I. Introduction

At some debatable point in time following World War II it became clear to many social commentators that cities across the United States were facing either crisis or steep decline.1 Just a few decades earlier, advocates of the Progressive movement had predicted fantastic growth in the cities fueled by national economic progress and made livable by a renewed sense of citizen responsibility and sound municipal government. Whereas some earlier observers had mourned the initial migration from rural to urban as a harbinger of social chaos, burgeoning cities were now acclaimed as sure signs of economic integration and prosperity.2 The sense of inevitability of cities sprung from sources as basic as a variation of Engel’s Law: “while the world’s demand for food was limited, its demand for factory goods was insatiable.”3 The experiences of urban communities across the United States, particularly those whose histories are linked to the wild undulations of heavy industry, would appear to defy such optimism. This thesis will describe the quantitative and qualitative dimensions of decline in such communities. While the causes of urban decline and regional shifts continue to inspire debate in the literature, a few characteristics of that decline are clear.

II. Urban Decline

A. From City to Suburb

One component of urban decline in the postwar years was the movement of a significant number of city residents, particularly white middle- and upper-class residents,

---

1 See, for example, Fred Vigman, Crisis of the Cities (Washington: Public Affairs Press, 1955), and Edward C. Banfield, The Unheavenly City (Boston: Little, Brown, 1968).
2 Robert A. Beauregard, Voices of Decline: The Postwar Fate of U.S. Cities (New York: Routledge, 2003), 41-57.
3 Ibid., 31.
from the central cities to the suburbs. The dynamic has been explained in a variety of ways.

1.) **Shifts in population and income.** Census data show dramatic shifts of both population and income during the postwar years from cities to suburbs within metropolitan areas. In 1960, cities accounted for 44% of national metropolitan population; suburbs had a 56% share. By 1990, those percentages had shifted to 34% and 65%, respectively. Similarly, in 1960 45% of total metropolitan income was held in cities and 55% in suburbs. By 1990 suburbs had captured 70% of total metropolitan income.⁴

2.) **Self-perpetuation.** The structure of municipal finance in the cities was such that the flight from the cities, once set off, was to a large extent economically self-propelled. The move of upper- and middle-income residents to the suburbs extracted large volumes of tax revenue from the service-oriented city governments, necessitating higher taxation of the remaining middle-class city residents. This further exacerbated middle-class flight at a time when demand for social services was increasing. The imbalance created “deficit cities.”⁵

3.) **Psychological isolation.** The decline was magnified in less physical ways. The city became an object of popular disdain as newspapers and, later, television spread images of slums, crime, and lines at the unemployment office. In the national media cities moved from icons of American progress and cohesion to symptoms of social and economic disjunction. George Sternlieb, a policy pundit, wrote in 1971 that the city had become a

---


⁵ Pack, 27-28; Beauregard, 155.
container for those people for whom “the serious things of life” proved too challenging.⁶ According to this view, aid to the cities was to be continued, but not for any hope of economic revival there, rather in order to keep residents of the “sandbox” from “climbing up over the walls.”⁷ Such hard-line commentary served as a social reinforcement of the psychological image of city dwellers as incompetent beyond help.

4.) Racial discrimination. Robert Beauregard argues that some characterizations, such as Sternlieb’s, went beyond degradation of the city itself and into the territory of racial discrimination. Because of the concentration of impoverished African-Americans in declining cities, “race emerged as the central element of the discourse to such an extent that it became synonymous with the decay of cities.”⁸ The experience of these groups who remained in the cities and depended on public services came to be seen by some as a cause of the decline rather than a symptom of it. The seeming intractability of the economic problem, Beauregard argues, allowed the mainly white government officials and outside observers to discount the possibility of solving the problems of race relations. One policy course consistent with this view was to entirely abandon cities and their problems, and the problem of race relations in general.⁹

5.) Economic function. Cities were also assaulted on the economic front. One explanation for the decline was that elements fundamental to the cities’ economic function had simply ceased to materialize there:

- skilled and unskilled labor
- markets for raw materials

---
⁶ Ibid., 148.
⁷ Ibid.
⁸ Ibid., 149.
⁹ Ibid., 151.
Various phenomena were proposed as contributing to the deterioration of these factors:

a.) **Market competition.** First, commentators like Sternlieb argued that the market system had decided cities were obsolete: in the competition for middle class households the cities had simply failed to attract the necessary capital. This essentially Darwinian view perceived no problem with the decline of cities, so long as they were being abandoned in favor of more highly productive alternatives. The advent of the automobile, for example, had diminished the relative utility of cities by lessening the importance of physical concentration of industry, commerce, and social life.\(^{11}\) Migrations of individuals and firms may have brought “increases in efficiency and consumer satisfaction” not only for those exiting the cities, but also for some left behind congestion problems were abated.\(^{12}\)

b.) **Market distortion.** By contrast, others posited that deliberate influences outside the city had gravely impaired its ability to compete and thus invalidated any sense of the market. One entity that attracted a great deal of criticism was the federal government. Bernard Weissbourd, writing in 1964, accused the federal government of

\(^{10}\) Ibid., 33.
\(^{12}\) Pack, 21.
siphoning off cities’ wealth, “redistribut[ing] first to agriculture, second to suburbia, and third to cities.” Conveniences previously available only in urban environments now served a much larger radius around cities. The federal highway system, along with generous federal home mortgage programs, enabled middle-class residents to retain jobs in the cities while living in, and paying property taxes to, the suburbs. Additional objections to the neoclassical “market” theory are more fundamental and will be addressed below.

6.) **Mobility.** It might have made good sense to follow Sternlieb and others in encouraging the shrinkage of cities. If conditions were unbearable, residents could simply move elsewhere. However, the relevant real estate market was not an entirely open one. The evidence appears to be that significant obstacles to mobility existed: suburbs were hostile to poor, and often African-American, migrants, many municipalities having enacted restrictive zoning ordinances and having condoned discriminatory housing practices. “The suburbs had become a suburban noose, not just restricting but strangling the center cities.”

**B. From North and East to South and West**

Another equally dramatic migration of the postwar years proceeded on a larger interregional scale.

1.) **Southward and Westward net migration.** Population growth and income growth are frequently utilized as indicators of economic health. Between 1960 and 1990,  

---

14 Beauregard, 164.  
48 of the 50 fastest growing Metropolitan Statistical Areas (MSAs) by population in the United States were located in the South or the West. Conversely, 38 of the 50 slowest growing MSAs were in the Northeast or Midwest. The Southern and Western regions also dramatically outpaced the other regions with regard to income growth in the 1960-1990 time period.\textsuperscript{17}

a.) \textbf{Demographic and political influences.} Pack identified four major theories that purport to explain the interregional shift. First, “life cycle” or “economic maturity” models hold that areas with industrial structures concentrated in slow-growth industries should expect to experience stagnation in employment. Several studies have shown, however, that employment losses in some areas have far exceeded those which would have been predicted by the maturity model.\textsuperscript{18} Second, it has been suggested that wage differences among regions prompt relocation by industrial firms. When a firm relocates to a lower-wage area, it follows that higher worker productivity in the higher-wage area did not offset the wage difference between the high-wage and low-wage areas. The evidence is consistent in part with this explanation: the first industries to exit major Northeast and Midwest cities in favor of the South were those which required relatively low-skilled workers—apparel manufacturers, for instance.\textsuperscript{19} Third, it is suggested that federal taxation and spending patterns have favored the South and West. This is due in part to the nature of the progressive income tax. The Northeast and Midwest have historically been characterized by higher per capita incomes than the South and West, meaning that in a redistributive spending scheme the Northeast and Midwest regions

\textsuperscript{17} Pack, 12-13. \\
\textsuperscript{18} Ibid., 33. \\
\textsuperscript{19} Ibid., 33-34; see also John Mollenkopf, \textit{The Contested City} (Princeton: Princeton University Press, 1983), ch. 6.
would be expected to experience a deficit of federal regional spending versus taxation. Former Sen. Daniel Patrick Moynihan (D-NY) and others argued that this flow represented a serious bias against the slow-growing regions. There is also evidence that some policies of the federal government in locating defense facilities favored the South and West.²⁰ Finally, demographic changes have contributed to the interregional shift: an aging population, retiring earlier in recent years than it previously had been retiring, sought out the warm climates of the South and West in large numbers.²¹

III. Critiques of the Traditional Models

A. Political Economy

The decline of some regions relative to others, and of cities relative to suburbs, raises vital questions in the minds of some authors about the structure of the nation’s economy. Traditional economic analysis, based on neoclassical models, operates on some fundamental assumptions about the relationship between capital and communities. One central neoclassical assumption is the tendency of economies to move toward stable equilibria. There are ideal allocations of capital and labor which, once reached, leave no room for endogenous change in the economy.²² By contrast, the prospect of technological change presents a problem for neoclassical analysis because it introduces an element of instability that may produce geographical variations that cannot be explained, for example, by differences in costs.²³

²⁰Ibid., 34-35, 161.
²¹Ibid., 35-36.
²³Ibid.
If there is a tendency toward instability characterized by sudden shifts of capital it will be important for theorists to understand why that instability exists and for policymakers to know what, if anything, can mitigate it. Literature on this matter attempts to locate the causes of the trends of the postwar period in a variety of ways. Neoclassical approaches emphasize the importance of capital mobility and efficiency and see the system as essentially stable. Classical perspectives, such as Marxist critiques, see the problem as one of exploitation of labor and space in the unending quest for profit. While the market view emphasizes the satisfaction of preferences of consumers, the classical one sees producer surplus as the fundamental purpose of economic exchange. Other analyses object to what is seen as an excessive mobility of capital and question the decision-making motives and capabilities of firms with regard to capital allocation. Finally, the rise of global corporations and new investment trends has been noted as contributing to the changes of recent years.

