

# North atlantic shipping cartels and the effects of the 1904 fare war upon migration between Europe and the United States

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Drew Keeling

## **North Atlantic Shipping Cartels and the effects of the 1904 Fare War upon Migration between Europe and the United States**

Business cartels typically restrain price competition, thereby helping keep prices above where they would otherwise be. Higher prices are not necessarily the principal motivation for establishing the cartels in the first place, however. In the case of ocean shipping, analysts and historians have long noted other incentives for cartelization inherent in the economics of the industry.

At the turn of the twentieth century, marine shipping (like heavy industry then) had a combination of high fixed costs and strongly fluctuating demand that made it vulnerable to prices falling below average costs during cyclical downturns. Moreover, its principal assets were ocean vessels that took years to build, lasted for decades, and were highly mobile, all of which encouraged a chronic overcapacity that, in turn, made below-cost pricing still likelier. Shipping lines were thus receptive to cartels (“conferences”) not so much as an “offensive tool” for raising prices and extracting extra profits than as a “defensive” protection against falling prices and extra losses. It is even felt that this combination of reasons partly explains the relative longevity of the conferences, and the relative tolerance of them shown by customers and government regulators.<sup>1</sup>

Migration historians have sometimes suggested that support underpinning North Atlantic passage rates when passenger shipping conferences fully functioned there, and price falls during occasional rate wars when conferences were ineffective or incomplete, influenced the volume of voluntary mass relocation between Europe and North America. Recent studies of the decades preceding the First World War indicate an opposite sign and direction of causality, however. Rather than fare wars inducing higher migration volumes, the more common pattern was for periodic declines in migration volumes, due to U.S. recessions, to have encouraged fare wars.

The North Atlantic fare war of 1904 is, however, a special case. In contrast to drastic “cutthroat” price drops during economic downturns of the 1870s, ’80s and ’90s, the 1904 war came towards the end (not in the middle) of a relatively minor (not major) recessionary slump in the United States, and it was accompanied by a marked

increase, not a decrease, in steerage passenger traffic along the affected routes. The 1904 fare war is also significant for historians because surviving archival records for the early twentieth century make it possible to accurately track the month-to-month trends of U.S. immigrants by nationality and ethnicity, and the levels of steerage passengers and fares by route and shipping line. Such records enable examination of how the breakdown of conference agreements and the steeply-reduced passage prices of 1904 affected European migration to America.

The slashing of transatlantic steerage fares that year occurred as politicians and pundits in the United States were gearing up for the most heated and prolonged immigration policy debate of the decade and half preceeding the First World War. Anti-immigration “restrictionists” of the early 1900s in the United States voiced the historically oft-heard complaint that contemporary immigrants, on the whole, lacked the praiseworthy traits found amongst more nostalgically-remembered precursors of prior eras. More specifically, it was alleged that “transportation interests,” by competing through reductions in travel costs, were enabling new, additional, and less welcome classes of newcomers to reach America who could not previously afford the expense of reaching it.<sup>2</sup>

The central hypothesis underlying this claim -that lowered ticket prices to America during fare wars produced a higher volume of Europeans resettling in the United States- has found its way into the historical literature of the period without being convincingly addressed there. The well-documented 1904 episode thus offers a useful test case.

The objective of the examination here is to identify and explain key quantitative effects of unusually low oceanic fares upon migration across the North Atlantic during the second half of 1904. There are two basic steps to the analysis. The first step involves measuring as accurately as possible the change (increase) in the flow of migrants along the routes impacted by the 1904 fare reductions, when those severe reductions were in effect. A parallel measure is then developed based on factors (*other* than the low fares) which affected migration along those routes during that time. A difference can then be derived between the actual flows of migrants and the flows which would have been “expected” in the hypothetical case of no price-slashing, but with all other determinants of migration volume being the same as they actually were. The result is thus an estimate of the changes in migration during the fare war, and *because of* the fare war.

The second step is to further analyze *how* the fare war influenced migration flows. A key distinction at this stage is between people deciding to become transatlantic migrants because of abnormally low fares, and already-committed migrants who altered their routes, timing or frequency of oceanic crossing in response to a temporary travel bargain. The resulting quantitative estimates of the reasons for increased or otherwise changed migration flows can then be interpreted in the light of more general

historical knowledge about the motives and patterns of the European migrants who came to America on steamships. The sources used are a combination of traditional U.S. immigration statistics plus data from shipping line archives, augmented by a sample of passenger arrival lists. Before proceeding with the analysis, however, some background on the 1904 fare war is in order.

### **Time, place and parties to the conflict**

The fare war of 1904 is an important and not very well understood episode in the history of the North Atlantic passage. In secondary historical writings there are contradictory indications as to when, where and amongst whom the fare war occurred. The inconsistencies tend to reflect two principal misunderstandings.

