A Brief Economic History of Modern Baltimore
from *Putting Baltimore’s People First* (2004)

In 1950, Baltimore was the sixth-largest city in the country, home to 950,000 people and a thriving manufacturing and shipping industry. As the economic base of Maryland, Baltimore provided 75% of all jobs to workers in the region. Many were manufacturing jobs in textiles and automobile production. The region’s economic powerhouse, however, was the steel industry.

The Rise and Fall of Steel in Baltimore — Sparrows Point

Steel was brought to the City with the construction of a steel mill and shipyard by the Pennsylvania Steel Company in 1893, and came to dominate the local economy following the company’s acquisition by Bethlehem Steel in 1916. Along with the plant, the company established a residential community called Sparrow Point. Workers from rural Maryland and Pennsylvania and the South, of Welsh, Irish, German, Russian, Hungarian and African-American descent, were attracted to the promise of high pay of industrial employment, and many came to live in the company town. There, they enjoyed low rent (between $4 – $14 a month for a nine room house) and free home maintenance, company-subsidized churches and schools, easy access to credit, and a strong sense of community. The company segregated residents by race and by rank, which determined the size and location of houses. Community high schools prepared steelworkers’ sons for jobs at the mill, reserving training in skilled jobs for whites. Still, steel work offered new opportunities for advancement to families of all backgrounds; the first school for African-American children, the Bragg School, produced many black business leaders and educators who grew up in Sparrow Point.

By the 1930s, Bethlehem’s steelworkers had outgrown Sparrow Point, and began to move to Dundalk and into Baltimore, where immigrant Finns, Czechs, Poles, Lithuanians and Italians settled in Highlandtown, and African-American workers settled in Old West Baltimore.

By the CIO set out to organize the steel industry by establishing the Steel Workers Organizing Committee, their first campaign to organize Bethlehem steelworkers found its greatest support among those newer transplants living outside of the company town. Foreign-born whites, many of whom had participated in unions before coming to Baltimore, and African-Americans, who in 1933 had launched a successful boycott of stores that refused to hire black employees, threw collective weight behind the organizing drive at Sparrow Point.

By 1941, the 15,714 employees of Bethlehem Steel in Baltimore had won the right to union representation. Soon, the steelworkers enjoyed health benefits, vacation and sick leave, and what one historian calls, “decent pay for one of the nation’s most dangerous jobs.”

During World War II, the steel industry underwent a production boom. Bethlehem’s mill at Sparrow Point, which built cargo and transport ships, expanded quickly to meet supply needs. The mill reached its peak employment in 1959, with 35,000 workers. Second- or third-generation steelworkers earning union wages could achieve
financial independence with middle-class living standards, save for the future, and afford higher education for their children to prepare them for employment beyond the steel mill.

In short, union representation helped to transform an industry with a self-replicating workforce of unskilled workers into a means for economic and social advancement. The latter part of the 20th Century saw a nationwide decline in the manufacturing sector, and Bethlehem Steel was no exception to this trend. In 1971, when Sparrows Point was the largest steel mill in the country, a surge in steel imports led to massive layoffs among domestic producers. Three thousand workers at Sparrow Point lost their jobs that year, followed by another 7,000 in 1975.5 By the late 1980s, the workforce had dwindled to 8,000, accompanied by a decline in wages and benefits as the union conceded on many pay and benefits issues.6 Baltimore workers could no longer look to steel as a source of middle-class wages and job security.

The story of Bethlehem’s steel mill at Sparrows Point is a microcosm of economic changes that profoundly affected Baltimore and other “rust belt” cities across the US during this period. The manufacturing industries, having long been the economic base for employment and output for nearly a century, dwindled and disappeared. Baltimore lost over 100,000 manufacturing jobs between 1950 and 1995, 75% of its industrial employment—not to mention most of the jobs with union representation. Currently, only 6% of all jobs in the City are in manufacturing. The collapse of industry led to a number of changes in the demographic makeup of the City and the surrounding region, contributing to a crisis in urban poverty that lingers today.

The Great Decline into Post-Industrial Poverty

As factories bled manufacturing jobs, Baltimore bled residents: nearly one-third of its population left between 1950 and 2000.7 Businesses fled the City, followed by workers, and Baltimore began to lose its stature as the economic hub of central Maryland. The City’s share of the region’s manufacturing employment had dropped from 75% in 1954 to 30% in 1995, while its share of the region’s retail sales fell from 50% to 18% in 1992.8 As the City’s population shrank to 657,000 by 1997, Baltimore’s suburbs grew from 387,656 residents in 1950 to over 1.8 million in 1997. Once the population center of central Maryland, by the end of the century, Baltimore contained only a quarter of the region’s total population.

Major Demographic Changes

Contributing to the suburbanization of the central Maryland region were changes in the racial makeup of the City’s population and the phenomenon of “white flight.” Beginning in the early 20th Century, African-Americans from the rural South, many with sharecropping backgrounds, began moving north in great numbers. Baltimore became a major destination for southern blacks fleeing poverty and Jim Crow, seeking jobs and a better place to raise their children.