These debates are relevant to this analysis because they turn upon the very basic differences that have informed the theorizing about economic decline in the United States in the postwar period. The ideas about capital are important for an understanding of the social problems facing declining communities. The extent to which economically concentrated local economies operate on expectations of either stability or constant flux, and thus form policies based on those expectations, may depend on these critical assumptions about capital. Storper and Walker's critique, for example, because it sees industrialization as producing territories and, more specifically, cities, would view with

\[24\]Ibid.
incredulity certain attempts by local governments to influence firm location decisions. In this view industries produce resources and places, not vice-versa.\textsuperscript{27}

\section*{B. Ideology}

John Mollenkopf, in \textit{The Contested City}, espouses a view in striking contrast to the largely economic explanations and critiques that have been posited in response to interregional change. From Mollenkopf's position the assumptions of the economic theories fail to capture the qualitative characteristics of the decline of the postwar years. The criticism focuses specifically on the Northeastern and Southwestern regions of the country, the most forceful hypothesis being that political coalitions, not economic predispositions, provided much of the stimulus for the growth in the Southwest on one hand, and for the decline in the Northeast on the other. The Southwest's political history is shown to have been permeated to a far lesser degree than the that of the Northeast by the "legacy of labor, racial, and neighborhood conflict" and therefore the Southwest has exhibited a tendency toward anemic political participation and weak regulation of private interests.\textsuperscript{28} Mollenkopf finds that in rustbelt cities like Newark and Gary, the joint characteristics of the lack of an administrative and service-oriented employment base and a history of urban political conflict have cooperated to discourage employment growth. Second, there are mixed cases, cities such as Boston and San Francisco that have traditionally employed a moderate proportion of workers in the faster-growing sectors of service and administration and have experienced moderate urban political conflict. Finally, the cities of the Southwest began with high degrees of concentration in service and administrative employment and have little experience with urban conflict. These latter

\footnotesize{\textsuperscript{27}Storper and Walker, 75.\textsuperscript{28} Mollenkopf, 217.}
cities enjoyed the strongest employment growth.\textsuperscript{29} This is partly a consequence of the nonpartisan “city manager” form of government that dominates the Southwest and is absent in the Northeast and that generally results in local conditions favorable to business and unresponsive to working-class demands.\textsuperscript{30} Mollenkopf stresses that when explaining decline in the industrial Northeastern cities it is not correct to assume that jobs are moving South and West – in fact, the manufacturing jobs that have been created in faster-growing regions of the country have been those emphasizing high-technology and high-skill levels rather than the relatively low-technology, low-skill level jobs that dominated the rustbelt.\textsuperscript{31} In this critique regional differences in economic growth between the Northeast and Southwest derive largely from the spending policies of conservative national administrations in concert with corporations.\textsuperscript{32} Defense spending provided the initial economic base in many of the Southwestern cities, and this accelerated during World War II, the Cold War and Vietnam. Mollenkopf's claim is that the spending agencies, which rarely come under public scrutiny, colluded with conservatives in various administrations to create local conditions in the Southwest that would favor the national conservative electoral agenda.\textsuperscript{33} Private interests then used the “pro-business” climate of the Southwest to encourage Northeastern local governments to “compete” by abandoning classical liberal policies.\textsuperscript{34}

A separate but related claim was articulated by Frug, who argued that the rise of (Lockean) liberal ideology has in the long run prompted a move toward the powerlessness

\textsuperscript{29}Ibid.
\textsuperscript{30}Ibid., 248.
\textsuperscript{31}Ibid., 220.
\textsuperscript{32}Ibid., 242.
\textsuperscript{33}Ibid.
\textsuperscript{34}Ibid., 252.
of cities, establishing a fallacious distinction between the rights of public corporations (local governments) and private corporations that subordinates the former to the latter as well as to state governments. This shift has relegated cities over time to roles as highly constrained mediators between national governments and individuals and has frustrated aspirations of participatory democracy at the local level—the scale at which it is otherwise most feasible.35

IV. Deindustrialization

The idea of a process often called “deindustrialization” has prompted a large amount of writing, especially in the 1980s, in response to the apparently destructive consequences of industrial disinvestment for local economies in the United States, particularly in the Northeast and Midwest regions.

A. Deindustrialization in Theory

If we expect the local labor market to function as the neoclassical model describes it, disinvestment should prove a temporary problem for communities. A manufacturing firm may abruptly close a plant that employs a number of fairly high-wage production workers. The release of these employees onto the labor market results in an oversupply of workers, exerting downward pressure on wages. Firms, noting the declining wages, should be enticed to enter the market, and within a relatively short time the economy is expected to return to full employment—or at least to pre-shutdown employment.

In 1982, Barry Bluestone and Bennett Harrison argued that for a number of reasons this adjustment process was being subverted in the United States. The Deindustrialization of America: Plant Closings, Community Abandonment, and the Dismantling of Basic

Industry was an extensive look at the genesis and result of what the authors contend must be seen as a crisis in the American economy. The 1970s had brought an erosion of heavy industry, the nation’s “basic productive capacity”, meaning not only stagnation in indicators of national health such as the gross domestic product, but also serious and perhaps long-term damage to numerous manufacturing communities across the country. While the text’s surface motive is to reveal the growing threat to communities and the national economy, a fundamental critique of neoclassical economic theory actually carries the book. At the core of the deindustrialization argument is the premise that in the 1970s local economies did not return to equilibrium following disinvestment in the manner anticipated by economic theory. There is a basic conflict between capital and communities, with capital seeking out the speculative and exploitative investments that capital mobility enables, at the expense of formerly stable communities.

Many years earlier, in Capitalism, Socialism and Democracy, Joseph Schumpeter stated that “creative destruction is the essential fact about capitalism.” Contrary to the traditional beliefs about competition and growth, which had focused on prices, Schumpeter held that “true competition” and “true growth” come only as a result of “revolutions” in the production process—reallocations of investment spurred on by new markets, new technologies, and new organizational structures. To successfully compete in capitalism, abandonment of the outmoded is not only helpful but essential. The kind of competition

---

36 Bluestone and Harrison, 6.
37 Ibid, 105.
enabled by these revolutions is more successful than price competition “as a bombardment is in comparison with forcing a door.”\textsuperscript{39}

Were we to simply accept Schumpeter’s argument, it would appear that rapid disinvestment in the United States can only be a positive indicator for capitalism. New products and more efficient production practices, for example, may be displacing less useful products and relatively inefficient production. Bluestone and Harrison point out, however, that the speed at which capital is withdrawn complicates the dynamic. First, it “has shifted the fulcrum of bargaining power in favor of capital to an unprecedented degree”\textsuperscript{40}: the credible threat of immediate disinvestment puts both organized labor and communities on notice as firms are able to extract wage concessions and tax advantages that would be unrealistic without highly fluid capital. Second, there is often not adequate time for local economies to absorb the shock of disinvestment. The basic premise is that capital is mobile, while workers are relatively immobile; job losses combined with limited worker mobility equals sustained unemployment. Additionally, the authors empirically demonstrate that those workers previously employed in high-wage manufacturing positions such as those found in the steel industry find it extremely difficult to replace those high wages within a reasonably short time period.\textsuperscript{41}

Sassen argues that the capital movements that essentially uprooted manufacturing from the cities have seriously affected earnings and employment distribution, resulting in lower wages and “underemployment” (work that is involuntarily part-time).\textsuperscript{42} Blue-collar production jobs, which were credited with helping to mitigate income inequality during the

\textsuperscript{39} Ibid., 82-85.
\textsuperscript{40} Bluestone and Harrison, 10-11.
\textsuperscript{41} Ibid., 18.
\textsuperscript{42} Sassen, 478.
1950s and 1960s, are increasingly suburbanized and thus out of reach for many poor, relatively immobile city residents.\textsuperscript{43} Further, the forces brought to bear by the restructuring of the global economy raise questions about the feasibility of local governments to respond to changes in industrialization and suggest the increasing importance of national policies.\textsuperscript{44}

**B. Local Meaning of Deindustrialization**

It is important to consider not only the broad political economy of the deindustrialization trend, but also its local social welfare effects. As will be seen below, communities form to a large extent around work life, the relationships workers form inside and outside the workplace. This is especially true in economically concentrated places. Relationships among workers are not contained within manufacturing plants; they can congeal into a “socialization” or “social consciousness” of labor.\textsuperscript{45}

Bluestone and Harrison identified some of the localized socioeconomic consequences of deindustrialization. The economic effects include unemployment, involuntary early retirement, long-term loss of income, depletion of family savings, and “ripple effects” that multiply the initial economic losses due to lower spending in the community.\textsuperscript{46} The withdrawal of capital also presents political problems for local government as property values—and thus, property tax receipts—fall, upsetting fiscal balance and threatening the provision of social services.\textsuperscript{47} Finally, the economic effects of

\textsuperscript{43} Ibid., 475, 483.
\textsuperscript{44} Ibid., 486.
\textsuperscript{45} Storper and Walker, 165.
\textsuperscript{46} Bluestone and Harrison, 49-72.
\textsuperscript{47} Ibid., 72-78.
job loss are found to be correlated with increased incidence of physical and mental health problems among displaced workers.\textsuperscript{48}

More abstract problems were uncovered by Dandeneau, who found in Flint, Michigan, deeper political realities of the disinvestment process, most important among these being “dependent deindustrialization,” a process first articulated by David C. Perry which looked to the theory of dependency as it is often applied to so-called third-world economies to help explain the “aggregation of powerlessness” that deindustrializing communities experience.\textsuperscript{49} Such a phenomenon results in a “distorted consciousness”—a misunderstanding of the causes of decline—that hampers efforts to move forward.\textsuperscript{50}

V. Questions for Research and Hypotheses

This analysis will consider the social processes of deindustrialization in Bethlehem, Pennsylvania. Two research methods will be employed.