Firstly, because the formation in 1900-03 of financier John Pierpont Morgan's Anglo-American shipping amalgamation, the International Mercantile Marine (IMM), involved a long and complicated set of negotiations between Morgan and his eventual British affiliates on one side, and the German lines on the other, there have been occasional assumptions that these were the two blocs which got into a price war in 1904. In fact, both were allied against a third force, the fiercely and financially independent U.K. line, Cunard.

A second set of confusions arises from the fact that a key precipitating cause of the fare war was the determination of the German lines to force, via their Morgan "combine" allies in the U.K., punishingly steep fare cuts upon the Cunard line, in order to pressure it to rejoin a key market-sharing agreement it had dropped out of in 1903. Passenger shipping cartel arrangements, of which that agreement was one key component, survived in a weakened form, but were only fully restored in 1908 when Cunard finally came solidly back into the (strengthened) collaborative fold on a lasting basis. Some historians have thus concluded that the fare war *itself* lasted from 1903 to 1908, when in fact (as described below) rock bottom steerage fares (half or less of the normal pre-First World War level averaging about \$25 from the U.K. to the U.S.) occurred only from mid-1904 through to the start of 1905.<sup>3</sup>

Contemporary newspaper accounts make it clear that drastically reduced fares and "cutthroat competition" occurred essentially on the routes between United Kingdom and Scandinavian ports to the United States, and from late Spring, 1904 to early 1905. The principal antagonists were a group of British lines led by the U.K.'s White Star, acting largely as proxies for their two large German allies, HAPAG and Norddeutscher Lloyd (NDL), and against Cunard.

White Star was the leading line within Morgan's IMM holding company, which also included the Red Star and American lines. White Star, Cunard, HAPAG and NDL were the four largest carriers of migrants to America in the early 20<sup>th</sup> century, handling

on average two thirds of the total Europe-U.S. migrant traffic. About two thirds of the relatively small number of Scandinavian migrants to the United States in these years travelled by way of British ports. Fare cuts on the U.K.-U.S routes were closely matched in magnitude by reductions affecting the one third of Scandinavians going directly from “home” ports in Copenhagen, Gothenburg, and Kristiania (Oslo). The smaller British Isles-Canada traffic was not noticeably affected by the 1904 fare war, possibly because fares on those routes also were reduced to some extent.<sup>4</sup>

### **Rivalries, cartels and the 1904 fare war**

The fundamental competitive rivalry underlying the 1904 fare war was between the leading British and German cross-Atlantic passenger steamship lines. For over two centuries up to the 1890s, Britain and German-speaking Europe had supplied the lion’s share of migrants moving to North America. *British ports* garnered most of that traffic by the early 1800s because they handled all the British migrants and a great many of the German ones too, attracted by a shorter ocean crossing and more frequent schedules than were available in continental ports. Once European steamships took over transatlantic migrant transport from U.S. sailing ships during the American Civil War of the 1860s, *British shipping lines* dominated North Atlantic migratory travel. German shipping lines increasingly cut into the British market share, however, bolstered by a new and rapidly industrializing unified German state, aided by the declining advantages, in the steamship era, of “indirect migration” to America via Britain compared to direct oceanic transit from the continent, and benefiting from the more rapid growth of continental than U.K. emigration. Competition amongst British lines was allayed over time through consolidation into a smaller number of companies. On the continent, where multiple sovereign jurisdictions constrained corporate fusions, a cartel was established based on the ingenious device of a steerage passenger pool. Cheating on pool shares was impossible because U.S. authorities independently provided weekly tallies of arriving passengers per line. The two biggest German lines, HAPAG and NDL, dominated this continental cartel.

The sharp U.S. recession of the mid 1890s touched off a major British versus German war in cross-Atlantic fares. In several respects it was a precursor of the 1904 war. An 1895 agreement between the British lines and the continental cartel ended the conflict. Under its terms, the British lines were essentially granted all of the westbound steerage traffic from Britain, most passengers from Scandinavia, and a fairly small slice of the Continental outflow. By 1900, however, it was clear that the continental lines, especially the German duo dominant among them, had gotten by far the better deal in 1895. Their slice of the migration “pie” had grown much more than had the British slice. The 1890s marked the shift of America’s main sources of

labor from overseas, from the “Old Immigrants” of the north and west of Europe to the “New Immigrants” of southern and eastern (continental) Europe. The German lines benefitted directly by this trend, under the 1895 deal. The standard remedy under cartel pool competition, for parties unhappy with their market shares, was to exceed the agreed quota despite the agreement and then press for a higher allotment under a revised agreement. Under the existing geographical configuration of the migrant transport business, however, the British lines were severely limited in this respect. By 1900, nearly half of all U.S. immigrants were citizens of Russia and Austria Hungary, and the vast majority of these travelled across Germany enroute. An increasingly tight system of border inspection stations, operated by or in close coordination with the German lines, gave them and their continental cartel partners a “practical monopoly” on that travel flow.

