

# Economics Group

## Special Commentary

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## Texas vs. TCU

### Deep Histories in a Booming State

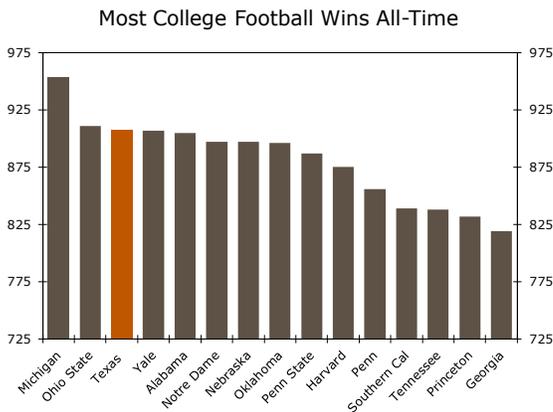
The ninth week of the 2019 college football season brings an intrastate rivalry game between the University of Texas Longhorns and the Texas Christian University (TCU) Horned Frogs, which hail from two of the nation’s fastest growing metropolitan areas. Of the 50 largest metro areas in the United States, none has grown faster since 2010 on a percentage basis than Austin, whose population is up an astounding 25.5%. Dallas-Fort Worth ranks sixth over this time period, with its population rising 16.9%. Texas dominates the rankings—Houston and San Antonio fill out the top five along with Orlando and Raleigh.

Texas and TCU kicked off their rivalry in 1897, and the Longhorns lead the series 63-25-1. Both schools are located in the “Texas Triangle,” the megaregion with Houston, Dallas and San Antonio as its vertices. Austin lies on I-35 about 80 miles north of San Antonio and 180 miles south of Dallas. The region is projected to have 35 million residents by 2050, or 75% of the entire Texas population. Residents can readily attest to the rapid growth, which is visibly apparent along nearly every major highway and street corner.

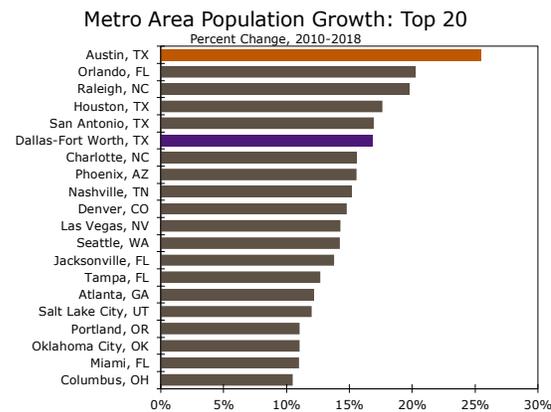
Texas football has a dominant history, with the third most wins all-time and the second most bowl game appearances (58). They have also had a winning record in 108 of their 128 seasons dating back to 1893. During this run they have won four national titles—1963, 1969 and 1970 under Darrell Royal, and in 2005 under Mack Brown, when quarterback Vince Young scampered into the Rose Bowl end zone with 19 seconds left to secure Texas’ 800<sup>th</sup> program victory in one of the best games of all time.

*Texas and TCU are in two of the fastest growing metro areas in the country.*

**Figure 1**



**Figure 2**



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

In addition to TCU, Texas has long-standing rivalries with Oklahoma (the Red River Showdown, played at the neutral site of the Dallas Cotton Bowl) and Texas Tech. Conference realignment has spoiled some other legendary rivalries. Texas played Texas A&M 118 times, but the series effectively ended in 2011 when A&M left for the SEC. The same fate befell the Texas-Arkansas rivalry, a

Together we'll go far



78-game series that included the 1969 “Game of the Century.” That game, which took place in the 100<sup>th</sup> anniversary year of college football, pitted #1 Texas, on an 18-game win streak and averaging 44 points per game, against #2 Arkansas, on a 15-game win streak and allowing only 6.8 points per game. Texas came from behind to win 15-14 and was awarded a national championship plaque from President Richard Nixon, who was in attendance along with future President and Texan George H.W. Bush (Billy Graham was also there to give a pre-game blessing). The game was also, however, the last major U.S. sporting event between all-white teams. It took 100 years to end segregation on the gridiron, a fact worth remembering in 2019, the 150<sup>th</sup> anniversary of the college game.

