

Economics Group

Special Commentary

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Pittsburgh vs Penn State: A Classic Remade

Reviving one of the Northeast’s Oldest Rivalries and Largest Economies

While Penn State versus Pittsburgh does not carry the weight the rivalry used to, the matchup is one of the oldest rivalries in the Northeast, having been played nearly 100 times. Many were classics, particularly in the late 1970s and early 1980s when the outcome of the late-season game often had ramifications for the National Championship. Pittsburgh won a thriller in 1976 on a game played the night after Thanksgiving. Having come into the game undefeated, Pittsburgh ran into a red-hot Penn State team that had won its last six games after an uncharacteristically slow start. The game was tied 7-7 at half time before Heisman Trophy winner Tony Dorsett kicked into high gear in the second half. Pittsburgh went on to win that game 24-7 and would later beat Georgia in the Sugar Bowl to win their first National Championship in nearly 40 years.

The two teams played another classic in 1981. Pittsburgh came to the game riding a 17-game winning streak and a number one ranking. The Panthers quickly jumped out to a 14-0 lead and were threatening to score again with three minutes to go in the first quarter. Penn State’s Roger Jackson intercepted a Dan Marino pass and the momentum quickly swung in the other direction, and the Nittany Lions went on to win 48-14, ending Pittsburgh’s national title hopes. The following year Penn State came into the game ranked number two and faced a fifth ranked Pittsburgh team, winning that matchup 19-10 on the way to their first consensus National Championship.

Penn State and Pittsburgh have played 98 times and will square off again this Saturday night.

The success Pittsburgh and Penn State enjoyed in the 1970s and early 1980s was due in large part to the profusion of talent available in the state of Pennsylvania, as well as neighboring Ohio and West Virginia. In 1980, Pennsylvania was the fourth largest state in the country and one of the largest hotbeds of football talent. Pittsburgh and Penn State generally got first dibs on the most promising players coming out of the state’s high schools. The severe recessions of the early 1980s hit Pennsylvania particularly hard, however, spurring an out-migration of younger households, many of which moved to the South and West. Pennsylvania’s population subsequently grew more slowly and the median age of the state’s residents rose to the sixth highest in the nation today.

Figure 1

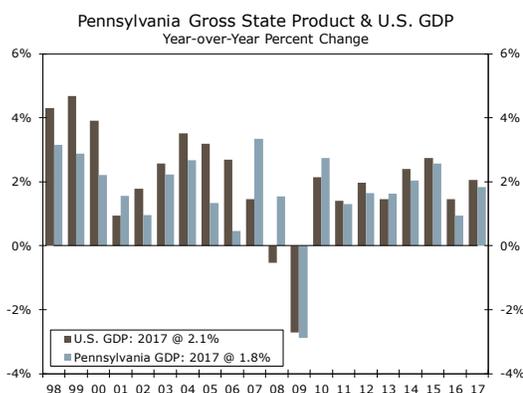
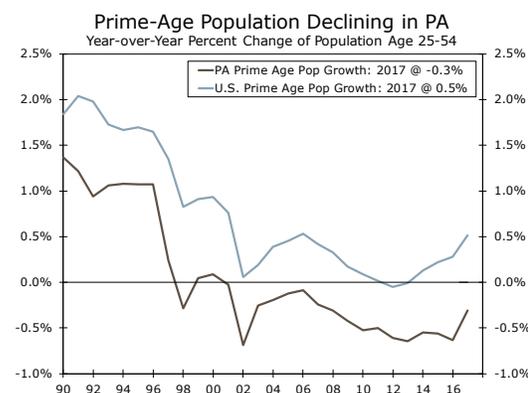


Figure 2



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

Together we’ll go far



Deindustrialization and outmigration contributed to the underperformance of Pennsylvania's economy and its football teams in the 1980s and 1990s.