First, a quantitative study will describe the socioeconomic experience of five cities, including Bethlehem, each of which has historically been associated closely with steel production. Bethlehem appears to be one among very few such communities that have rebounded to a significant extent from disinvestment. Local and national media have focused attention on Bethlehem’s economic “turnaround”,\textsuperscript{51} and even a cursory review of

\textsuperscript{48}Ibid., 63.
\textsuperscript{50}Dandaneau, 100.
the current economic statistics yields the conclusion that the effects of steel disinvestment have been counteracted in Bethlehem by growth in other sectors. This analysis will cover broadly the time period most recognized as encompassing deindustrialization in the United States: 1970-2000. The purpose of this quantitative study is to uncover variations in experience among the similarly situated cities, and to explain why such variations may exist. Additionally, if, as I expect, Bethlehem appears to have outpaced other cities with regard to socioeconomic indicators, it will be important to ask whether there are economic, social, and political consequences of disinvestment that continue to affect the community.

The second part of this research will thus make qualitative observations on the social nature of deindustrialization in Bethlehem and will draw primarily on interviews with local community figures and media accounts.

Some socioeconomic measures to be utilized come from a larger-scale metropolitan study by Pack and are as follows: employment growth, average household income, unemployment rate, poverty rate, and degree of educational attainment. Additionally, degree of racial integration and distribution of income will be considered. Average household income (the best available approximation for per capita income) is shown by Pack to be correlated with the poverty rate. High educational attainment, particularly at the beginning of the 1980s, has been shown to contribute to per capita income growth. The degree of racial integration or segregation, taken together with the relative strength of the economic indicators for the suburbs and center cities, will show whether economic hardship in the central cities is focused disproportionately on minority groups, which, as

\[52\] Pack, 70.
\[53\] Ibid., 133.
indicated above, may be relatively immobile.\textsuperscript{54} Finally, I will consider the distribution of income in both the central cities and MSAs. This will reveal the extent to which a middle-class (the so-called “solid middle”\textsuperscript{55}) is being retained or eroded.

Several facts lead me to hypothesize that Bethlehem will demonstrate marked success with regard to most of these indicators. First, it has been shown that proximity to large metropolitan areas can be important in stimulating growth in both population and per capita incomes.\textsuperscript{56} Bethlehem is situated at the geographic center of a heavily populated MSA. This MSA is located near the heart of the “Northeast Corridor” of the United States, within 100 miles of both New York and Philadelphia. Second, during the 1980s both proximity to technology-oriented universities and high educational attainment were shown to be predictive of growth in population and per capita incomes.\textsuperscript{57} Bethlehem is home to Lehigh University, a school with a nationally recognized engineering program. Further, Bethlehem's population has since the 1970s demonstrated a high level of educational attainment measured by percentage of residents who are college graduates. Third, while Bethlehem experienced a steep decline in manufacturing employment over the 1970-2000 period, the Lehigh Valley region became heavily involved in two fast-growing sectors: health care and microelectronics. Bethlehem is well-connected by transportation infrastructure to its outlying areas. This expanded scope may have partially or entirely offset the expected loss in employment and per capita income from initial concentration in manufacturing.\textsuperscript{58} Finally, there is a strong belief among some in the community that the

\textsuperscript{54}Sassen, 478.
\textsuperscript{55}Storper and Walker, 222.
\textsuperscript{56}Pack, 148.
\textsuperscript{57}Ibid., 133-139.
\textsuperscript{58}Ibid., 150-151
“externalities” generated by Bethlehem Steel's dominance over the decades, along with its philanthropy, have resulted in long-term advantage for the city. One of Bethlehem's crucial transportation links with its surrounding MSA, for example, was built with financial help from the company. Local charities have also benefited greatly from the company's Bethlehem Steel Foundation. While it is entirely possible that these advantages have engendered an unhealthy dependence on Bethlehem Steel (an aspect that will be considered below), it is worth considering the role of these advantages in overall measures of long-term economic growth.

I also expect all five central cities to have fared worse with regard to these indicators than their suburbs and the overall MSAs in which they are situated. The presence of aging industrial infrastructure in the central cities, combined with the nationwide trend toward suburbs, provides strong support for this hypothesis.

VI. The Industrial Experiences of American Steel Communities

A. Corporate-Community Linkage

The history of American steel communities is inextricably linked to a number of large corporations which, over the course of the twentieth century, came to thoroughly dominate local social relations. Instances of total dependence of communities on steel abound in the “rustbelt” regions of the United States. The fusing is often as basic as language, as the rhetorical boundaries between corporate and municipal are blurred. The city of Gary, Indiana, for example, was established in 1906 exclusively to house workers at U.S. Steel Corporation’s Gary Works, the namesake and brainchild of company chairman
Judge Elbert H. Gary and the largest integrated steel plant in the United States.\textsuperscript{59} Ambridge, Pennsylvania, which had, under another name, been a small immigrant community, was incorporated and named in 1905 for its tenant company, American Bridge, a division of U.S. Steel.\textsuperscript{60} In Bethlehem, Pennsylvania, steel executives often refer to the company simply as “Bethlehem”, while local residents know it as “The Steel.”\textsuperscript{61}

**B. Paternalism**

William Serrin, in a comprehensive history of Homestead, a steel community near Pittsburgh, reports that the relationship of steel corporations to towns during the pre-war years was, more often than not, a paternalistic one. In the years after the bloody strike of 1892 in Homestead, U.S. Steel's Andrew Carnegie gained renown as a philanthropist, erecting libraries and recreational facilities in the various plant towns. Social welfare policies such as personal investing, housing, sports, and nursing programs were instituted by the company. Serrin argues that such policies generated less from altruism than from a drive for control: Homestead had been the site of arguably the most physically and economically destructive labor-management struggle in history. The corporation also resorted to less subtle forms of coercion, evidently having employed a network of spies to report on the activities of labor insurgents. Serrin suggests there was also a substantial quid-pro-quo aspect to the relationship between the company and local politicians, with U.S. Steel donating parks, streets, and emergency services ostensibly in return for the establishment of special tax districts and other legal concessions. Another element was the

corporation’s efforts toward crowding out other businesses, “denying the towns a more diversified economic base and ensuring its own power.”

C. Private Interest-driven Politics

The labor movement and the establishment of union shops, combined with a sprawling corporate infrastructure, created political subdivisions in steel communities. Labor, management, and municipal government constituted three separate bodies, each with its distinct political structure and culture. The Committee for Industrial Organization (CIO), for example, underwent a turbulent deradicalization in the late 1940s as Communists were expelled, along with “mavericks [and] idealists who did not demonstrate the total loyalty that the labor leaders demanded.” With such powerful interests as labor and management in constant struggle, and with virtually no other effective community interests, political interactions in this scenario may be aptly characterized by what Theodore Lowi saw as a balancing of interests—local government’s renunciation of substantive authority in the face of powerful competing factions.

D. Decline and Crisis in Steel

The steep decline of the American steel industry since the 1970s has been a dramatic force in the economy. In the past two decades alone, at least 208,000 jobs in steel have been lost in the United States. Several of the largest, most prolific steelmakers have entered bankruptcy.

---

62 Serrin, 165-169.
63 Serrin, 249.
65 John Strohmeyer, Crisis in Bethlehem: Big Steel’s Struggle to Survive, 2nd ed. (Pittsburgh: University of Pittsburgh Press, 1994), xi.
Industry analysts, labor leaders, politicians, journalists and displaced workers have all weighed in on the causes of steel’s decline. These debates are important to consider here because they reflect upon an element of history that is pervasive in former steel communities. The issues certainly are spoken about in the vernacular in the steel towns. Feelings of resentment abounded after the decline and these continue. Failure to come to terms with such feelings may leave displaced workers and declining communities with a multitude of lingering doubts about the proper course for the future. Generally, the arguments break down into a few major categories.

