

Economics Group

Special Commentary

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Michigan vs. Wisconsin: Big Battle in the Big Ten

A Key Match-Up between Two of the Big Ten’s Traditional Powers

With the college football season now into its seventh full week, the pool of playoff contenders has narrowed considerably to the handful of undefeated teams and teams still in the running for Power 5 conference championships. Last week saw three undefeated teams incur their first loss of the season. The winnowing process will continue this week as several undefeated and one-loss teams face key match-ups. Our focus this week moves back to the Big Ten, where 12th-ranked Michigan will host 15th-ranked Wisconsin. Both teams come in with one loss but are undefeated in conference play. The game will help determine who will challenge Ohio State for the Big Ten championship.

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The Big Ten actually has 14 teams that are divided into two divisions. The league divided into two divisions for the 2011 season – the Legends and the Leaders. The divisions were renamed East and West when Rutgers and Maryland joined the Big Ten in 2014. The Eastern division has generally been more competitive, with Ohio State, Michigan and Penn State battling for the division title. Wisconsin has dominated the West division the past few years, winning the division in three of the four years of its existence and competing in five of the seven championship games held to date.

The Big Ten Conference Champion traditionally earned the right to go to the Rose Bowl each year, but the College Football Playoff has put a wrinkle in that tradition. The Rose Bowl hosts one of the College Football Playoff semi-final games every three years, which attempts to match up the four best teams in the country at the end of the regular season. In its first four years, the College Football Playoff has featured five teams from the SEC, four teams from the ACC, three teams from the Big Ten, two teams from the Pac-12, and two teams from the Big 12. Ohio State defeated Wisconsin, which was 12-0 going into the game, for the Big Ten Championship last year, but finished with an 11-2 record, with earlier losses to Oklahoma and Iowa.

Demographics are a formidable hurdle for the Midwest. Most Midwest states are seeing fairly sluggish population gains, with net domestic out-migration to other parts of the country. Population gains mostly result from natural increase and immigration from overseas. As a result, the Midwest is not as fertile a college football recruiting ground as it used to be.

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Figure 1

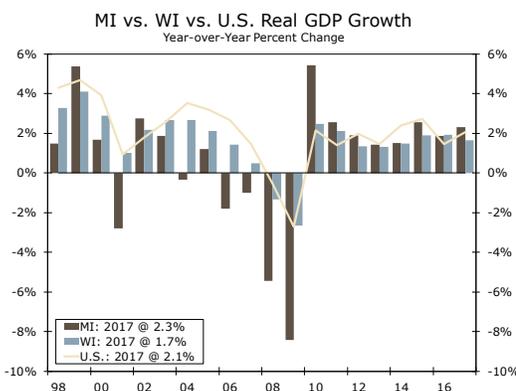
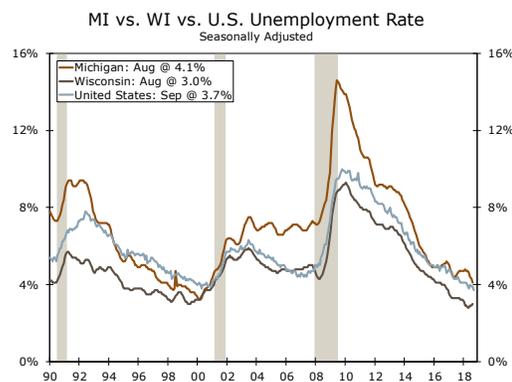


Figure 2



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

Together we'll go far



Prior to the Great Depression, Michigan was one of the fastest growing states in the country, with much of that growth centered in Detroit's automotive industry.

Big Ten football programs have attempted to counteract the deterioration in the region's demographics by widening their recruiting. Despite having the 4th-largest population among Big Ten states, only about one-third of the Wolverines' current roster hails from the state of Michigan. The remainder come from 30 other states, two Canadian provinces and Germany. Ohio and Florida each account for the second largest number of players on Michigan's roster, with 13 players apiece.