Underperformance, Outmigration and Structural Change

The 1980s and 1990s were difficult across much of Pennsylvania, with economic growth underperforming the nation as the state's economy deindustrialized. Manufacturing comprises just one in ten jobs today, down from one in five in 1990. The steady outmigration from western and central Pennsylvania was somewhat offset by stronger growth in the state's larger metro areas. The propensity for youth to play football, however, is generally less in large metro areas. By contrast, Florida's population surpassed Pennsylvania in the mid 1980s, on its way to becoming the third largest state. The Sunshine State's football programs ascended as well, while Pennsylvania's diminishing demographics made it tougher for Pittsburgh and Penn State to keep pace.

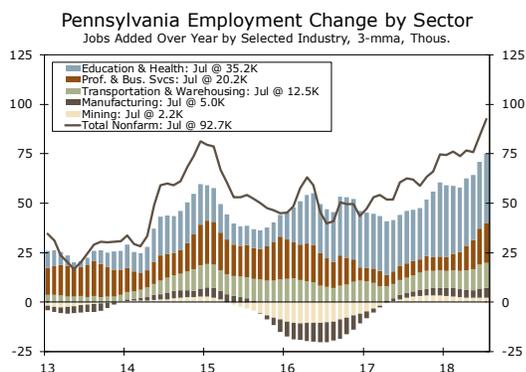
Pennsylvania's aging population has led to a lower birth rate and slower labor force growth. An older population boosts demand for healthcare, however, which is now one of the fastest growing parts of Pennsylvania's economy. Education is another growth industry. Pennsylvania has also been able to capitalize on its top-tier research universities, including the University of Pennsylvania, Carnegie-Mellon University, the University of Pittsburgh and Penn State. Pittsburgh has emerged as a technology hub, attracting research operations in robotics, artificial intelligence and autonomous vehicles. Google, Amazon and Uber have all expanded into the area, which has spurred massive redevelopment in downtown Pittsburgh and attracted young people back into the city.

As home to the first great oil boom, Pennsylvania's rich natural resource base is once again helping revive economies in southwest Pennsylvania and in the northeastern part of the state. Natural gas production rose 3% in Pennsylvania to a record 15 billion cubic feet per day in 2017. More natural gas was produced in Pennsylvania this past year than in any state other than Texas. The natural gas boom is also encouraging new investment in pipelines, processing facilities and export terminals, including a massive new ethylene cracker being built by Shell, outside Pittsburgh. The influx of tech firms, continued growth in the healthcare sector and the natural gas boom have lifted Pennsylvania's economy, but the state is still lagging behind the nation. Demographics remain a major hurdle to stronger growth, with the working-age population declining for the past 17 years.

With Pennsylvania growing more slowly, the University of Pittsburgh and Penn State sought to increase their national exposure by joining a major conference. Pittsburgh now plays in the ACC and Penn State joined the Big Ten. With their new conference alliances the annual rivalry game took a hiatus. The two teams met again for a four-game series in the late 1990s and are playing the third of another four-game series this Saturday. Playing the game early in the season takes away much of the intensity of the previous series, which was typically played around Thanksgiving and in front of a huge national television audience. The programs have also struggled to regain their prior status. Penn State is coming off a strong 11-2 year but struggled this past week against a tough Appalachian State team. Pittsburgh showed promise at the end of last season but finished 5-7. Rivalries tend to bring out the best in the underdogs and this Saturday's game should be exciting.

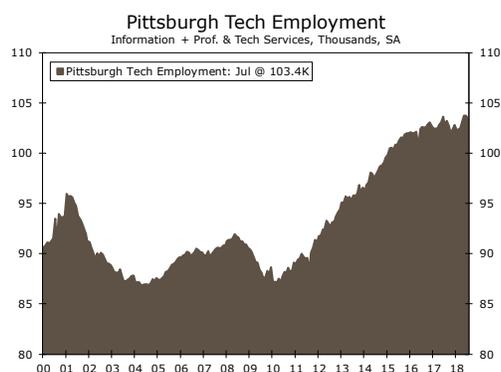
Tech and energy have lifted Pennsylvania's economy but structural challenges remain.

Figure 3



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

Figure 4



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