First, critics familiar with day-to-day operations of steel manufacturers saw the operational decisions of management as having contributed to financial losses. Spending policies that boosted executive perks and vacation time were criticized, and some observers perceived a general atmosphere of risk averseness among management. Promotion was endogenous and the leadership did not encourage free exchange of ideas.66 Aside from wastefulness and inertia, other critics cited more substantive investment decisions. The industry fell behind in the technological revolution of the 1980s, keeping old plants in operation while more productive facilities incorporating new technologies were operating overseas. John Strohmeyer interviewed a former executive at Bethlehem Steel who described the attitude toward modernization in the 1980s as follows: “Bethlehem Steel just wasn’t interested. ‘Why rock the boat?’ That was their favorite expression. ‘We’re doing well at what we’re doing’ was another. You’d talk about [the new manufacturing method of] continuous casting and that sort of thing and they’d think

66 John Strohmeyer, Crisis in Bethlehem: Big Steel’s Struggle to Survive (Bethesda: Adler and Adler, 1986), 143-144.
you were crazy. There was leadership, but not entrepreneurship,"\textsuperscript{67} Another problem was an apparent overestimation of global steel demand. The industry maintained massive overcapacity during the mid-1970s, when demand fell sharply following the oil crisis. It appears that executives from the start had not prepared for such an occurrence. Eugene Grace, a co-founder of Bethlehem Steel, remarked in the mid-1950s: “I have no qualms about excess capacity. The United States will never catch up to its material needs and aspirations.”\textsuperscript{68} U.S. Steel suffered from the malaise as well: one of that company’s large plants, built in the early 1950s, was “obsolete the moment it opened.”\textsuperscript{69} Substitutes were also a problem: aluminum was beginning to replace steel as the material of choice for beverage cans and new plastics were eroding steel’s share in other markets. The industry apparently saw no reason to respond: Arthur Homer of Bethlehem Steel remarked in 1962, “We have a nice business as it is.”\textsuperscript{70}

Another school saw the labor coalition as detrimental to the balance sheet and as economically inefficient, having negotiated generous wage and benefit agreements to the extent that “wage levels had outstripped productivity gains.”\textsuperscript{71} Data show that after 1968 steel wages began to rise faster than average manufacturing wages, while at the same time steelworker productivity declined.\textsuperscript{72} The United Steelworkers of America had been established to combat dismal working conditions and wages earlier in the century and had

\textsuperscript{67}Ibid., 59 (brackets added).
\textsuperscript{68}Ibid., 28.
\textsuperscript{69}Serrin, 281.
\textsuperscript{70}Ibid.
\textsuperscript{72}William Barringer and Kenneth Pierce, Paying the Price for Big Steel (Washington: American Institute for International Steel, 2000), 36.
achieved dramatic success. But John Hoerr argues that the problem went deeper than wage negotiations. 73 A seniority system for promotion was in place that was emphatically not based on worker productivity. It rewarded longevity but not necessarily work quality. On the white-collar side, many of the upper-middle class managers resisted dealing with nitty-gritty plant issues, and thus were somewhat isolated from the blue-collar work practices they were allegedly supervising. 74 Negotiations over wage concessions were difficult, too, as labor representatives found threats of plant shutdowns difficult to believe and may have transmitted this incredulity to the rank and file membership. 75

The companies have long sought protection from the federal government to remedy the conflict as they have seen it: as one of trade fairness. In 1959 the United States became a net importer of steel, an event that would have been unfathomable a half-century earlier. Steel executives pointed to apparent inequities in the structure of trade in steel. Japan, for example, allowed relatively low imports of steel, while exporting huge amounts to the U.S. Japan's relative protectionism also diverted flows from other East Asian countries to the U.S. that would otherwise have gone to Japan. Industry representatives continue to argue that subsidies by governments and cartel behavior in steel-exporting countries allow inefficient producers to saturate the world market and depress prices. 76

VII. Disinvestment and Socioeconomic Measures in Steel Communities

---

73 John P. Hoerr, And the Wolf Finally Came: the Decline of the American Steel Industry (Pittsburgh: University of Pittsburgh Press, 1988).
74 Ibid., 309-315.
76 Howell and Bartlett.
The following section will trace the economic experience of industrial disinvestment and its aftermath in Bethlehem, Pennsylvania, in the context of four other cities which were previously dominated by steel manufacturing.

A. Communities in this Study

The selection of the cities is based in part on an analysis by Pack, who evaluated long-term interregional and intrametropolitan shifts during the 1970-1990 period in the United States. With regard to regional trends, Pack found that the slowest growing MSAs during that period were predominantly located in the Northeast and Midwest, while the fastest-growing were heavily concentrated in the South and West. Cities in the relevant period fared significantly worse than their suburbs, but this trend appears to have been confined mainly to the Northeast and Midwest. Central cities, particularly declining industrial cities, in those two regions should have fared worst of all from 1970-1990.

This appears to have been the case. Three famed steel communities were among the twenty slowest-growing in terms of population: Wheeling, West Virginia (#1), Johnstown, Pennsylvania (#3) and Youngstown, Ohio (#16). The fifty slowest-growth areas in terms of total income also included these three cities (ranked #2, #15, and #6, respectively) and, in addition, another major steel center, Gary, Indiana, at #26. Both lists are heavily populated by manufacturing towns, especially those that once specialized in metals.

1.) Bethlehem. Bethlehem, 70 miles east of New York City, was founded in 1741 by a group of Moravian settlers. In the 1850s, substantial deposits of iron ore were found

---

77Pack, 16.
78Ibid., 61
79Ibid., 14-21.
in the hills south of the town, and a group of wealthy merchants formed a company to mine
the ore. That group became the Bethlehem Iron Company, establishing operations on the
southern bank of the Lehigh River in the center of Bethlehem. The company rolled its first
steel rails in 1873, and soon-after began forging armor plate and other military
equipment.  

At the turn of the century, Charles M. Schwab, having recently resigned from the
U.S. Steel Corporation, was named president of the renamed Bethlehem Steel Company.
A critical development in the infancy of the company was the erection of Grey Mill at
Bethlehem, part of a revolutionary system that could efficiently produce wide-flange
structural beams of far greater strength than ever before seen. That mill’s product became
known as the “Bethlehem Beam” and it enabled the construction of some of America’s first
skyscrapers.

The Bethlehem Steel Corporation of the early-to-mid twentieth century was a true
champion of industry, fabricating and erecting steel for some of the nation's great
structures, including the George Washington and Golden Gate Bridges and the United
States Supreme Court. At the height of production, the home mill employed more than
thirty-thousand in a city of 70,000. Due to armaments expansions during World War II,
the plant sprawled to over eighteen hundred acres—about 15 percent of Bethlehem’s land.
The presence was certainly a conspicuous one, with the plant permeating the economic and
social life of the city. The building in which City Council holds its biweekly meetings was
a gift from Bethlehem Steel in the 1960s. It is said that even the pale red dust that would

---

81 It should be noted that not all of the plant workers resided in the city.
accumulate on South Side windowsills was a welcome sight to workers’ families—if it was heavy, it meant production was booming.\textsuperscript{82}

The 1970s and '80s were times of production “downsizing” throughout much of American industry as wage pressures combined with domestic and international competition strained profitability. Bethlehem was no exception: by the mid 1990s only a few thousand workers remained at the home plant, and Bethlehem Steel in 1996 announced its intention to cease all manufacturing operations there. Figure 1 illustrates the extent of the decline in employment.

[See Figure 1, p. 54]

The layoffs and eventual shutdown at the plant drastically altered Bethlehem's economy in the latter half of the twentieth century. Figures 2 and 3 show the realignment of the Bethlehem economy with regard to four different sectors: manufacturing; wholesale and retail trade; finance, insurance and real estate; and professional services. Figure 2 illustrates absolute employment changes in these sectors, and Figure 3 adds a dimension showing how the sectors relative to one another contributed to employment in Bethlehem over the years.

[See Figures 2 and 3, pp. 55-56]

2.) \textbf{Gary}. 30 miles east of Chicago, Gary, Indiana is the largest U.S. city to have been founded in the twentieth century.\textsuperscript{83} It is also one of a few oft-cited American industrial centers whose downfall is equally as famous as is its heyday. Beginning in 1906 Elbert H. Gary set about building what would be the world's largest steel plant—12,000

\textsuperscript{82}Strohmeyer (1982), 19.
lakefront acres. The plant thrived and attracted myriad related manufacturing operations to Gary. While the city's population grew from 16,800 in 1910 to 128,000 in 1980, the decline of integrated steel struck Gary as well, and by 1999 just 6,800 employees remained at the Gary Works. The city suffered significant unemployment and other social distress.

Figures 4 and 5 show the sectoral shifts in the Gary economy, 1970-2000.

[See Figures 4 and 5, pp. 57-58]

3.) Johnstown. Johnstown, approximately 65 miles east of Pittsburgh, followed a path starkly contrasting that of Gary. The city's population shrank from 70,000 in 1920 to 23,906 in 2000. The Cambria Iron Company, founded in the 1850s, provided the initial stimulus in Johnstown. Later Bethlehem Steel established a large operation there as well. Several devastating floods have imperiled Johnstown's residents and industrial operations during its history, but remarkable cleanup efforts have fought back demise repeatedly. Nevertheless, Johnstown felt the pain of the steel recession of the 1970s and 1980s as well, and many there, it seems, could not endure it and simply went elsewhere.

Figures 6 and 7 show sectoral shifts that occurred in Johnstown's economy over the past few decades.

[See Figures 6 and 7, pp. 59-60]

4.) Wheeling. Wheeling is located 60 miles west of Pittsburgh, abutting Pennsylvania on the “panhandle” of West Virginia. Once known as the “Nail City” for its long-standing involvement with that product line, Wheeling hosts the headquarters of Wheeling-Pittsburgh Steel Corporation. The city has experienced serious decline—the
worst population loss and second worst income loss in any MSA for the period 1970-1990.⁸⁴

Figures 8 and 9 illustrate the shifts and makeup of the Wheeling economy over the period.

[See Figures 8 and 9, pp. 61-62]

5.) **Youngstown.** Youngstown, Ohio is a city 65 miles west of Pittsburgh. Both manufacturing and mining have been critical to the Youngstown economy, and both industries have declined significantly. U.S. Steel and Lykes Corporation both closed major mills in Youngstown in the late 1970s, resulting in the immediate loss of thousands of well-paid production jobs. These shutdowns occurred so quickly—in one case 13,000 jobs were eliminated in a single day—and in such critical sectors of the local economy that many workers retired early.⁸⁵

Figures 10 and 11 illustrate the effects on sectors of Youngstown's employment base from 1970-2000.

