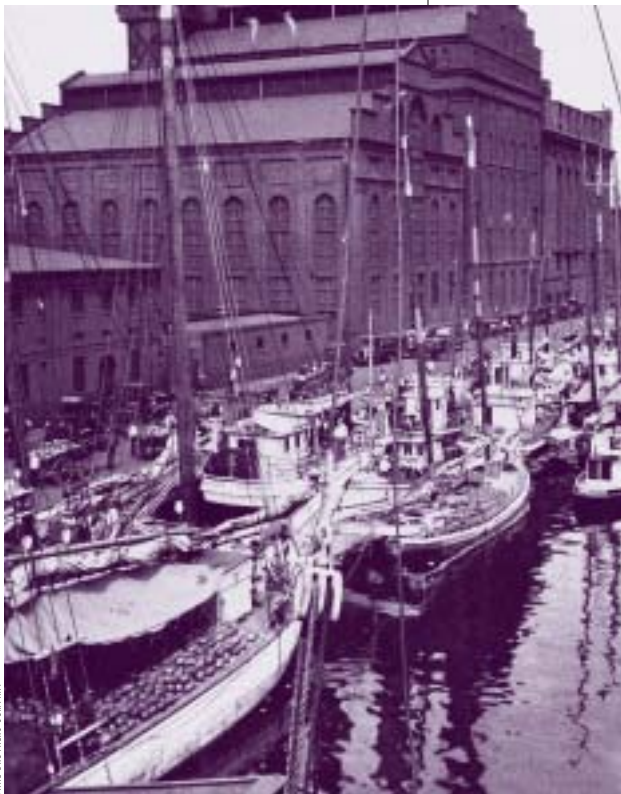


# Story of a Port Town

## The Evolving Economic Role of Baltimore's Waterfront and Location

BY CHARLES GERENA

*The history of Baltimore's harbor, shown here in 1910, stretches back to colonial days.*



YANE BROTHERS COMPANY

By American standards, Baltimore is an ancient city. Its storied history stretches back to colonial days, when its port began to ship farm goods from the mid-Atlantic to people around the globe.

During the Revolutionary War, for instance, American soldiers “were fed by the grain and flour delivered from Baltimore,” describes Geoffrey Footner, a Baltimore-based author and maritime historian. Goods also were shipped from the city to France, where they were transported to the Dutch Islands and traded for weapons and gunpowder needed by the Continental Army.

This is just one of many instances of how Baltimore's economic life has been shaped by armed conflict. More importantly, it illustrates how the city's waterfront and location have been central to its growth and prosperity — a fact that continues to this day.

The city was founded as Baltimore Town in 1729. Its 60 acres surrounded one of the harbors formed by the Patapsco River, which flows eastward into the Chesapeake Bay. Towns emerged at other harbors as well, including Jones Town in 1732 and Fells Point in 1763. (By 1773, the three towns had merged to form the city of Baltimore.)

Baltimore's founders saw the potential for a port. The harbor could access Atlantic trade routes via the Chesapeake Bay, yet it was better protected than Norfolk, Va., and other Bay ports because it was farther inland. Although the harbor was shallower and harder to navigate than Fells Point, the problem was dealt with by constructing piers that reached into friendlier waters.

At the same time, Baltimore's harbor was close to sources of food production. Down the Chesapeake Bay were communities where the land was fertile and the water teemed with seafood. Farmers in Pennsylvania, Delaware, and western Maryland were nearby as well.

Finally, Baltimore was on the “fall line,” a geological transition between the hard rock of the Piedmont and the softer soil of the Coastal Plains. When the Patapsco or any river or stream flows over this ridge, it creates falls and rapids that impede water travel. As a result, Baltimore's harbor was a good place to offload goods from ships and transport them inland using other means of transportation.

All Baltimore needed were markets to serve. During the 17th and early 18th centuries, Maryland had no pressing need for a major trade center. “The initial trade... was in tobacco, and it was controlled in London,” says John McCusker, professor of American history and economics at Trinity University. Also, historians note that tobacco plantations mostly used their own docks or utilized ports that were close to the mouth of the Bay, such as Norfolk or St. Marys in southern Maryland.

Baltimore found its market niche when tobacco prices collapsed and it became more expensive to cultivate the

golden leaf in the early 18th century. Tobacco farmers began seeking more profitable crops to grow. "They discovered that their land better produced grains than tobacco, and a market grew for the former," says McCusker. "That gave rise to local merchants who organized the grain trade and the exchange of other goods to farmers."

Demand for corn and wheat came from Europe and Caribbean nations where French, British, and Swedish plantations operated. "Sugar was such a profitable crop that it was economically disadvantageous for the plantations ... to grow their own food. They bought food from someplace else," explains Matthew Crenson, a political science professor at Johns Hopkins University who has studied Baltimore's social and economic progress for three decades.