By 1903, however, a combination of three circumstances enabled a British attempt to capture a larger portion of this Eastern European migrant traffic. In the first place, Morgan’s amalgamation was partly accomplished by heavily overpaying for shipping lines it bought up. The amalgamation and the web of agreements it wove effectively bound together nearly all major British and continental lines except Cunard, but left some of them, especially Cunard’s chief rival White Star, financially weakened. Secondly, Cunard skillfully used its position as the largest British passenger line remaining independent (of Morgan) to negotiate a U.K. government subsidy that strengthened it financially. Thirdly, Hungary offered Cunard an embarkation port in the Adriatic under favorable terms designed to provide a competitive alternative to the cross-Germany routes effectively locked up by the German-led continental cartel. Backed by its new subsidy, Cunard seized this opportunity in 1903 after first dropping out of the 1895 U.K.-Continental agreement. The German lines counterattacked in 1904, hiring their British allies to serve as mercenaries by slashing fares in Cunard’s home market. The fare war failed to achieve the desired effect of forcing Cunard out of its Hungarian route. Only three years later, under the pressure of the next recession (considerably deeper than the 1904 dip) was a new and more comprehensive overall cartel finally negotiated that covered all the major continental and British firms including Cunard.<sup>5</sup>

### **Changes in fares and passenger travel decisions**

The remainder of this chapter focuses on the issues of whether, how, and how much the 1904 fare war affected fundamental decisions of European migrants to cross the Atlantic to (and in some cases, also back from) the United States. The proper way to begin the analysis is by examining the passenger fares in the steerage class used by over 80% of transatlantic migrants between Europe and America in the early 1900s.

Detecting periods of sustained very low ticket prices, e.g. prices held at less than half of their 1900-13 level for at least three months at a time, allows identification of the time, place, and companies involved in fare wars.<sup>6</sup>

The fares charged to European migrants crossing the Atlantic by ship to U.S. entry points (such as New York's Ellis Island, which handled two-thirds of the late nineteenth and early twentieth century influx) have been a source of frustration and confusion to historians. The fares were only publicized on an infrequent and intermittent basis, the rates changed abruptly at odd intervals, and until recently, there have been very few continuous time series discovered or developed. Historians have tended to try to draw trends from only a few scattered observations, usually without convincing effect, or to ignore the fares altogether, or to say that they must have been important, but without explaining how. Recent compilations of fare data, however, make it possible to draw clearer and better informed conclusions.<sup>7</sup>

Available time series of North Atlantic steerage fares for the late nineteenth and early twentieth centuries clearly display two generally underappreciated features. Firstly there was little long term secular change in ticket prices after about 1880. A slight upwards trend after the mid-1890s is roughly in line with a contemporaneous rise of U.S. wages (the principal ultimate source for financing most migrant crossings during these decades). Secondly, steerage fares were mostly positively rather than inversely correlated with changes in passenger volumes.<sup>8</sup>

Quarterly fare data for the early 1900s confirm newspaper accounts of when and where fare wars were concentrated. The Cunard line, the main initial target of the fare-cutting in 1904, and forced thereby to match the low rates of its direct U.K. competitors, is a good proxy for measuring overall trends of fares from the British Isles. Cunard lowered its steerage prices sharply in June of 1904 and did not fully restore them until early 1905. Fares out of the fare war's "secondary theatre," Scandinavia, moved in a very similar pattern, albeit about two and a half months earlier (up and down). A third set of prices, those of the Holland America line, followed a similar trend, but the drop in rates was much less. Continental lines such as Holland America, and the two large German companies, HAPAG and NDL, made substantial fare cuts only on a selective basis, e.g. to compete for the minority of passengers from Russia and Austria Hungary potentially able to circumvent the German border stations and thus reach Britain to go on to America from there. Compared to more "normal levels" before and after, average steerage rates to America in the second half of 1904 were at 49%, 60% and 76% for Cunard, the Scandinavian voyages, and Holland America respectively.<sup>9</sup>

In addition to fares, another important measurement over time is that of the U.S. business cycle. Migration levels fluctuated by as much as a factor of four in response to changes in the U.S. economy. There is general agreement that the U.S. economy was in a mild recession from about October of 1903 through September of 1904. The best

estimates indicate that migration decisions lagged changes in economic output and job supply in the USA by about three months. That makes the operative period of the recession, for migration flow purposes, the calendar year 1904 (January-December).<sup>10</sup> Allowing for a lag of at least a month or so for migrants to respond to cut-rate fares, even with the considerable “advance notice” that applied in this case, and even for minor aspects such as the choice of shipping line or embarkation port, the appropriate time period for measuring the effect of the fare war on migration moves begins in July, 1904. It then runs through the year-end. Small and briefly lingering effects of the fare war in the first few months of 1905 were soon overwhelmed by the simultaneous and powerful economic upswing in the U.S. economy and in labor market demand underway already by the end of 1904.