[See Figures 10 and 11, pp. 63-64]

**B. Quantitative Analysis**

Population growth is often used as an indicator of progress. Beauregard's review of decentralization discourse in the post-war years shows, for example, that social commentary often focuses to a large extent on population gain and loss, and takes population loss to be a sign of decline.⁸⁶ It is important to note, however, that it is entirely possible that substantive measures of socioeconomic health can be maintained or can even

---

⁸⁵Bluestone and Harrison, 50.
⁸⁶Beauregard, 31.
grow stronger in concert with out-migration. Pack shows, for example, that growth in per capita incomes is not strongly correlated with population growth.\textsuperscript{87} Fewer people with higher living standards should not be seen as necessarily less desirable than more people with lower (or equal) living standards. Per capita income growth is a valuable standard by which to compare cities, as it corresponds well with the living standard.\textsuperscript{88} Other important indicators include poverty rates, educational attainment, unemployment rates, and racial integration.\textsuperscript{89} We should also be concerned with differences between suburban and urban portions of MSAs, as it is clear that worker mobility may be a problem. The following section contains an in-depth examination of how changes in these socioeconomic variables played out in the five communities of interest in the years 1970-2000. Another important variable to consider will be the concentration of employment in manufacturing at the beginning of each 10-year census period. Finally, it will be critical to determine whether or not these attributes are potentially a matter of policy; that is, whether they are differences of “fate” or “choice”.\textsuperscript{90} As Pack notes, many of the variables are likely to exhibit high degrees of persistence over time, perhaps indicating a certain degree of immutability from a policy perspective—although it may also indicate a policy vacuum.

1.) Employment Growth. Figures 12 – 15\textsuperscript{91} show graphs of employment growth in Bethlehem, Gary, Johnstown, Wheeling and Youngstown for the period 1970-2000, as well as during the three component decades. One set of bars measures the change in employment in the city proper; another encompasses employment growth across the entire

\textsuperscript{87}Pack, 153.
\textsuperscript{88}Ibid., 90.
\textsuperscript{89}Ibid., 23.
\textsuperscript{90}Pack, 121.
\textsuperscript{91}In these figures, each city is represented on the graph by the first letter of its name.
MSA, and a third represents suburban employment growth. For the period 1970-2000, the central cities of Gary, Johnstown, Wheeling, and Youngstown all demonstrate significant employment loss, in magnitudes ranging from -.297 (30%) to -.428 (43%). Bethlehem is an exception, showing an increase in employment in the period of 5.7%. There is a very dramatic divergence between the growth rates of the central cities and the growth rates of both their suburbs and the MSAs in which they are situated. Despite Gary's dismal record from 1970-2000, for instance, the non-urban portions of the Gary-Hammond MSA recorded employment growth of 56% in the same time period. In examining the component decades, it is clear that although Bethlehem is the only central city that reported employment growth in any one of the three decades, the trend of general decline seems to have ameliorated slightly in recent years in each of the cities. The period 1990-2000 appears to have been the least traumatic of the three decades in terms of employment loss for the other four cities. The most significant decline in that period, in Wheeling, measured 12.7%, while in the 1980s three of the four cities had experienced employment declines exceeding 20%. Each of the component decades also shows a marked lack of cohesion between the central cities and the larger MSAs. In no case did growth (or mildness of loss) in one of the cities exceed that of either the MSA as a whole or the suburbs. In fact, in nearly every decade the non-city portions of the MSA gained employment while the central city experienced a loss or a relatively small gain (in the case of Bethlehem). In sum, MSA employment growth from 1970-2000 was modest in Johnstown, Wheeling and Youngstown, and fairly high in Bethlehem and Gary. Suburban growth in Bethlehem and Gary was extremely high. Changes in employment growth
demonstrated a fair amount of persistence: each decade's growth was correlated relatively strongly (.51 to .82) with that of the decade before it.

[See Figures 12-15, pp. 65-68]

2.) **Average household income.** Figures 16 – 19 show changes in average household income for the five cities from 1970-2000 and during each of the component decades. It is useful to note that over the four decades, change in employment and change in average household income are fairly well correlated: .80 for the MSAs; .52 for the central cities; and .76 for the suburbs. It is reasonable to expect that the trends observed in employment growth will hold with regard to income growth. The graphs demonstrate that this is generally the case, with the important exception that the percentage decline in incomes is far less significant than the percentage decline in employment. By far the most significant income loss in any decade was 34%, recorded in Gary during the 1980s. For the 1970-2000 period, the central cities of Gary, Johnstown, and Wheeling all experienced average household income losses of approximately 30%. Bethlehem and Wheeling fared significantly better, each registering a negligible change over that period. The worst period regard to income loss was clearly the 1980s, in which each central city recorded a loss. As in the case of employment growth, there is strong divergence between city and MSA/suburb average household income growth. In all but one case (that of Youngstown in the 1980s), the central city lagged behind both the MSA as a whole and the suburban portion. Other significant observations include the particularly weak performances of Gary, Johnstown and Wheeling during the 1970s; the strong performance of Bethlehem in the 1980s; and the losses of Bethlehem and Youngstown in the 1990s. In both the 1980s and 1990s, three cities demonstrated some parity relative to their MSAs and suburbs. This
parity was strongest in Youngstown, whose central city, MSA, and suburban regions all
demonstrated negligible income growth from 1970-2000. Household income growth
demonstrated hardly any persistence: correlations between the decades are weak, and, in
fact, in some cases are high and inverse, indicating a sort of pendulum effect.

[See Figures 16-19, pp. 69-72]

3.) **Unemployment.** Figures 20 – 23 show unemployment rates for central cities,
MSAs, and suburbs for the years 1970, 1980, 1990 and 2000. Each area recorded
relatively little unemployment in 1970, the highest being 6.7% in Youngstown. 1980 and
1990 brought drastic unemployment in the central cities of Gary, Johnstown, and
Youngstown, all three cities recording figures near 15% in both years. The trend abated
somewhat by 2000, but the same three cities still reported figures in excess of 10%. As in
the case of the two previous variables, the central cities generally fared significantly worse
than their MSAs and suburbs. The notable exceptions are Bethlehem, which in 1970,
1980, and 2000 was fairly consistent with its outer areas, and Wheeling, which consistently
outperformed its MSA and suburbs. In each of the four years Bethlehem and Wheeling
reported by far the lowest unemployment rates of the five central cities, and in the clear
majority of cases unemployment in Bethlehem proper was lower than in city, MSA or
suburb in the data set. Persistence from decade to decade is high with regard to the
unemployment rate. Correlations between the decades ranged from .64 to .97, with the
exception of one case of .49 (suburbs, 1990-2000).

[See Figures 20-23, pp. 73-76]

4.) **Poverty rate.** Figures 24 – 27 are graphs showing poverty rates for the years
1970, 1980, 1990 and 2000 for the five cities, their MSAs and suburbs. The trend has been
poverty growth from 1970-2000 in the central cities, especially in Gary, Johnstown, and Youngstown, all three of which posted poverty rates in excess of 20% in 1990 and 2000. Bethlehem and Wheeling fared better, although the trend has been steadily upward in those two communities as well. Again, the central cities exhibited significantly more poverty than their MSAs or suburbs in each case. Youngstown in 1990 came close to parity with its outlying areas. The MSAs as a whole have become poorer as well, although more slowly than the central cities. Suburbs also exhibited small changes relative to cities. There is also a substantial element of persistence in the poverty rate: each decade beginning with 1980 exhibits a high degree of correlation (.69 to .98) between its poverty rate and that of the decade before it.

[See Figures 24-27, pp. 77-80]

5.) Race. Figures 28 – 30 show the percentage of persons in the central cities, MSAs, and suburbs who are identified as non-white. The trend over time is increase in the non-white population in all three divisions. However the overall MSAs and suburbs are dominated by Caucasians in every city in each year. Gary in 2000 was the only observation in which whites accounted for less than 90% of the suburban population in any city. In 2000 the central city of Gary was composed of 89.9% non-white residents. Racial composition exhibits an extremely high degree of persistence: no two decades are correlated by a coefficient of less than .96. The average inter-decade increase in the suburban non-white category was barely 2%, while the corresponding figure for the central cities was nearly 5%.

[See Figures 28-30, pp. 81-83]
6.) *Educational attainment.* Figures 31 – 34 show the percentage of persons in the central cities, MSAs, and suburbs who have obtained a college degree. Each municipal division in each city in each time period showed an increase in this measure. In Gary, Johnstown, and Youngstown, the suburbs have for four decades had the highest incidence of college graduates, followed by the MSA as a whole, followed by the central cities. In Bethlehem and Wheeling the pattern has been the reverse: the central cities have had the highest percentage of college graduates, followed by the MSA, and finally the suburb. The central cities of Bethlehem and Wheeling both had a higher percentage of college graduates in all time periods than any other of the municipal divisions in the other five cities, Bethlehem with the highest percentage in all cases. Educational attainment shows a great deal of persistence: all decades were correlated by coefficients exceeding .9.

*See Figures 31-34, pp. 84-87*

7.) *Distribution of Income.* Figures 35 – 44 show income distributions in each of the five cities and their respective MSAs, in the years 1969, 1979, 1989, and 1999. The central cities of Gary, Johnstown, and Youngstown all demonstrate marked expansions of the “low income” sector. Bethlehem and Wheeling, on the other hand, show fairly negligible changes over time, indicating the sustained presence of a middle-class. The larger MSAs surrounding each city experienced less dramatic changes relative to the central cities.

