

# Economics Group

## Special Commentary

Mark Vitner, Senior Economist  
[mark.vitner@wellsfargo.com](mailto:mark.vitner@wellsfargo.com) • (704) 410-3277

# Texas vs. Oklahoma: The Red River Showdown

## Two Top-20 Teams Meet in Dallas in One of the Top Rivalries of All Time

This week's key college football matchup is Texas and Oklahoma. The series dates back to 1900 and is one of the greatest college football rivalries of all time. The two schools have played each other 112 times, with games being played in Dallas every year since 1929. The series has featured at least one ranked team in 70 of the past 80 games, which roughly covers the period of team rankings. Moreover, 41 of those 80 games featured at least one team ranked in the top five, and both teams were ranked in the top five in ten of those matchups.

Texas leads the series 61-46-5, but the record is even since World War II at 35-35-3. Oklahoma has been the more dominant team in recent years, winning six of the past eight games. This year's game features a seventh-ranked Oklahoma team that has been on a roll since losing a thriller to Georgia in last year's Rose Bowl. The 19<sup>th</sup>-ranked Texas Longhorns have won four straight games, including wins over then-ranked USC and TCU, following an opening week loss to Maryland. This year will also mark the first time since 2012 that both teams come into the game ranked in the top 25.

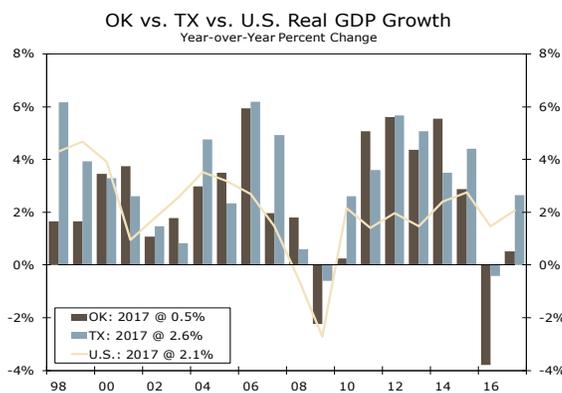
***This year will mark the first time since 2012 that both Oklahoma and Texas come into the matchup ranked in the top 25.***

The success that Texas and Oklahoma enjoy is due in large part to the major role that high school and college football play in the communities in those two states. High school football participation tends to be greatest in smaller towns and rural areas, which both states have an abundance of. Texas is widely considered the second best state for recruiting football players and is close to California, which has a much larger population, in terms of the number of top rated high school football recruits each year. The overwhelming majority of University of Texas football players come from Texas; more than three-quarters of the roster hails from the Lone Star State. Unfortunately for the Longhorns, they share the state's bounty of football talent with the 11 other FBS schools in Texas. Neighboring states also tend to poach a great deal of talented recruits from the state.

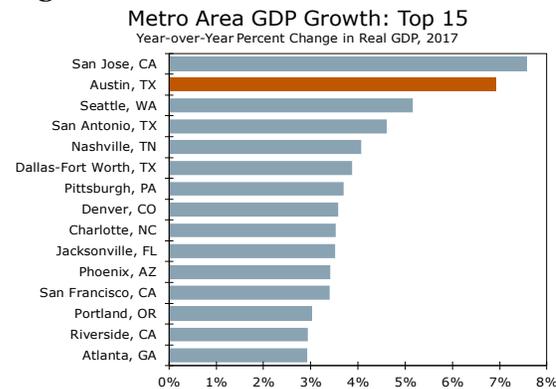
***The overwhelming majority of University of Texas football players come from Texas.***

The University of Oklahoma also has a great deal of home-grown talent. But with a state population one-sixth that of Texas, Oklahoma has to draw on talent from other states. The current roster shows that slightly more Sooners hail from Texas than from Oklahoma, and the university also gets a number of recruits from California and neighboring states in the Midwest and South.

**Figure 1**



**Figure 2**



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

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Together we'll go far



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**Austin has consistently ranked as one of the fastest growing metro area economies in the country.**

**Oklahoma's economy is diversifying into technology fields, many of which are associated energy, life sciences and big data.**

Texas' success in producing so many top notch football recruits is due to demographics, economics, geography and culture. Almost everything is bigger in Texas, particularly those things that relate to football. Demographics are clearly a key competitive advantage, with Texas adding an average of 437,600 residents a year since 2010. Of course most of that growth has been in the state's large metro areas, which consistently rank among the fastest growing economies in the country. While football is extremely popular in Dallas-Fort Worth and Houston, it really permeates the culture of many of Texas' smaller towns and rural areas, which have been depicted in numerous TV series and films such as *Friday Night Lights* and *Varsity Blues*. Both of those were set in West Texas, where high school football is a year-round passion.