TCU started playing football shortly after Texas in 1896, and was first to win a national championship—in 1935 and again in 1938. They are one of the most successful private school programs, trailing only Notre Dame, Southern Cal and Miami in terms of average year-end Associated Press ranking. Quarterback Sammy “Slingsing” Baugh was a program legend who led college football in passing in 1935 and 1936 and further popularized the forward pass. When he retired from a lengthy pro career with the Washington Redskins, he was the NFL record holder in career passing yards and touchdowns. Incredibly versatile, in 1943 he led the NFL in passing yards, punting yards and interceptions. In fact, he held the NFL record for career punting average a stunning 62 years, from 1952 when he retired until it was broken in 2014 by Mat McBriar.

**TCU won a national title before Texas.**

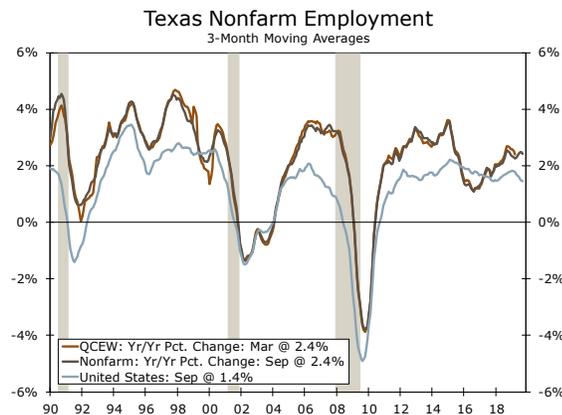
**“The Big Four” Driving Texas’ Growth**

Growth across Texas has been highly concentrated in the “Big Four” this cycle. Since 2010, employers have added about 2.6 million jobs, a 25.1% cumulative increase. Of that increase, 2.1 million jobs have been added in Dallas (32% increase), Houston (25%), San Antonio (28%) and Austin (41%). Only one of the remaining 20 metro areas has posted stronger job growth than Texas as a whole—Midland in the Permian Basin oil patch has jumped 65%. In other words, 19 of Texas’ 24 metro areas have seen below-average job growth, meaning that a disproportionate share has been in the Big Four. The largest MSAs are getting even larger.

**Growth in Texas has been concentrated in Dallas, Houston, San Antonio and Austin.**

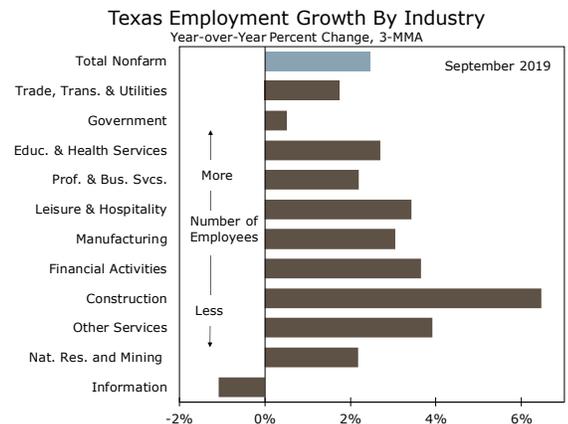
Of those smaller metros, the strongest job growth since 2010 has been in border cities McAllen (24%), Laredo (22%) and El Paso (16%) and major university cities College Station (20%, home to Texas A&M) and Lubbock (17%, home to Texas Tech). We suspect geography plays a major in the divergent economic trajectories. With so much of the population concentrated in a relatively small portion of the state, many of the smaller metros are dealing with geographic and economic isolation, while traditional ties to agriculture might be holding back the transition to higher growth sectors. Energy, of course, is the wild card, but not every area in the state can reap the same benefit from the Permian Basin boom as Midland and Odessa have. The good news is that job growth across the state has become much more broad-based, making the state’s economy more resilient. That resilience was evident when the energy sector slowed during the middle of this decade.

**Figure 3**



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

**Figure 4**



**Austin Has Been Riding a Seemingly Continuous Boom**

The Austin-Round Rock metropolitan area, home to the state capital and the University of Texas, has largely maintained its momentum throughout the decade and continues to attract a steady stream of business and tech investment as well as large numbers of migrants. Yet years of red-hot growth have driven housing prices sharply higher and raised concerns over congestion and gentrification. Higher home prices and increased congestion have pushed growth out into surrounding cities, making Austin suburbs such as Pflugerville, Georgetown, Cedar Park and San Marcos some of the fastest growing cities in the country. San Marcos, located about 50 miles south of Austin, is home to Texas State University, which is one of the state’s fastest growing universities, with 38,000 students.