*See Figures 35-44, pp. 88-97*

C. *Further Observations*

Several relationships between the variables described above can further illustrate the differences among the five cities in the sample.
1.) **Educational attainment and per capita income growth.** Pack points out that a significant positive correlation may exist between educational attainment and per capita income growth, due perhaps to a “responsiveness of the educated labor force to economic opportunity.” Additionally, Pack's study showed that in the 1980s the concentration of college graduates at the beginning of a decade partially explained per capita income growth during that decade. As demonstrated in Figure 45, the relationship between educational attainment in 2000 and per capita income growth over the 1970-2000 period seems particularly strong at the MSA scale. The metropolitan areas fall in a nearly linear pattern, with Bethlehem showing both high income growth and high educational attainment; Johnstown falls into the far lower-left region of the graph, having exhibited both low per capita income growth and low educational attainment by 2000. Figure 46 shows the result of the other hypothesis, that a high proportion of college graduates at the beginning of a decade predicts income growth in that decade. The result here is mixed; Bethlehem places high on both accounts again and Johnstown places low on both accounts. The placement of Gary, Youngstown, and Wheeling is somewhat ambiguous. The results for Bethlehem and Johnstown suggest a pattern consistent with Pack's pattern, but the analysis is not conclusive with regard to all five cities.

[See Figures 45 and 46, pp. 98-99]

2.) **Concentration in manufacturing and per capita income growth.** The degree of decline in manufacturing, and in steel in particular, from 1970-2000 suggests that economies concentrated in manufacturing at the beginning of that period should likely have fared worse than those not as heavily concentrated. Figure 47 shows that, at least in

---

92Pack, 77.
93Ibid., 78.
the case of these five steel communities, this relationship did not hold consistently. Bethlehem, with the second highest concentration at 46.8%, saw the least erosion of per capita income, while Gary, the most concentrated, saw the most erosion. Johnstown was significantly less concentrated in manufacturing than either Bethlehem or Gary, and yet saw a drop in per capita income over the 30 year period of almost 1/3.

[See Figure 47, p. 100]

3.) Concentration in manufacturing and employment growth. Figure 48 shows the five cities on a graph of concentration in manufacturing in 1970 versus employment growth from 1970-2000. Again Bethlehem is an outlier, with the second-highest concentration but the highest growth in employment. The positions of Youngstown, Johnstown, and Gary appear reasonably consistent with the trend of employment loss in manufacturing.

[See Figure 48, p. 101]

D. Convergence of City and Suburb?

Pack found that while there were indications that some socioeconomic variables showed significant convergence over time within cities (for example, a large loss in one decade was followed by a less dramatic loss in the next), the gap between suburbs and cities was generally growing wider.94

Figures 49 – 53 track the progress of an important variable, the poverty rate, in each of the five cities, allowing a comparison of the central cities and their suburbs over the period 1970-2000.95

[See Figures 49-53, pp. 102-106]

94Ibid., 82-83.
95The y scales of these figures have been normalized to allow for appropriate comparison.
With the exception of Wheeling, each of the cities shows a steeper rise in the poverty rate during the 1970s and 1980s than their suburban areas or full MSAs. From 1990-2000, this trend appears to have reversed somewhat in Gary, Johnstown, and Youngstown, all of the central cities of which showed not only a decrease in the poverty rate but one relatively similar to that observed in the suburbs and the MSA. Bethlehem and Wheeling grew poorer faster during the 1990s than their outlying areas. It should be noted, however, that both Bethlehem and Wheeling experienced unemployment at much lower absolute levels from 1980-2000 than did the other three cities.

E. Bethlehem: Exception to the Rule?

Viewing the graphical results as a whole, several patterns of interest emerge.

Bethlehem, despite having recorded the second-highest concentration in manufacturing in 1970 (47%), showed both the least dramatic loss in average household income and the most significant gain in total employment over the period 1970-2000. In all four years in which statistics for unemployment are included, Bethlehem reported lower unemployment than any other city.

One potentially illustrative example of the dynamics that produced such an outcome is found in the period of the 1980s. From 1980-1990 employment at the Bethlehem Plant fell from 11,716 to 4,340\(^{96}\), a plant shrinkage of about 63%. This was also a decade in which Bethlehem Steel laid off large numbers of white-collar workers at its corporate headquarters.\(^{97}\) It is important to note that the figures for employment at the Bethlehem plant certainly include workers who reside outside the City of Bethlehem, which complicates the analysis. This may be suggested by the fact that total...
manufacturing employment in Bethlehem over the period fell by only 41%. It was not possible to determine with any degree of certainty the places of residence of the laid-off plant workers. Nevertheless, during that decade employment in Bethlehem grew by more than 6%, the only net gain in employment recorded by any sample city for that decade; in fact, each of the other four cities recorded losses of at least 17% during the same period. By 1990, Bethlehem's concentration in manufacturing had dropped to 22.1%. Figures 2 and 3 show what occurred during that decade to offset the loss in manufacturing. Employment in professional services rose from 6,822 in 1980 to 9,547 in 1990, an increase of 64%. The Finance, Insurance, and Real Estate sector also grew significantly, from 1,228 in 1980 to 1,913 in 1990, an increase of 55.7%. Another important observation is that in the period 1980-1990 Bethlehem's average household income declined rather modestly considering the massive losses in the manufacturing sector and the relatively high wages the laid-off plant and white-collar workers had been earning.

This does not suggest, however, that jobs of equal compensation immediately became available in Bethlehem to the former plant workers. But because both population and employment grew in Bethlehem from 1980-1990, it is reasonable to assume that opportunities did in fact become available in the MSA.98 Because of the discrepancy in statistics that does not take into account differences between place of residence and place of work, it is necessary to consider the totality of the MSA when viewing changes across decades. The Allentown-Bethlehem-Easton MSA in which Bethlehem is located was reasonably healthy from 1980-1990, both compared to Bethlehem proper and to the other

98Another contributing factor is that worker migration very likely occurred: there is evidence that some displaced Bethlehem Plant workers were offered jobs other in plants outside Bethlehem. But if this occurred in large numbers, significant new flows into Bethlehem must have also occurred in order to effectuate the growth in employment and population over the period.
cities in this sample. It is also a relatively large area, with a total population of over 500,000 in the 1980s. Employment in the suburban portions of the MSA grew about 19% during the 1980s. This is consistent with the historical record. For example, the Lehigh Valley Industrial Park, a complex of mixed-use buildings near the region's airport, was established in 1959 and grew steadily throughout the ensuing decades. The Park is centrally located in the MSA and is quite likely to have absorbed at least part of the economic shock dealt to Bethlehem in the 1980s. Two other major sectors, health care and microelectronics, showed significant gains in the MSA during the years in which manufacturing in Bethlehem was declining.

The MSA is well-connected by two major freeways (Route 22, to the north, and Interstate 78, to the south) which pass from Allentown in the west to Easton, near the border with New Jersey. By that route the MSA spans a distance of about 40 miles, a reasonable commute even at the extremes.

There are also extensive links to other economically diverse MSAs; this is of critical importance because as of 2003 a total of 27,827,742 people live within a 100-mile radius of Bethlehem's MSA. Interstate 78 extends from Harrisburg to New York City, passing near portions of Allentown, Bethlehem, and Easton. Two major bus lines each run more than a dozen times daily between New York City and the MSA (a 2-hour trip each way), stopping in Allentown, Bethlehem and Easton, and extending west to Kutztown and Reading. Philadelphia has also always been in close proximity by car to the MSA, and

---

100 This statistic includes the population of the MSA itself.
101 In fact, Route 22 handles so much intra-MSA traffic that over the past decade local and state governments have been mulling an expensive proposal to expand that highway to eight lanes in the center portion of the MSA.
moreover in the late 1980s work was completed on the Northeast Extension of the Pennsylvania Turnpike, a toll road running from the Scranton-Wilkes Barre area south to suburban Philadelphia. Passing just to the west of Allentown, it allows commuters in both directions to make the north-south trip between I-76 (the Schuykill Expressway--the link to Center City Philadelphia) and the Allentown-Bethlehem-Easton area in under an hour, and also to travel efficiently between the A.B.E. MSA and the Scranton-Wilkes Barre-Pocono Mountains region.

**VIII. “Fate Versus Choice”**

Among the determinants of local economic growth are some that may well be beyond the control of policymakers. Such “fate” variables would include, for example, climate, proximity to large universities and population centers, and economic performance in a previous decade.\(^\text{102}\) However, we should not conclude that areas lacking these exogenous advantages are destined to fail. During the 1980s, for example, the large cities of the Northeast, famous for their frigid climates and 1970s recessions, recorded extremely high per capita income growth.\(^\text{103}\) But the elements of “choice”, those initiatives local governments may undertake in attempts to influence growth, often engender significant risk and controversy. Here political distinctions become extremely important. The pro-growth consensus of the postwar Southwest with which Mollenkopf is concerned is certainly one avenue toward affecting outcomes. Massive public spending on infrastructure to facilitate private real estate development is akin to the pro-growth approach, as are the tax abatement options many state and local governments now provide. Pack correctly points out, however, that “there are no put options on buildings,” as scores

---

\(^{102}\) Pack, 121.