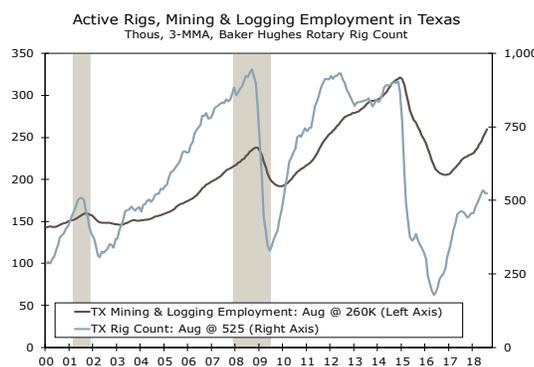
West Texas is also enjoying an economic boom right now, with oil drilling surging in the Permian Basin. The Quarterly Census of Employment and Wages shows employment surging 15.8% over the past year in Midland, the largest increase of any major metro area in the country. Nearby Odessa saw payrolls jump 11.5%, while the unemployment rate in both areas has fallen below 3%. Hiring is being driven by a resurgence in oil exploration, with the number of rigs operating in the Permian Basin essentially doubling over the past year. Other oil-driven economies in the state have also rebounded, helping Texas solidly outperform the nation this past year, with payrolls rising 3.2% and the unemployment rate falling to a cycle low 3.9%.

The University of Texas is located in Austin, which has consistently ranked as one of the fastest growing metro area economies in the country over the past few years. Austin has emerged as one of the largest hubs for the tech sector and has been a magnet for tech behemoths—including Apple, Oracle and Facebook—looking to escape the high operating costs of Silicon Valley and tap into the region's deep pool of tech talent. Austin's real GDP grew 6.9% year-over-year in 2017. While job growth has 'moderated' over the past year, payrolls are still up a robust 3.1% and the unemployment rate continues to hover around 3%.

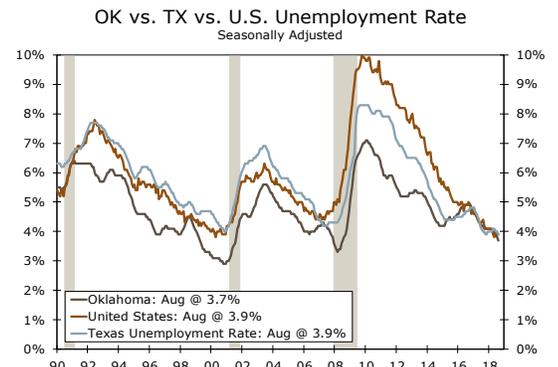
Oklahoma actually boasts a slightly lower unemployment rate than Texas. Economic growth has been less buoyant, however, as Oklahoma is more heavily tied to natural gas development and has benefitted less from the rebound in oil exploration that is boosting growth in West Texas. Oklahoma's economy is still doing well, however, with real GDP growth rebounding as oil and gas production increases. Nonfarm employment rose 2.0% over the past year, while the unemployment rate fell half a percentage point to a cycle low of 3.7% in August.

The University of Oklahoma is located in Norman, 30 miles south of Oklahoma City and about 200 miles north of Dallas. Oklahoma City is home to the majority of the state's largest employers, including Continental Resources, Devon and Chesapeake Energy. Oklahoma's frontier culture and location near the center of the country make it an ideal location for transportation and distribution. Oklahoma's economy is diversifying into technology fields, many of which are associated with energy, life sciences and big data. The state's major research universities are a key partner in this effort, which has instilled a renewed vibrancy into downtown Oklahoma City.

**Figure 3**



**Figure 4**



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

## Wells Fargo Securities Economics Group

Diane Schumaker-Krieg	Global Head of Research, Economics & Strategy	(704) 410-1801 (212) 214-5070	diane.schumaker@wellsfargo.com
Jay H. Bryson, Ph.D.	Global Economist	(704) 410-3274	jay.bryson@wellsfargo.com
Mark Vitner	Senior Economist	(704) 410-3277	mark.vitner@wellsfargo.com
Sam Bullard	Senior Economist	(704) 410-3280	sam.bullard@wellsfargo.com
Nick Bennenbroek	Currency Strategist	(212) 214-5636	nicholas.bennenbroek@wellsfargo.com
Azhar Iqbal	Econometrician	(704) 410-3270	azhar.iqbal@wellsfargo.com
Tim Quinlan	Senior Economist	(704) 410-3283	tim.quinlan@wellsfargo.com
Sarah House	Senior Economist	(704) 410-3282	sarah.house@wellsfargo.com
Charlie Dougherty	Economist	(704) 410-6542	charles.dougherty@wellsfargo.com
Erik Nelson	Currency Strategist	(212) 214-5652	erik.f.nelson@wellsfargo.com
Michael Pugliese	Economist	(212) 214-5058	michael.d.pugliese@wellsfargo.com
Abigail Kinnaman	Economic Analyst	(704) 410-1570	abigail.kinnaman@wellsfargo.com
Shannon Seery	Economic Analyst	(704) 410-1681	shannon.seery@wellsfargo.com
Matthew Honnold	Economic Analyst	(704) 410-3059	matthew.honnold@wellsfargo.com
Donna LaFleur	Executive Assistant	(704) 410-3279	donna.lafleur@wellsfargo.com
Dawne Howes	Administrative Assistant	(704) 410-3272	dawne.howes@wellsfargo.com

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