*Austin’s red-hot growth is more than just tech.*

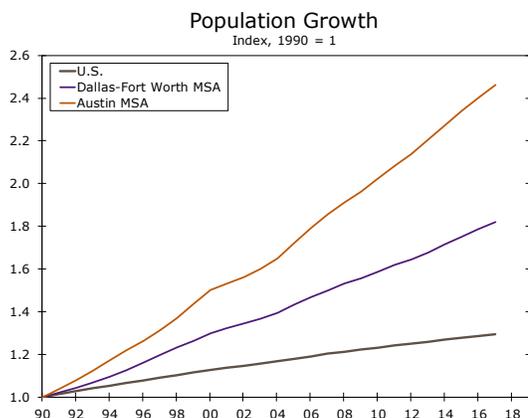
The Austin Independent Business Alliance has adopted the slogan “Keep Austin Weird” to preserve small businesses and the city’s bohemian culture from drowning in the deluge of corporate relocations. The city government recognizes the tradeoff here, with an official slogan of “The Live Music Capital of the World” but also an unofficial promotion of the area as “Silicon Hills,” in recognition of the growing cluster of high-tech firms, including Amazon, Apple, Cisco, Oracle, IBM and Facebook. Dell, founded by Michael Dell in his Texas dorm room, is still headquartered in Round Rock. Balancing the region’s rapid growth while maintaining the quality of life that made it attractive to begin with is a seemingly endless challenge.

While Austin is often thought of as a tech center, the economy is actually more diverse than that. Other companies that grew up there or are based there include Whole Foods, Indeed, YETI, Dimensional Fund Advisors, Kendra Scott and Chubbies Shorts. At one point Austin was the largest city in the United States without a medical school, but the University of Texas finally opened one in 2015 with the help of a major gift from Michael and Susan Dell. The opening has further catalyzed the development of Austin’s growing pharmaceutical and biotech clusters.

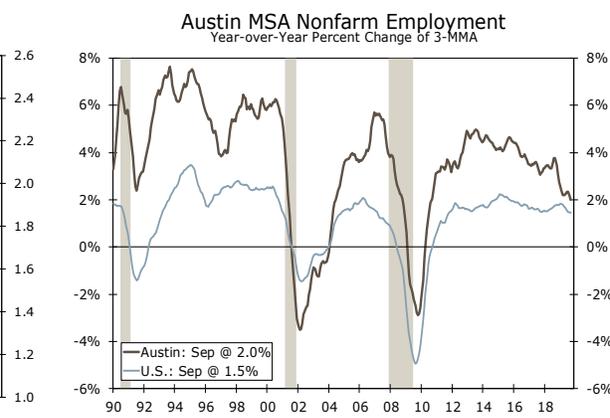
The University of Texas, the flagship institution of the University of Texas System, was founded in 1883 and has over 50,000 students, making it one of the ten largest U.S. universities by enrollment. Its size is matched by its impact—generally considered to be a “Public Ivy,” it has generated 786 patents and 65 companies in the past ten years. Its almost 500,000 alumni include Laura Bush, Rex Tillerson, Michael Dell, Walter Cronkite, an array of Olympic (130 medals won) and professional athletes and more than two dozen Rhodes Scholars. Matthew McConaughey, who graduated in 1993 with a film degree, has become something of a super-fan, and his dedication recently led to his appointment as a professor in the Department of Radio-Television-Film, where he began teaching this past fall.

*Dallas-Fort Worth continues to attract new businesses.*

**Figure 5**



**Figure 6**



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

### Dallas-Fort Worth Growing Even Faster

The 7.5 million-resident Dallas-Fort Worth metroplex is composed of 11 counties and dozens of cities and neighborhoods. In addition to Dallas and Fort Worth, it has four cities between 200,000 and 500,000 residents (Arlington, Garland, Irving and Plano), and eight more with more than 100,000 residents (Carrollton, Denton, Frisco, Grand Prairie, Lewisville, McKinney, Mesquite and Richardson).