\(^{103}\) Ibid., 140.
of vacant or near-vacant publicly-financed ventures across the country will attest.\textsuperscript{104} That is the pragmatic concern. There are deeper political debates at work, however. Clavel chronicled the political high-points in several “progressive cities” from 1969 to 1984.\textsuperscript{105} The book's subtitle, “Planning and Participation”, summarizes the essential difference between the approach aspired to in these locales and those Mollenkopf describes. The political initiatives Clavel describes favored progressive measures in concert with economic growth policy. One was a more “experimental view” of property rights. Councilman Nicholas Carbone in Hartford, for example, negotiated real estate development deals in which public dollars were used, but placed conditions in the contracts such as quotas for local and minority hiring on the property.\textsuperscript{106} Rent control measures in Berkeley and Santa Monica attempted to correct what was seen as an inequitable relationship between renters and landlords. Overall, such initiatives aspired toward greater inclusion of the “masses” in public decisions and generally distrusted “market” theories of development, making redistribution a priority.\textsuperscript{107} This is at odds with schools of thought which see the possibility of “zero-sum” outcomes as rightly constraining progressive policies. For instance, Pack cautions against yielding to “the desire to increase equity by assisting distressed areas in ways that reduce overall economic efficiency and perhaps inhibit natural correctives by encouraging people to remain in places at costs well in excess of benefits—even taking a very broad view of benefits.”\textsuperscript{108}

The political tension between this point of view and, for example, Beauregard's or

\textsuperscript{104}Ibid., 123.
\textsuperscript{106}Clavel, 10-13.
\textsuperscript{107}Ibid., 15.
\textsuperscript{108}Pack, 177.
Bluestone's and Harrison's, is palpable. The problem, it seems, distills to the utilitarian practice of placing equity and efficiency in opposition to one another (something Clavel's protagonists tried to overcome, with some limited successes). As might be expected, this same conflict is reflected in the discourse in Bethlehem over the past few decades.

**IX. Policy and Political Discourse in Bethlehem**

On the whole, Bethlehem seems to have fared well from the perspective of the aggregate socioeconomic indicators investigated. It would not be at all accurate, however, to say that the city shed its industrial legacy when its mill went cold. Drawing on nine interviews with community figures as well as an extensive review of local media from the period of the shutdown, I will briefly adopt a method similar to Beauregard's “discourse” history in this section in order to complete the picture and demonstrate the extent to which some local phenomena continue to generate from the industrial dominance and conflicts of the past.

**A. Expectations, Community Interest, and Moral Indignation**

The fact that decline occurred relatively slowly in Bethlehem as compared to the other cities investigated and that compensating forces arose in the Lehigh Valley may have created a sense of economic ambivalence and profound questioning of the fundamental economic character of the region. Bethlehem was a city in profound transition, but it may not have been clear just where the transition would take its workers.

Decisions on capital investment and disinvestment were tied up in considerations of technology, global economic forces, product substitutes, and the outcomes of negotiations with national labor organizations. Not surprisingly, formally absent from management calculus were considerations of economic stability and closure in Bethlehem. By the time
of the serious disinvestment at the Bethlehem plant, the company's largest and most lucrative operations had shifted to Burns Harbor, Indiana, and Sparrows Point, Maryland. It was clear that the Bethlehem plant was on the decline path. However, the series of events that comprised the drawing down of employment and production at the plant may have been destructive in their undulating quality: conditions as they were perceived by labor officials varied from favorable to catastrophic, and it is not entirely clear how the situation was perceived by the rank and file at the Bethlehem plant. Such perceptions are not superficial: Bluestone and Harrison's work pointed out, for example, that steelworker wages are extraordinarily difficult to replace. Replacement may hinge upon learning new skill sets or applying existing ones in new job contexts. Such adjustments take time, and so it stands to reason that the more advance time workers have to pursue such adaptations, the greater the prospect of attaining skills in time to apply them shortly after job loss. Such a principle is behind legislation such as the Worker Adjustment and Retraining Notification Act (WARN) of 1988, which implemented 60-day advance notice for plant closings and layoffs of more than 50 workers. Clearly, expectations can be important in this regard, and the sample of opinion that comprises the public record in Bethlehem indicates that the expectations of many were far too optimistic. One plausible explanation for this discrepancy is the company's policy against disclosing the profitability of individual plants. A second element to consider is the broadness of the labor contracts involved: the negotiations covered workers in all Bethlehem Steel plants under the “master agreement,” so unless special arrangements were made, the same contract provisions would apply to workers at all plants, from the least profitable to the most profitable.

Bethlehem Steel's calculation that the national union would be reluctant to split into pieces may have provided a disincentive to sharing profitability information for the various plants. The fact that the company was able to perform, in the words of the local media, an “about face”\textsuperscript{10} that created such a stir in the community indicates the degree to which expectations were inflated. The sobering implication is the possibility that such inflated expectations meant a lack of preparedness for the hundreds of employees who stood to lose jobs as a result of the decision to end steel operations at Bethlehem. If true, this result would serve as a tragic illustration of the tendency of the capitalist system toward instability and the potential of this tendency to inflict real damage.

Another possibility must be considered. There are indications that inflated expectations in Bethlehem may have generated not only from a lack of information on the economic realities of steel production, but also from more emotional feelings of attachment to Bethlehem Steel, and, more broadly, to the institution of steelmaking in Bethlehem. Again we return to the problem of the dominance of a single industry in the community. As I heard accounts of the dominance of and reliance on Bethlehem Steel, I came to think of those feelings as a sort of “corporate patriotism” or “industrial patriotism,” because some of the sentiment toward steel manufacturing was imbued with a fervor not unlike that often associated with nationalism – the nation here being an industrial unit rather than a political one. The reaction of one of the case study participants to such a suggestion is worth quoting:

If a community has a major employer like Bethlehem Steel was, for a long period of time, as Bethlehem did, and if that employer, as a matter of fact, happens to be fairly generous with the local community (and Bethlehem Steel was a major

\textsuperscript{10}Kunsman (1994).
supporter of local charities and major contributions to the local community for infrastructure) a dependency develops. It isn’t completely healthy. You know, you kind of develop a dependency: ‘well, Bethlehem Steel is going to take care of this or they’ll take care of that’ instead of the community developing the resources—the ‘people resources’ and the organizational structure—to be more self-sufficient and less dependent. [...] [People] might be generous enough to say, ‘That's a good company. It's well-managed.” And when I hear those kinds of things, it scares the daylights out of me. So it’s unfortunate if the bitterness toward Bethlehem Steel is that lost patriotism. Isn’t a certain amount of it just simple nostalgia? Don’t you want to tell the people: ‘Get over it’? Look to the future. If you like nostalgia, collect antiques and go to the museum and it’s delightful. But that isn’t running a business. Get over it. Forget the past.111

This interaction with the community must be viewed as compared to other structures. One instance is that observed by Serrin in evaluating U.S. Steel's dominance in Homestead: that the need for control through the amelioration of labor activism motivated the philanthropic pursuits of Carnegie and others. There is also some literature in the field of “corporate social responsibility” that attempts to explain such benevolence as prudence; some of this work has demonstrated, for example, that corporate social responsibility is not necessarily predictive of a lesser extent of profitability and may in fact be consistent with better financial performance.112 One survey respondent, when asked why the only consideration of managers should not be the “bottom line”, responded:

If you took that position all across the country [...] I think we’d find a lot of gaps in our economy and in our quality of life. Corporations in this country have helped build communities everywhere where profit was not a motive, where they’ve contributed to libraries, to schools, to city

111 Interview 1.
Another response saw the problem as a moral one:

...there has to be a maintenance of some type of loyalty, some type of responsibility to the communities that you did initially serve. You know, today, these young executives with these companies—they don’t care. There is no loyalty. Now, I don’t know what your attitude is as far as that’s concerned, but that’s mine. I think there is some sort of responsibility...Now, I don’t mean giving the community a blank check to do what they want with, but just to hang in there...114

Doubts also emerged, as expressed by another respondent, about whether corporations have any responsibility:

Well, I think the answer is yes, they should [have responsibilities], but the answer is no, they don’t. They have no moral obligations. Corporate entities have no moral obligations. There are some exceptions. [...] You can’t legislate morality. So the answer is: no, there is not a tool [for inducing cooperation]. They’re going to do what they have to do for their bottom line and for their stockholders. That’s why they get paid the millions of dollars.115

Of course it would appear that only certain firms—specifically, profitable ones—can afford to engage in philanthropic or cooperative pursuits. The corporate structure is obviously such that the primary responsibility of managers is to directors and shareholders. In the words of one respondent, “to say that a corporation’s first responsibility is to its shareowners is not a statement of corporate greed; it’s a statement of high moral obligation. It’s somebody else’s money.”116 However, to the extent that the responsibility

---

113Interview 2.
114Interview 3.
115Interview 4.
116Interview 1.
is to entities with some stake in a corporate entity's future, it seems that failing to consider municipalities results in too narrow a view. As experience with property tax reassessment in Bethlehem has demonstrated, municipal government has an implicit interest in the health of its tenant industries. Some theorists have suggested, in this vein, a larger property-acquisition role for municipal governments based on the claim that all growth in property values generates from public investment. This principle has found little footing in corporate-community relations in the United States, however, as economic development policy continues to focus on luring private capital.

Bethlehem’s Mayor set out his policy in testimony before the Pennsylvania Senate in 2000:

...as the mayor of a mature industrial city battling to retain its industrial vitality, I strongly support public-sector investment in job-creating, economically sustainable projects in our urban areas. I believe such investment represents a wise, prudent, and cost-effective expenditure of public funds toward the goal of strengthening our urban centers – which have long been the cornerstones of America’s economic might, cultural diversity, and social stability.