Baltimore took advantage of the growing grain trade. Not only did it offer access to local grain farmers, but it had streams like Jones Falls and Gwynns Falls that flowed downhill into the harbor. This provided plenty of waterpower for grinding wheat and corn into flour, which traveled better than raw grains.

"Wheat came in wagons from western Maryland and Pennsylvania into Baltimore where the mills ground it into flour," describes Crenson. Other accounts describe shipments of produce coming into Baltimore, produced by farmers who were settling and developing Maryland's "backcountry" in the northern and western part of the state. Wharves, warehouses, and shipyards arose along the waterfront of Baltimore Town and Fells Point to handle these commodities.

Despite this growth, other colonial ports matured faster than Baltimore did. "You didn't have to sail the whole way into the Chesapeake Bay like you do to get to Baltimore," notes John Kellett, director of the Baltimore Maritime Museum. The distance between Baltimore and the mouth of the Bay in Norfolk is about 150 miles, "and back in the days of sailing that was pretty long." Also, Kellett says the wind currents could be "fluky," adding days to a voyage.



*The Maryland Port Administration has geared the Port of Baltimore to serve certain niches in container transport, including automobiles. Today, the Port is the top East Coast exporter of vehicles.*

Distance and wind currents became irrelevant when the American Revolution erupted in 1775. While the British shut down the Bay's outer ports and occupied centers of commerce like Philadelphia, Baltimore managed to stay out of the clutches of the redcoats and keep the goods flowing, partly by using homegrown, locally owned clipper ships. Food and supplies reached revolutionaries to the north and south of Baltimore, while flour and other goods continued into Caribbean markets.

"The War of Independence ... proved to be a boon for Baltimore merchants, not only because rival ports were more effectively blockaded by the British but because Spanish ports in the Caribbean, normally closed to American shipping and flour, were opened for the war's duration," wrote economist Geoffrey Gilbert in a 1977 journal article. "In the post-war period, Baltimore's flour trade to Europe and the West Indies showed rapid gains." By the 1790s, the city commanded 26 percent of America's flour exports to the West Indies, where the major ports of entry for the Caribbean were based.

As more flour moved out of Baltimore, more capital flowed into the city. "Much of the early commercial development [in Baltimore] was underwritten by Philadelphia merchants," says McCusker. Then Maryland businessmen jumped on the bandwagon.

This capital financed the develop-

ment of a variety of support industries in Baltimore. Shipbuilding at Fells Point expanded, while ironworks cranked out fittings for ships and parts for mills.

Additionally, goods started coming from Caribbean plantations back to Baltimore. They included sugar, coffee, and a distinctive commodity called guano — dried bird and bat excrement that tobacco and cotton plantations used as fertilizer. The need to store these commodities spurred the construction of more warehouses.

Baltimore was an established port town by the turn of the 19th century, often benefiting from turmoil abroad according to historical geographer Sherry Olson. "Of great importance to Baltimore were the perennial naval warfare between England and France, which drove up flour prices, and the frequent changes in management in the sugar islands of the West Indies, major importers of wheat," Olson noted in her 1997 book on the city's history. "Baltimore merchants profited from the interruption of European shipping and exploited the ups and downs in the price of flour."

New York merchants viewed the progress of their Southern competitor with envy. Baltimore had a strong grain trade with overseas markets and was in a good position to increase its domestic trade because it was

## Baltimore's Waterfront Continues to Change

The Inner Harbor was where Baltimore began to redevelop its waterfront in the 1970s and 1980s. Since then, developers have seen value in the harbor views and unique structures of Canton, Fells Point, and other waterfront communities. Here is a sample of the many industrial buildings that have found new life or have been razed to make way for new retail, office, and residential development.

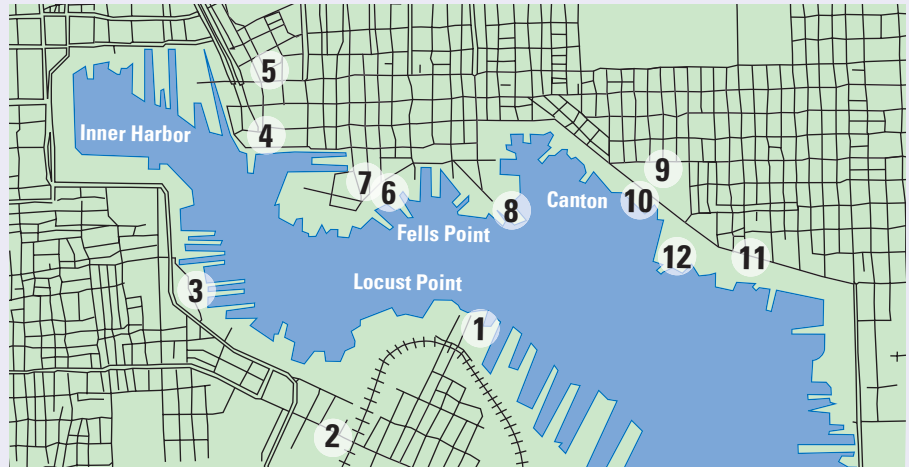
**1. Tide Point**—Proctor & Gamble soap factory turned into an office complex for technology and service firms