Northern migration transformed the makeup of Baltimore’s population. Prior to 1900, predominantly African-American neighborhoods did not exist in Baltimore: black residents were spread out throughout the City, and no single ward was more than one-third black.9 Between 1950 and 1970, Baltimore’s African-American population almost doubled, while whites moved away from the City. As a result, by 1997, Baltimore had gone from less than one-quarter to nearly two-thirds black.
Early on, black neighborhoods were largely confined to the areas directly northeast and northwest of downtown, but as more people moved in, these neighborhoods expanded into previously white neighborhoods. Middle-class whites reacted to these changes with uncertainty and alarm. Urban developers preyed on racial anxieties in order to maximize their profits from housing sales. In areas close to expanding black neighborhoods, real estate agents would float generous offers to the first white residents willing to sell their houses, which they would quickly sell or rent to black tenants. Then, agents would use the presence of new residents to play up fears of racial change among the remaining white residents. Often they would threaten white residents with the prospect of lower property values for those who would be the last to leave. One historian quotes a white former resident describing the change: “It was gradual — then a rush…. A lot of people said they would never sell their houses to blacks, and they were the first ones to do it.” Blockbusting is now illegal but the process was effective and extremely profitable for developers. In 1969, the Activists, a fair housing coalition, discovered that one developer, the Morris Goldseker Company, had bought homes north of Edmondson Avenue for an average of $7,320 and sold them immediately for $12,387, exacting a 69% markup from black home buyers. Life was not easy for new residents. Black Baltimoreans continued to face discrimination, and were affected by poverty, unemployment, crime, and housing deterioration to a disproportionate degree compared to white residents. While the poverty rate for whites in the City was about 10% in 1960, it was roughly three times higher for blacks. Baltimore’s crime rate went up steadily through the 1960s, and by 1970, the City had one of the highest homicide rates in the country. For many longtime residents, this decade — punctuated by the 1968 riots following the assassination of Dr. Martin Luther King — was the turning point. Middle-class whites began moving further and further towards the edges of the City, and increasingly began to look outside the city for an enclave apart from black expansion and social unrest. While in 1950, almost two-thirds of the region’s white population lived in Baltimore, only 12.5% lived in the City by 1997. 

**Flight of the Black Middle Class**

Exacerbating conditions was the subsequent flight from the City of middle-class African-Americans. Increasingly, Baltimore’s black middle class followed white Baltimoreans who had fled to the suburbs before them. Between 1990 and 2000, the number of African-Americans living in the City declined for the first time, while the most recent census report shows a decline in Baltimore’s black population roughly equal to that of its white population. Now, after decades of population drain, the characteristic that defines the City’s polarization from the suburbs is not race, but economic class.

**Rise of the Service Sector**

With the decline of manufacturing, the service sector came to be the dominant base of employment for Baltimore City residents. Today, service-providing jobs account for over 90% of all jobs in Baltimore City. Such jobs have a heavily minority workforce; one study found that in 1990, 71% of low-wage service workers in Baltimore were African-American, though African-Americans represented only 59% of the City’s population. In many positions, the majority of workers are women; according to the same report, women filled 83% of administrative support positions and 84% of personal services
positions. Three-quarters of the women included in the survey who supported a family were the sole source of income for that household. Service industries such as hospitals, nursing homes, and tourism had become the primary source of employment for poor and minority workers.

Service jobs are largely characterized by low pay, high turnover rates, irregular or part-time schedules, lack of benefits, job insecurity, and lack of union representation. Few offer vocational training or skills-building opportunities for advancement. Low pay forces many service workers to work second jobs, increasing their weekly work hours to more than 60 in some cases. Also, many workplaces are located far from the neighborhoods where service workers live, adding to transportation and child care costs for working families.

In a city an increasingly poor and minority population, the low-wage service sector has became the principal determinant of the economic status of Baltimore City residents. The growing concentration of urban poverty and the rise of low-wage service economy have at once reinforced one another and exacerbated poor living conditions for urban workers.

**Notations**


3 Rent figures from early to mid-20th Century; same prices from 1925 would be between $42 to $148 today. Radice, Christina. “Sparrows Point: A Real Steel Town that Thrived.” *Dundalk Eagle*, October 29, 2003.


6 Mause, 2003

7 Zeidman, 1991


10 All citations in the remainder of this section are from Levine, 2000, unless otherwise noted.


12 Olson, 1991

13 Siegel, 2003

14 Bureau of Labor Statistics


16 “Health Services” employment is based on a two-digit SIC code, while “Manufacturing” is an amalgamation of employment figures for numerous two-digit SIC
manufacturing codes: Primary Metal, Fabricated Metal, Industrial Machinery, Electronic, and Transportation.