However, distribution of industry may be as important as volume. If it is not in the interest of a given corporate entity to consider the impact of capital decisions on the local economy then it is quite understandable that local government leaders would find it favorable to have many corporate tenants rather than only one or a few. There is an analog to be found here in the portfolio theory of investing, which values diversification and risk-spreading. The extent to which this is possible, of course, is questionable and problematic.

118 Clavel, 109.
119 Honorable Donald T. Cunningham, Jr., “Statement on Urban Revitalization Before the Joint Senate Committee on Local Government and Urban Affairs & Housing,” 13 April 2000.
for local government, and presumptions that such control is feasible are likely to lead down the road to massive public debt in the form of tax abatements, infrastructure improvements, and increased provision of services, all without anything near a guarantee of success.

How does political discourse today in Bethlehem relate to elements of its history of dependency? There appears to be a vocal, if small, group of individuals who remain distrustful of both Bethlehem Steel\textsuperscript{120} and city government. Proposals for economic development, for example, in the past decade have frequently come under public scrutiny and criticism, and facets of the discourse echo past conflicts.

When Bethlehem Steel sought to redevelop its former plant land as a mixed-use retail, entertainment, and industrial complex, it approached Bethlehem City Council to request a rezoning of the area to allow a broad range of uses. Groups in city government and the local community reacted with skepticism: “There would be no public control over the mix of uses,” cautioned the city's planning director.\textsuperscript{121} The City Councilman who would later become mayor remarked at the time that the company's idea amounted to a “no-zone zone, where anything goes.”\textsuperscript{122} The regional newspaper's editorial staff wrote several times on its opinion page in support of greater transparency in the company's plans, calling for “more of a balance” in the development negotiations.\textsuperscript{123} The district's Congressional representative lamented that it was “a serious abrogation of the public trust to surrender the city's zoning power to a private corporation.”\textsuperscript{124} Letters to the editor

\textsuperscript{120}Bethlehem Steel is now defunct, as its assets were recently acquired in bankruptcy proceedings by International Steel Group of Cleveland.
\textsuperscript{121}Hugh Bronstein, “Council Considers Open Zoning Plan; Bethlehem Steel Pushes Idea for 'Carte Blanche' Zoning on Piece of Land Along the Lehigh River,” \textit{The Morning Call}, 6 March 1996.
\textsuperscript{122}Ibid.
\textsuperscript{123}“Bethlehem Needs More Data on Steel Land,” \textit{The Morning Call}, 15 February 1996.
\textsuperscript{124}Hugh Bronstein, “McHale Wary of Steel Plan to Rezone South Side Site: Congressman Sends Letter to Bethlehem Councilman Cunningham,” \textit{The Morning Call}, 19 March 1996.
addressed the vote as well, one of which read, in part, “The blood, sweat, and lives of generations of workers were invested in making steel. Their efforts and the community itself have earned a direct stake, a property right, in this decision.” City Council eventually passed the measure over two “no” votes, one of which was cast by soon-to-be Mayor Don Cunningham.

In a separate episode, residents of Bethlehem's “South Side” neighborhood, which is situated on the southern bank of the Lehigh River and has traditionally been “blue-collar” as compared to the wealthier “North Side” across the river, picketed the proposed site of a CVS drug store which was to displace several buildings in the neighborhood. Residents had drafted and submitted to City Council an ordinance that would restrict development along a specified string of properties.

More recently, a heated dispute arose over a proposal to redevelop the site of a shuttered spice plant. Developers and the city administration submitted a plan to City Council for a retail complex, the center of which would be a Lowe's home improvement store. A citizen group calling itself “No Mall” vigorously opposed the plan, claiming it would exacerbate traffic problems near a middle school. Despite arguments to the contrary and promises by the developers and the continued support of the Cunningham administration, the measure to allow the development ultimately failed, with one City Council member who voted “no” saying, “In the end, I let my heart make the decision.”

125 Gary Olson, “Steel's Rights Aren't Exclusive,” The Morning Call, 26 March 1996 (emphasis added).
128 Ibid.
129 Matt Assad, “Developer Vows to Proceed With Plans for Retail Center But Bethlehem Residents Say Proposal is Not Appropriate for Site of the Former Durkee Plant,” The Morning Call, 2 November 2000.
Surely, such controversies play out in communities around the world as conflicts arise as to the future of neighborhoods. In Hershey, Pennsylvania, for example, an attempt to sell the famous candy maker in 2002 failed after an outpouring of community opposition and legal action.131 In Elkhart, Indiana, workers filed a $100 million RICO lawsuit against American Home Products following its decision to move operations to Puerto Rico, the workers claiming the move had skirted trade laws.132 The local union president in Elkhart decried an “indifference,” “arrogance,” and “lack of compassion” on the part of the corporation, above and beyond the alleged illegalities.133 A documentary on Braddock, a town near Pittsburgh that formerly hosted a massive U.S. Steel plant, included an interview with one resident who said, “I call Braddock the 'old jersey' – she's been milked dry.”134 Remaining social activism in Bethlehem suggests that a similar learned distrust of institutions—specifically, corporations—endures. Current proposals likely remind residents of those of the past—such as the technological upgrades to the Bethlehem plant that were promised but did not materialize. In that context, one participant had remarked, “trust was a problem.”135 In 2003 retirees are realizing their dependence on the corporation for health insurance, recently canceled in bankruptcy proceedings. When the corporation moved to cancel these benefits earlier than previously proposed, the United Steelworkers of America condemned the decision as “morally callous.”136

In a recent documentary, a former employee summed up his feelings, “I felt that this was an industry that would not only be there for me but would be there for my sons

133 Ibid.
135 Kunsman (1994).
and would be there for my grandchildren.” Another worker said of the company, “I still can't believe it...that it's gone forever and it's not coming back.”

B. The Future

Although Bethlehem appears to have weathered the storm of the 1980s, concerns remain. The region is aging and losing younger workers. One interviewee said of Pennsylvania, “the largest export we have is our children.”

The literature of deindustrialization offers no neat answers. A strong note of caution is sounded by Storper and Walker, who turn the theoretical tables dramatically in favor of capital, finding a general “devaluation of the working class” which may not find a cure in skills training or policy interventions. Efforts at development stimulus through incentives such as tax abatements encounter objections from those who find gentrification rather than remediation, and those who see private power co-opting the domain of democracy.

Significant challenges remain as well with regard to the socioeconomic indicators. In many of the communities examined, employment growth and income distributions are skewed against central cities, and racial patterns indicate a concentration of minorities there. Disparities between the central cities and the suburbs will likely retard process

---

138 Ibid.
140 Interview 5.
141 Storper and Walker, 164.
142 Beauregard, 214. See also Jason Patch, Where the Gentrification Frontier Extends: Displacement, Disinvestment, and Deindustrialization in Brooklyn, 2003.
143 Frug, Clavel, Dandaneau.
toward “regional development” strategies as one area's gain is seen as coming at the detriment of another.\textsuperscript{144}

Recent success in drawing technology companies to Bethlehem has inspired optimism. An “incubator” program called the Ben Franklin Partnership fosters research connections with Lehigh University and has spawned a number of companies, several of which have located on the former Bethlehem Steel site. Such synergies present opportunities to replace capital and create new agglomerations, although they may be conditioned upon a number of locational idiosyncracies.\textsuperscript{145} Fiscal circumstances, especially the need on the part of politically accountable officials to create new infusions of tax revenue, suggest that such redevelopment efforts will nevertheless continue in the face of criticism. One survey respondent phrased the scenario as follows:

...You can fight to try to save something that’s a dinosaur and that’s going away forever, or you can see what’s coming up over the horizon and try to get them as they’re coming in, and I think they’re trying to do that.\textsuperscript{146}

\textbf{X. Conclusion}

The quantitative analysis above showed the effects of deindustrialization at work in some communities. Differences among the five metropolitan areas and their division, as well as between suburbs and urban areas, were observed. This study did not establish a causal link responsible for such differences, but it did suggest possibilities. More general work on urban economics, such as that of Pack, suggests variables such as proximity to urban centers, levels of educational attainment, and proximity to universities may be important in stemming economic decline. Storper and Walker observe that “halfway

\textsuperscript{144}Pack, 28.
\textsuperscript{145}Storper and Walker, 71.
\textsuperscript{146}Interview 6.
zones”—areas within commutable distance of urban centers—may enjoy locational advantages. While Bethlehem, the focus of this study, has advantages consistent with several of these hypotheses, a strong claim of causation with regard to the city’s relative economic success would be premature due to the limited size of this sample. Further research might attempt to determine causation more definitively with a much larger, more complex sample of “deindustrializing” cities and attempt to discover whether there is some special set of independent variables that determines outcomes in deindustrialization. The rapidity of disinvestment and the development of service sectors may be important factors for which to control in such an analysis, as the above data demonstrate that industrial decline in Bethlehem was gradual relative to that experienced in other cities and that the service sector grew to offset the absence of steel.

Qualitatively, further research in this area would probe deeper into the economic histories and thus into the social relations of each city than the scale of this study permitted. The subjective field of labor relations is important in plant location, as Storper and Walker point out. An analysis of the economic geography of steel towns might yield conclusions about differences in culture or class consciousness that contribute to differences in outcomes among communities. Further work might explore additional theoretical links between “dependent deindustrialization” in the United States and the work of “dependency” theorists on the economies of Latin America.

\[147\] Storper and Walker, 75.