**2. Phillips Foods Inc.**—Coca-Cola plant redeveloped into office and production space for the seafood manufacturer

**3. HarborView**—Luxury condominiums and apartment homes

**4. Inner Harbor East**—20-acre, mixed-use development includes two Marriott hotels, Sylvan Learning Centers headquarters, a luxury apartment building, and a planned entertainment complex

**5. Bagby Furniture Building**—Conversion of warehouse into Class-A office space



**6. Bond Street Wharf**—Class-A office complex built on site of warehouse

**7. Brown's Wharf**—Renovation of coffee warehouse to house offices and specialty retail

**8. Henderson's Wharf**—Renovation of tobacco warehouse into a residential complex, inn, and marina

**9. The Can Company**—American Can Co. plant converted into a retail and office center

**10. The Anchorage**—Luxury condominiums built near waterfront for marina access

**11. Canton Cove**—Redevelopment of factory into luxury condominiums

**12. Lighthouse Point**—Licorice factory renovated into a 16-acre development with apartments, retail and office space, and a marina

—CHARLES GERENA

geographically closer to Ohio and other Midwestern markets than New York. In addition, the city stood to gain a major transportation advantage from the National Road, a federal project begun in 1815 to link Cumberland in northwestern Maryland to St. Louis. Maryland officials promised to link Baltimore to Cumberland by expanding several state roads.

New York countered Baltimore's geographic advantage by completing the Erie Canal between the Empire State and Lake Erie in 1825. The 360-mile canal transported East Coast goods to Midwest customers more quickly than Baltimore could by using the National Road, which only reached Wheeling, W.Va., at the time. That meant shipments from Baltimore had to be off-loaded onto ships to finish their journey on the Ohio River. Even when the National Road was finished in 1833, the older portion was in poor condition.

The Erie Canal threatened Baltimore's dominance in another way. It enabled Midwest agricultural goods to reach East Coast markets. This eroded

demand for grains and produce from Chesapeake Bay farmers, which were major users of Baltimore's port.

After several failed attempts to build a canal system, a group of Baltimore merchants and bankers formed a committee to find a way for the city to boost its Midwest trade. They boldly determined that a railroad would be the best way to compete with the Erie Canal, since it would be faster and cheaper to maintain than the National Road.

The Baltimore and Ohio Railroad was chartered in 1827 and took about 30 years to finish, creating the country's first public railroad that linked Baltimore to St. Louis. Others developed rail links to Baltimore, including the state's Western Maryland Railway and countless small enterprises.

Although the railroads ultimately brought more competition for Chesapeake farmers, it enabled Baltimore to reap the benefits of its port and location throughout the 19th century. Warehouses in Canton, Fells Point, and other waterfront neighborhoods were built to

pack seafood and produce for shipping, while container manufacturers such as the American Can Co. were established to support this activity. Bakeries opened to take advantage of the plentiful supply of flour. Coal could be delivered to Baltimore cheaply, supporting the growth of industrial production.

"Baltimore evolved from being the link between the agrarian world and the markets of Europe, to being a manufacturing town," notes Kellett of the Maritime Museum.

**B**y 1860, Baltimore was the nation's fourth-largest city and a commercial hub for the South. But the city would soon taste the bitter side of war.

A month after a mob attacked a Massachusetts regiment headed to Washington, D.C., to protect it from invasion, federal troops entered Baltimore in 1861 and declared martial law. Their occupation persisted until the end of the Civil War four years later.

The war severely damaged Baltimore's economy. "Suspension of com-



munication with Southern customers, and the liability of capture and repeated interruptions in Western trade, almost paralyzed Baltimore's commerce ... and resulted in its diversion to other cities," wrote Pearle Blood in a 1937 journal article. "South American imports, which had been carried chiefly in Baltimore-owned sailing vessels, were transferred to foreign ships" to avoid plundering by Confederate troops.

While Pittsburgh and other cities farther away from the fighting developed their industrial muscle, Baltimore industry atrophied. Its only growth sectors were tied to the railroad or the port, both of which served as strategic transit lines for Union supplies and troops.