The basis chosen here for estimating the effects of the 1904 fare war on migration is thus to compare actual versus “expected” migration flows, from July through December of 1904 on the most affected routes. A key gauge of the expected flows, shown in Table 1, is developed by adjusting the actual levels of the second half of 1903 for the difference due to their being mostly in a non-recession period, whereas the last six months of 1904 (to which 1903 is to be compared) were recession months. The impact of the fare war can thus be estimated by comparing the *actual substantial increase* in migration flows in the second half of 1904 over 1903, against the *expected modest decline* given the mild recession in effect during the latter period.

But the fare war affected more than just immigrants from the British Isles and Scandinavia. Table 1 shows how, in essence, some migrants from countries outside Britain and Scandinavia travelled through Britain rather than going directly from their own “home” embarkation ports or leaving Europe from other non-British ports. By tallying the change in the levels of *all* steerage passengers travelling by way of U.K. and Scandinavian ports, not just U.K. and Scandinavian migrants, a rise in transit migration is revealed. A large component of the excess of *steerage passengers* from the U.K. (compared to British *migrants* to the U.S.) comes from these transit migrants. As a convenient simplification, it is assumed that the one other major external factor impinging on migration during the fare war period – political conditions in Russia – exactly offset the expected drop in passengers due to the mild 1904 recession.<sup>11</sup>

In short, the methodology employed here is to take the computed excess of actual steerage class passengers from U.K. and Scandinavian ports from July to December 1904 over the expected level of those passengers (the 1903 actual volume with a small net adjustment for the effects of the 1904 recession, and all other extraneous factors assumed to cancel each other out). The excess, shown in Table 1, comes to about 62 thousand passengers (74%) over the “expected” level. This is the estimated increase in migration *due* to the fare war. It remains to then estimate the relative importance of the various likely factors behind this increase.



Table 1: *Expected vs. actual change in volume of immigrants and steerage passengers to the United States from the British Isles and Scandinavia (July-December 1904 vs. July-December 1903, in '000s)*

	Volume		Change (1904 less 1903)		Why actual exceeded expected				
	2nd half 1903	2nd half 1904	Actual	Expected (if no fare war)	Actual minus expected	Shifted Route	Shifted Timing	Repeat Migrate (1st time)	Decided to Migrate
All Steerage Passengers	83	145	62	0	+62	22 (35%)	4 (7%)	20 (32%)	16 (25%)
Immigrants "last resident" in Britain or Scandinavia	75	108	33	-7	+40	11	4	9	16
Other Steerage Passengers					+22	11		11	

#### Sources

Steerage passengers from Transatlantic Passenger Conferences reports, "Trans-Atlantic Passenger Movement", New York, 1899-1914. Immigrants from U.S. Bureau of Statistics, "Monthly Summary of Commerce and Finance, Immigrants Arrived in the United States", 1899-1905.

#### Expected changes in volumes

Of steerage passengers: As a convenient approximation, it is assumed that various factors affecting steerage passenger volume offset each other (including reduction due to the mild US recession, increase due to more transit migrants from Russia because of pogroms, etc.), so that the net change, had there been no fare war, would have been zero. Of immigrants: Had there been no fare war cutting rates by over half, but only a lesser reduction of 10-15% (as occurred in the rest of Europe during the 1904 recession and across Europe as whole in the 1908 slump), then immigration from Britain might have been expected to decline although less than elsewhere (because Italian immigrants, for example, worked

more often in cyclical industries). If immigration from British Isles and Scandinavia had reacted relative to the rest of Europe in 1904 as it did in 1908, it would have dropped by 7 thousand as shown.