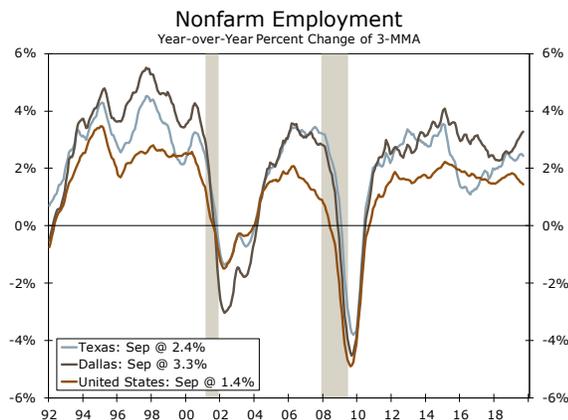
The area has attracted a seemingly endless wave of corporate relocations, due to its low costs and business-friendly regulatory environment. While Dallas gets much of the attention—Uber will be setting up its largest employment base outside of San Francisco there—Fort Worth holds its own and is home to the headquarters of American Airlines, D.R. Horton and major operations of Pier 1 Imports, Lockheed Martin and Bell Helicopter. The Bureau of Labor Statistic breaks down the Dallas-Fort Worth-Arlington Metropolitan Statistical Area (MSA) into the Dallas-Plano-Irving and Fort Worth-Arlington-Grapevine Metropolitan Divisions, and the unemployment rate in both is currently just 3.1%.

TCU, founded in 1873 as one of the first co-ed schools west of the Mississippi, is located just three miles from downtown Fort Worth. The campus was in Waco for a period of time around the turn of the century before a fire forced it to move back to Fort Worth, which felt a university could smooth its frontier reputation. Today TCU remains small relative to other powerhouse football schools, with just over 10,000 students. Its IdeaFactory aims to leverage those students' ideas and initiative into business startups, sending entrepreneurs across the state.

The Dallas-Fort Worth area has no shortage of universities. UT-Arlington and UT-Dallas combined have over 60,000 students, while the University of North Texas and Texas A&M-Commerce tack on around 38,000 and 12,000 more, respectively. Texas Woman's University has over 15,000 students and Southern Methodist University (SMU), one of TCU's historic rivals, has over 11,000 students.

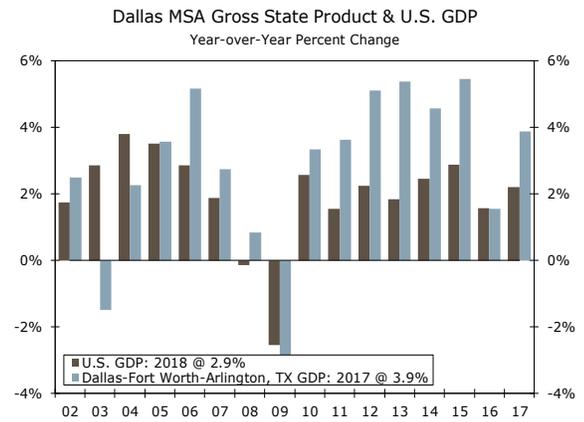
**Dallas-Fort Worth has a lot of universities.**

Figure 7



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

Figure 8



### Football Outlook

Odds makers think the game will more or less be a push, despite Texas' #15 ranking and 5-2 record. The Longhorns need a statement win after losing to a very tough Oklahoma team two weeks ago and barely pulling out a win against a surprisingly scrappy Kansas team last week. Their other loss was to LSU earlier this year, which is now ranked #2. Both of their losses were by one touchdown, and they can't really afford to lose a third game and make a major bowl. Coach Tom Herman has been trying to answer the question "is Texas back?" after Charlie Strong was unable to convincingly

**Is Texas back?**

do so in his three-year tenure following the departure of Mack Brown, and a marquee victory against an in-state rival would be another step in that direction.

TCU has the benefits of home field advantage and muscle memory—the Horned Frogs have won four of the past five games against the Longhorns. They dropped back-to-back games against Iowa State and Kansas State, however, and need a victory to avoid falling below .500. Maintaining offensive momentum is key—in their three losses they have scored an average of 26 points, compared to their 41-point average in their three victories. Texas won this game last year 31-16 in Austin, but with the playing field switched, things might be much closer this year.

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