Baltimore's economy continued to feel the effects of the Civil War long after the conflict had ended. Plantations lost the economic efficiencies of slave labor, increasing the cost of farming and reducing the flow of agricultural goods through the city. Worse, local investors were less willing to bet their capital on the city's industrial sector, discouraged by the loss of the city's comparative advantage in manufacturing.

"Firms in Baltimore couldn't raise money through the sale of stock [so] they had smaller work forces," describes Johns Hopkins' Crenson. "The per-worker investment in machinery was lower than it was in other cities, which indicated that Baltimore wasn't keeping up technologically. The result was that Baltimore industry didn't grow as rapidly as it did elsewhere in the post-Civil War period."

**B**altimore entered a prolonged period of redeveloping the value of its water access and geography that lasted throughout the 20th century.

Broader changes in the transportation industry added to the challenge. The construction of the interstate highway system provided a better way of moving goods and people than the railroad, undermining the advantages that Baltimore's rail links had once afforded. The development of refrigerated trucks meant that warehouses and packaging facilities no longer had to

locate close to the source of production. These operations gradually relocated from Baltimore, moving wherever trucking was available and other economic conditions were more favorable.

The city began losing general cargo traffic to New York after World War II, mainly because its port facilities weren't up to date. "...The railroads were unwilling to make room for the developing truck traffic that was changing the face of American transportation," noted Robert Keith in his 1982 chronicle of Baltimore. Moreover, the thin peninsula protruding into the harbor were great for offloading cargo onto trains, but created bottlenecks for trucks. Finally, "piers were reaching a state of decay, and the railroads were neither willing nor able to maintain them."

Government officials have tried to adapt Baltimore's waterfront to changing times. As ships grew larger to carry more cargo and accommodate vessel-sharing agreements among carriers, city and federal funds were deployed several times to deepen and widen the port's harbors and channels. The state's Maryland Port Administration (MPA) took over operation of most of Baltimore's maritime facilities in 1956 to make much-needed improvements. Three years later, the MPA started building Dundalk Marine Terminal on the southern edge of the city's waterfront to accommodate truck-borne cargoes. Across from Dundalk, it devoted \$30 million to upgrade the railroad piers in Locust Point in 1964.

In subsequent years, the MPA geared the Port of Baltimore to serve certain niches in container transport, including forest products and rolling cargo such as automobiles and farm equipment. Baltimore has become the top East Coast exporter of vehicles and third in the nation for total car trade. In the past 10 years, more than 3.5 million vehicles have rolled through Baltimore.

Meanwhile, port activity gradually migrated from the shallower Inner Harbor to Canton and points farther south where the water is deeper, leaving behind empty warehouses and industrial sites. Urban renewal efforts in the 1970s and 1980s

brought retail projects and museums to the Inner Harbor, while commercial and residential developers recognized the value of other sites along Baltimore's waterfront in the 1990s (see sidebar on p. 38).

Today, the city's water-based economy continues to evolve from shipping and factories to services and recreation. "The success of the Inner Harbor has begun to spread, particularly to the east towards Fells Point," describes Walter Sondheim Jr., a Baltimorean who has been involved in waterfront redevelopment since 1970. "The waterfront has become a center for commercial activity, particularly for office space and hotels."

However, Baltimore's historic harbor may only be succeeding in refocusing economic activity in the city. Development of a services sector along the waterfront "has created vacancies in the financial district downtown," admits Sondheim. Some of this space is beginning to be redeveloped, however, benefiting from downtown's proximity to the waterfront. Also, income levels are higher for residents who live by the water compared to other neighborhoods.

Sondheim argues that there are ways to spread around that growth. "Some of the tax revenues produced by the Inner Harbor finds its way into neighborhood development," he notes. As new waterfront development increases the property tax base and attracts tourism dollars, the economic role of Baltimore's harbor will continue to evolve. **RF**

#### READINGS

Blood, Pearle. "Factors in the Economic Development of Baltimore, Maryland." *Economic Geography*, April 1937, vol. 13, no. 2, pp. 187-208.

Gilbert, Geoffrey N. "Baltimore's Flour Trade to the Caribbean, 1750-1815." *Journal of Economic History*, March 1977, vol. 37, no. 1, pp. 249-251.

Keith, Robert C. *Baltimore Harbor: A Picture History*. Baltimore: Ocean World Publishing Co., 1982.

Olson, Sherry H. *Baltimore: The Building of an American City*. Baltimore: Johns Hopkins University Press, 1997 (revised edition).

Visit [www.rich.frb.org/pubs/regionfocus](http://www.rich.frb.org/pubs/regionfocus) for links to relevant Web sites.