, with numerous large refineries, petrochemical plants and shipping facilities. Louisiana is also home to a large off-shore energy business, which has not bounced back as quickly as the various shale plays in west Texas. Exports account for about 23% of Louisiana’s GDP, most of which is petroleum and petrochemical products. Trade tensions, slower global growth and a stronger dollar have all tended to restrain exports.

Real GDP declined in both 2016 and 2017 but appears set to grow modestly this year. Employers have added 16,200 net new jobs. The bulk of that increase has been in education & healthcare, leisure & hospitality and business services. Manufacturing employment has also bounced back, reflecting growth in energy exploration and petrochemical production. The unemployment rate remains relatively high, however, at 5.0%, which is little changed from its year ago level. The higher unemployment rate largely reflects the slower recovery in off-shore energy exploration.

Figure 7

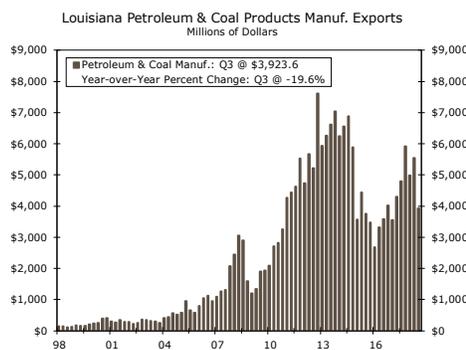
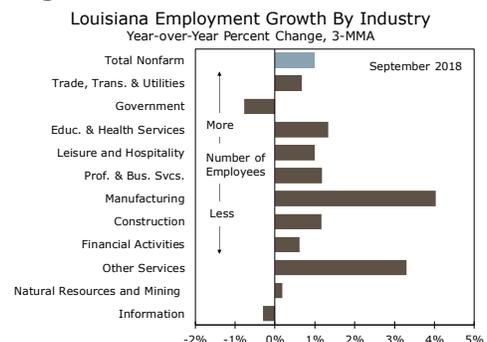


Figure 8



Source: U.S. Department of Commerce, U.S. Department of Labor and Wells Fargo Securities

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