*Reasons - how and why volume increased during the fare war*

Shifted Route: Based on U.S. Bureau of Immigration annual reports, 1904-08, Table V, 1909-14, Table VIII, Immigrants "last resident in the UK" but of non British or Irish "race" were higher by 11 thousand in fiscal 1905 (July 1904-June 1905), versus 1906-14 for "Hebrews", versus 1904 for all others. Most likely, nearly all these 11 thousand were actually transit migrants from other origin countries only briefly resident in Britain enroute to the U.S. An estimated additional 11 thousand transit migrants, not "last resident" (even temporarily) in Brit. Isles or Scand. are accounted for at the bottom of the "Shifted Route" column. This 11 thousand transit migrant figure is derived by subtracting the unexpected increase in naturalized US citizen migrants (also 11 thousand, at bottom of "decided to repeat" column) from the observed total of 22 million steerage passengers who were not "immigrants last resident" in the Brit. Isles or Scandinavia. Although not officially considered immigrants, U.S. citizens in steerage were nearly all recently naturalized citizens returning from visits to origin regions in Europe. They are grouped here with repeat immigrants because, in order to have naturalized, they had to have previously migrated to the U.S. See Keeling, "Repeat" (see endnote 13) for particulars.

Shifted timing: estimate based on steerage from the U.K. rising more slowly after the fare war than steerage elsewhere. Decided to repeat migrate: The estimated 20 thousand repeat migrants is the sum of a 9 thousand increase in repeat immigrants and the 11 thousand increase in naturalized citizen migrants (mentioned above under "Shifted Route"). Both sources of unexpected repeat migration (the 9 and the 11 thousand) are estimated based on the following sample of passenger lists (U.S. National Archives, microfilm): Five Liverpool to New York voyages from were paired with comparable voyages in 1904, each year's voyages carrying in total three percent of all UK to New York passengers (during the months July-December, corresponding to the fare war). The vessels and 1903 New York arrival dates (1904 in parenthesis) were: *Oceanic* July 22 (22), *Umbria* July 26 (31), *Cedric* September 5 (12), *Campania* September 12 (*Lucania* September 17), *New York*, September 12 (18). (*Campania* and *Lucania* were "sister" ships.) Comparing 1904 to 1903, using these passenger lists, 23% of the increase in immigrants was an increase in repeat immigrants (hence:  $.23 \times 40 = 9$ ), and 18% of the increase in all steerage passengers was due to an increase in naturalized citizens (hence:  $.18 \times 62 = 11$ ).

Decided to migrate for first time: This figure is derived by subtracting from the 62 thousand total unexpected increase, flows attributable to all other reasons: route shifts (22), timing shifts (4), and increased repeat movement (20).

### Roots, routes, and repeat crossings

Most Scandinavian migrants to the United States travelled by way of Britain, but their third country transit cannot explain steerage passengers from British and Scandinavian ports *together* being more numerous than migrants to America who were citizens or long term residents of the United Kingdom *or* one of the Scandinavian countries. Nor can it explain the *rise* in this difference during the fare war. Two factors can explain this however; first, the rise in transit migrants (from countries other than U.K. and Scandinavia) and second, that portion of the simultaneous rise in *repeat* migrants due to increased flows of naturalized citizens (not classified as “immigrants” in the U.S. Immigration Bureau statistics). Quite a number of these show up in the passenger lists of the period. They have names like Olsen, are typically recorded as returning to America after short visits to their home villages using the then prevailing cheap fares, and travelling with a number of non-U.S.-citizen immigrant “Olsens”, e.g. from small villages in Norway, in the steerage. Contrary to the practice of the U.S. Immigration Bureau, these U.S. citizen steerage travellers are classified here as migrants (despite their citizenship) because the overwhelming purpose of their travel flow was clearly related to migration, not to crossing the Atlantic to make a summer vacation tour of Europe, as was the case for most U.S. citizens in the first class. U.S. citizens in steerage are assumed to be repeat migrants, and are shown as such in Table 1 at the bottom of the “Decided to repeat migrate” column).

Table 1 also estimates the magnitude of those classified by the U.S. Immigration Bureau as *immigrants* from the U.K. but who appear to have been actually only temporary residents staying a few weeks enroute from eastern Europe. Their total comes to 11 thousand (the derivation of this is in the notes to Table 1 under “Shifted Route”). There is separate evidence of such odd classifications, and no other good explanation for the sudden surge (in the U.S. immigration statistics) of, for example, “Hebrew residents of Great Britain” immigrating to America in late 1904 and early 1905. The great likelihood is that these were actually Eastern European residents taking a little extra time (for various reasons) to get through Britain to America (hence their official, though misleading, designation as being “last resident” in Britain, Ireland, or Scandinavia.)