Michigan's demographic challenges reflect the state's recent economic history. Prior to the Great Depression, Michigan was one of the fastest growing states in the country, with much of that growth centered in Detroit's automotive industry. The depression hit the state particularly hard but growth snapped back during World War II and surged in the postwar era, when Michigan's automobile industry had few rivals throughout the world. The auto industry peaked in the 1960s and ran into tough times with energy shocks in the 1970s and an onslaught of international competition in the 1980s. Michigan's economy struggled mightily during ensuing decades and saw a marked out-migration. Michigan's population actually declined during the second half of the last decade.

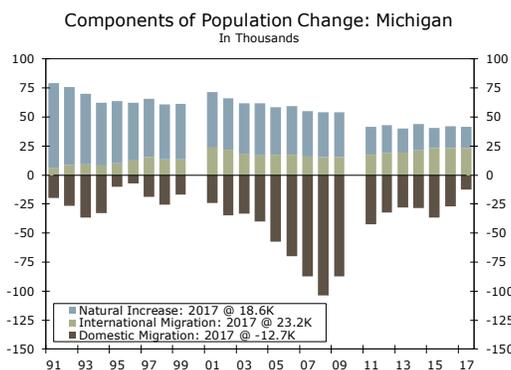
Economic conditions have taken a turn for the better, with employment rising solidly and the unemployment rate falling to just 4.1%. Detroit remains the center of the automotive industry, which has become more technology-driven, incorporating rapid advances in alternative fuels, motor vehicle safety and autonomous vehicles. Grand Rapids is one of the nation's fastest growing metro areas since the Great Recession, with its diverse industrial base helping drive unemployment down to 2.7%. Ann Arbor, home to the University of Michigan, is another high-flyer. The region's highly educated workforce supports a burgeoning startup scene that is attracting expansions from overheating tech centers in the West. Ann Arbor's unemployment rate is just 3%.

Technology is also playing a major role in Wisconsin's economic turnaround. Nonfarm employment has risen 1.5% over the past year, while the unemployment rate has fallen to just 3%. Job growth has been fairly broad based, led by a rebound in manufacturing and construction. Manufacturing payrolls have risen 4.8% over the past year, while construction employment has risen 4.7%. Hiring has also risen solidly in the leisure and hospitality sector and in education and healthcare. The tech sector is another bright spot, particularly around Madison. We suspect many of the jobs added at startups and the recent slew of corporate expansions are not being reflected in the latest jobs data.

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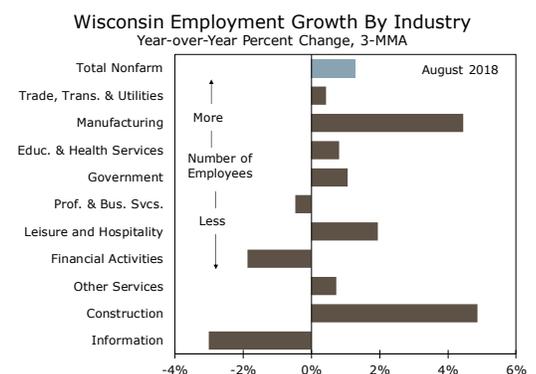
Madison's highly educated workforce positioned the area to benefit from the rapid growth in health care informatics. Homegrown startup Epic has grown to become a major player in that industry. Madison is also attracting expansions from employers priced out of booming West Coast tech centers. The state's manufacturing sector is also in the midst of a revival and is getting a huge boost from Foxconn's huge new plant being built in Mount Pleasant, located about 30 miles south of Milwaukee. Construction of the \$10 billion factory is now underway. The factory marks a major step in rebuilding the supply chain for many tech-driven industries and should produce a number of spillovers to other parts of the state, including locating the firm's U.S. headquarters in Milwaukee and partnering with other Wisconsin businesses and the state's universities and trade schools.

Figure 3



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

Figure 4



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