A shift in routes favoring U.K. ports is the first of four key factors explaining increased passenger flow during the fare war. The second such factor is revealed by looking at eastward steerage flows *to* Europe during the fare war, presented in Appendix 2. The trend of monthly budget class passenger trips shown there displays a big surge in June and July of 1904 – just after fares were slashed – of steeragers going *from* America to U.K. and Scandinavian ports. Westbound passenger list samples (see Table 1, “Sources”, “Decided to Repeat”) and contemporary press accounts also indicate that there was a sizable jump in 1904, beyond what might have been expected, of short

term circular summer visits to Britain and Scandinavia made by migrants already resident in America. They took advantage of the prevailing low fares to go back to their home villages in Europe, and in some cases, to bring over additional relatives to America on their return westward crossing later in the summer or in the fall. Figures in the “Repeat Migrate” column of Table 1 (9 thousand for “immigrant” migrants plus 11 thousand for (naturalized) citizen migrants) measure the *entire* increase above what could have been anticipated absent a fare war, i.e. repeat moves regardless of reason, but the passenger list records indicate that a majority of these repeaters had “been in the U.S. before” in *that same year*, 1904. This makes it very likely that a large fraction of the 1904 increase in repeat westward migration consisted of persons who went east to Europe in June or July and then west again to America in September and October (contributing thereby to the 1904 bulges shown in Appendix 2).

A third factor, estimated in the “Shifted timing” column of Table 1, is that of migrants deciding to go sooner to the U.S. (e.g. during the fall of 1904 and at very low fares) rather than later (e.g. the following spring, at much higher fares). The first three factors reasons then – migrants changing routes, migrants already in America making extra short term roundtrip repeat excursions back to Europe, and migrants accelerating already planned departures from Europe due to bargain ticket prices – account for most of the 62 thousand increase in westward steerage passenger crossings during the fare war. The remaining unaccounted-for increase, shown in rightmost column of Table 1, is thus assumed to reflect the fourth factor: those Europeans who had never migrated to the United States before, and had not intended to do so, but who changed their minds and relocated *because* the fares were so cheap.

### **Kinship networks and migrant self selection**

The main impact of the 1904 fare war was thus on *how* (by which routes), *how often* (frequency of repeat migration), and *when* to go to the United States (timing of the relocation). Only a minority of the crossings prompted by the low fares involved decisions on *whether* to go to America at all. There are probably four main reasons why all these effects (changed routes, increased “circularity” of transoceanic movement, accelerated timing, and a growth in decisions to relocate in the first place) were more pronounced during the 1904 fare war than in prior fare wars. (See comparisons in Appendix 1). The first two reasons involve growing choices for migrants in how to carry out their relocations. The second two reasons amount to increases in the wherewithal for implementing those augmented choices.

The first main reason for the fare war of 1904 boosting migrant traffic to an extent not seen in previous episodes of rate-slashing, is based on the previously mentioned long term change in the geographical origins of American immigration. During 1902-

05, American immigrants from Russia, by then the main source of transit migrants through Britain, were three times as numerous as were migrants of U.K. origin. In the 1870s and '80s, by contrast, the Russian volume was one-ninth that of the British Isles, and in the 1890s was still not much more than half as big. By the turn of the 20<sup>th</sup> century, there was a larger than ever before pool of “new immigrants” from eastern Europe able to choose to embark for the U.S. from either Britain or the continent, depending on ticket prices.<sup>12</sup>

Propensities for repeat migration had also grown since the last big price war in 1894. Increased reliance on temporary or seasonal work in the U.S., and improvements in on-board ship accommodations, particularly on U.K.-U.S. routes, boosted the proclivity of already-established migrants in the U.S. for making short visits back to families in Europe.<sup>13</sup>

A third reason for migration responding more than before to lower transatlantic fares was the growing affordability of transatlantic relocation due to the long term growth of U.S. wages. This meant that nominal steamship fares, though themselves little changed over the long term, nevertheless had become a gradually larger component of overall migration costs. Fourthly and finally, increased willingness to alter migration plans in response to bargain ticket prices also reflected the relatively mild nature of the recession in 1904, compared to more serious and longer-lasting downturns in the 1870s and '80s.

The fundamental units of migration selection and decision-making in this era were neither regional aggregates nor lone individuals, but networked family and kinship clusters. The response of migration to low fares between northwest Europe and the northeastern United States in 1904 featured consistent, not aberrant, behavior by these networks. Jewish families anxious to bring additional relatives out of Russia, and their larger community sponsors, naturally tried to take advantage of increased affordability by altering the “escape route” to go through Britain. Young Irish and Scandinavian migrants in America, most of whom were also destined to end up permanently there, nevertheless remained closely connected to families back in the Old Country, and understandably increased their already frequent short term return visits, along the relatively short and fast routes to northwest Europe, when they could do so at half-price.<sup>14</sup>

Even the relatively smaller number of self-financed first-time migrants, lured by low costs into an otherwise not quite attractive enough overseas relocation in 1904, travelled in most cases within family, kinship or community networks. They chose destinations and pursued opportunities informed and organized through personal connections. They relied on such networks for advice and used them to assist relatives and friends who followed them.<sup>15</sup> Available “qualitative” data, on the demographics, occupational status, and social class of American migrants, shows little change during the period of the 1904 fare war.<sup>16</sup>

## Conclusions and implications

The analysis here indicates that only about a quarter of the increased traffic between the U.K. and the U.S. during the 1904 fare war was made up of Europeans deciding to emigrate overseas *because* of the lower fares. This is in sharp contrast to the roughly four out five European migrant transits to America, on average during 1900-1914 as a whole, which were comprised of such “first time crossers.”<sup>17</sup>

It is instructive to speculate briefly on what might have happened with migration had the low fares of the summer and fall of 1904 been sustained somehow. (This presupposes some rather drastic changes in the ownership, regulatory or subsidy structure of passenger shipping, since the prevailing steerage fare of \$10-15 during the 1904 fare war was well below financial breakeven for the companies as then configured). Does this episode, in other words, offer evidence for passage prices being a major operative constraint on the volume and characteristics of those self-selecting relocation to the United States?

For the six month period when the fare war was fully raging, the basic sensitivity to it of *whether-to-leave* Europe decisions indicates that a 50% drop in fares produced a roughly 25% increase in decisions to migrate across the North Atlantic (given, first, that the overall passenger increase – for *all* reasons- was just about 100% of the pre-fare-war base period, and, second, that “deciding to migrate” was responsible for about a quarter of that overall increase).<sup>18</sup> It is theoretically possible that these low passage prices, if indefinitely sustained, might have led to an ultimately greater than 25% increase in migration, due to the replicative effects of “chain migration,” a long-term growing tendency for “circular” repeat crossings and so forth.

The basic economics of migrate-versus-don't-migrate decisions in this period argue against such a conjecture, however. At average wages, living costs, and employment rate levels in early twentieth century America, the typical migrant could expect to save about \$4 per week there.<sup>19</sup> Fares cut by about \$12 thus reduced the time to “breakeven” on migration costs by less than one month. At the margin, there were clearly Europeans on the brink of deciding to go off to America, and for whom such an additional gain would tip the balance in favor of emigration. That seems to have been what basically happened with many of the first-time relocaters from the British Isles in the second half of 1904. The supply of such “fence-sitters” was also surely not exhausted by a mere six months of available cut-rate fares. The supply was surely also finite, however. The overall preponderance of evidence indicates that the great majority of migrants to the United States decided to do so on the basis of a time horizon of at least a year or two, and usually with family connections enabling a much longer if not permanent resettlement. Given the proliferation of transatlantic migration networks throughout many thousands of European villages, and of well-established mechanisms for intra-family financing, such as prepaid tickets and remittances from

America, it certainly seems unlikely that great numbers of potential migrants would have decided to move overseas because they needed to borrow against one month less (than before) of expected future savings to do so.

The conclusion that the fare war of 1904 had relatively modest (and probably not sustainable) effects on decisions to migrate, is less surprising than it may at first seem. No one could get to the United States in 1904 from Europe without spending a week at least crossing the often stormy Atlantic in a coal-powered metal boat. But half a century after the introduction of regularly scheduled budget class transatlantic travel, the existence of uncomfortable but reliable and relatively affordable transportation to and from North America was largely taken for granted. Permanent or temporary innovations in the amenities or price of the service could have big effects on the routing, timing or circularity of migration between Europe and the United States. Whether or not to take the plunge and move overseas in the first place was a weightier decision not greatly impacted by ups and downs in transatlantic passage prices, at least not in this period.

Ultimately, the 1904 fare war turns out to be something of an exception that proves the rule. During this era of open borders, generally “unfettered” labor markets, and mostly peaceful “globalization” across the North Atlantic, risk-ameliorating kinship networks were significant than costs of relocation in shaping mass international migration.

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#### Notes

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  - 6 See newspaper citations in note 4 above.
  - 7 See, for example, Keeling, Transportation Revolution (see note 2), p.41-42, 64-65, Keeling, Capacity (see note 2), p.271-74.
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  - 16 For example, Dillingham Report, vol.3, p.50, 90, 149, 131, 156-171, and 353.
  - 17 Keeling, Capacity (see note 2), p.282.
  - 18 See Table 1.
  - 19 Calculation based on Keeling, Networks (see note 2), p. 169-170.

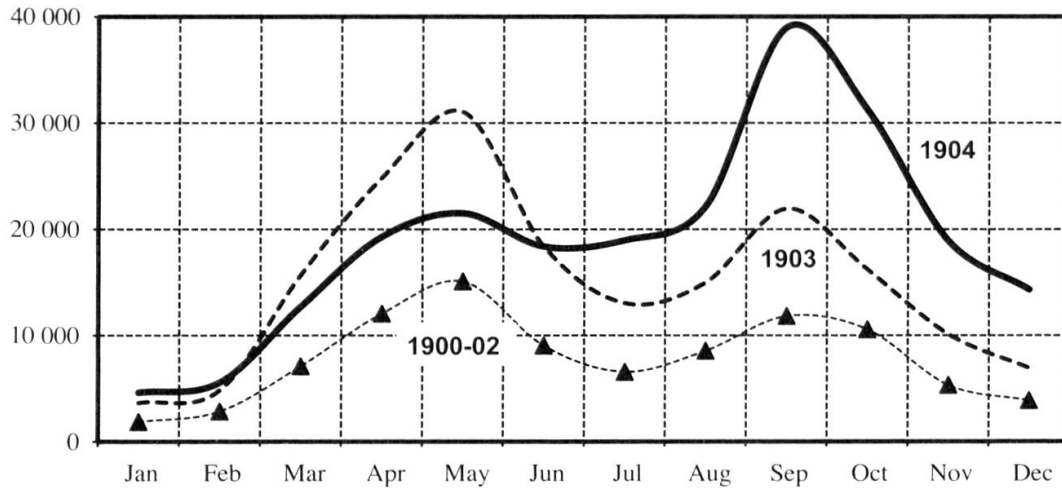


Appendix 1: *Economic Recessions, Immigration to U.S., Fare Wars, 1870-1914*

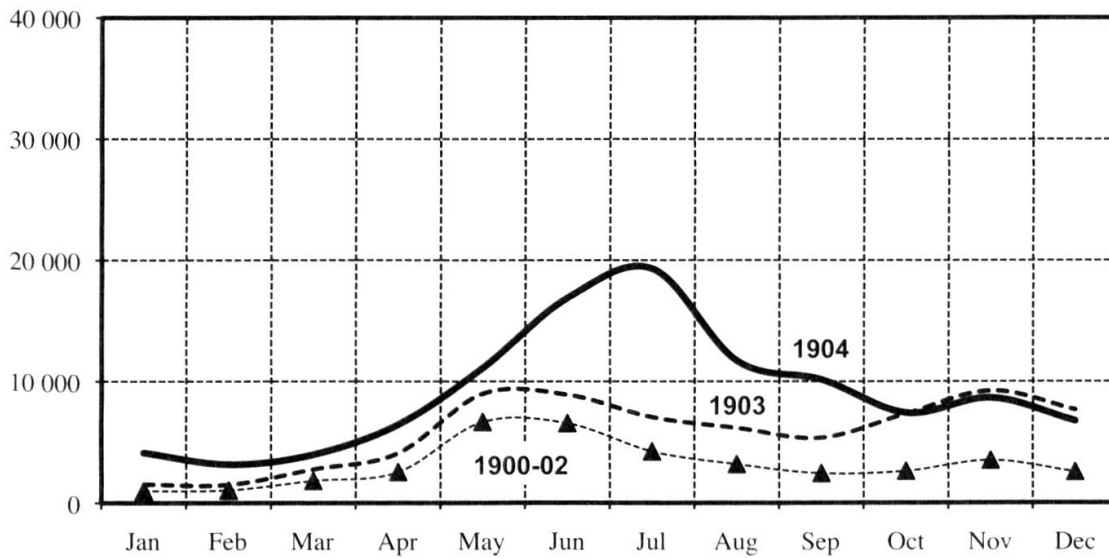
Years	Immigration versus prior period from: Europe UK		Share of Immigration from UK	Description of Fare Reductions
1874-75	-51%	-49%	45%	“fierce rate-cutting war,” lines had “severe loss” (Hyde, p. 96)
1884-85	-34%	-30%	30%	“widespread rate cutting” by 1/4 to 1/3 (Hyde, p. 104)
1893-95	-50%	-42%	19%	fares cut up to 2/3 (Flayhart, p. 166-69, 217)
1904	-5%	80%	10%	“one of the fiercest rate wars in history” (Hyde, p. 110)
1907-08	-39%	-18%	13%	“rate war failed to materialize” (Aldcroft, p. 354)

Sources: Immigration: from *Historical Statistics of the United States*, U.S. Bureau of Statistics, “Monthly Summary,” 1900-05. Fares: Hyde (see endnote 2), Flayhart (see endnote 2), Aldcroft, Derek, “The Mercantile Marine” in Aldcroft, Derek (ed.) *The Development of British Industry and Foreign Competition, 1875-1914*, London 1968, p. 326-63.

Appendix 2a: Monthly Steerage flows from Scandinavia and the U.K. (westbound to USA)



Appendix 2b: Monthly Steerage flows to Scandinavia and the U.K. (eastbound from USA)



Source: Transatlantic Passenger Conferences reports, "Trans-Atlantic Passenger Movement", New York, 1900-05.

