

## STRUCTURE & CHANGE IN MALTA'S ECONOMIC HISTORY

Structural Transformation of the economy of Malta between the 1800 and the 1960s. We analyze:

- Regional : as Malta was in strategic position & how Malta was incorporated into the world of capitalist economy.
- Global : what is happening internationally & how international events effected Malta's economy.

### ➤ *Economy in Malta during the **Order of St. John***

The order of St. John stayed in Malta until 1798, until the French arrived to Malta. The knights left behind new developments that effected our economy:

- a. *Security*: Provided security by means of coursers., which removed a great obstacle for economy.
- b. *Naval Base*: The needs for naval matters generated economy, as it altered employment and industries.
- c. *Agriculture*: The Order was keen to increase agriculture. It had in fact opted to improve the systems of agriculture.
- d. *Cotton in Malta*: It was a major industry set in Malta. A lot of cotton was exported and the seeds were used to feed the cattle. However, it declined later by the introduction of cheaper cotton.
- e. *The Corso*: It refers to piracy . The Maltese were very good at it, however other foreigners joined forces In Malta. This was a very worth doing, as it provided very good business. By law, the license included that all that was captured was to be presented to the government and they shared accordingly.
- f. *Market place*: Most trade was done in Malta.
  1. Slave trade: Many slaves were kept here to sail in ships.
  2. French trade: Entrepot: Malta became a base for French trade.
  3. Knight's Trade: The order placed it headquarters in Malta and thus spent money to adopt to their life style. However by the French Revolution some lands in France and thus money spent was lessened.
- g. *Population*: The population of Malta had grown with the arrival of the knights and in fact by 1798 the population was much bigger than before the arrival of the knights. The population became however numerous that it could not be supported by indigenous resources.
- h. *Debt*: As the Knights left, Malta was left with all of debt due to the Knight's expenditure.

### ➤ *Economy in Malta during the **British***

- The British Services: Many Maltese worked with the British as Balklori, maids,
  - The Continental System ( 1806); Napoleon wanted to stop British trade, by making his allies have no trade with Britain. This made Malta a smuggling place for British tarde, which thus altered economy in Malta. Consequently, wages increased and the farmers produced more food.
- “ After 1807, the Island of Malta became the focal point of a trading system artificially warped and distorted by war” ( Bowen-Jones) “
- a. 60 British & 20 Maltese business were created
  - b. The number of British ships calling at Malta doubled.
  - c. Number of ships registered in Malta quadrupled

- d. Wages for rural and urban labourers rose.
- e. Farm incomes and rents increased.

→ End of Continental System: Many of the British went away from Malta and wages increasingly fell, as people had to work in any kind of job.

The British ran with the term “ Laissez Faire” meaning describes an environment in which transactions between private parties are free from state intervention, including restrictive regulations, taxes, tariffs and enforced monopolies. The phrase *laissez-faire* is French and literally means "let do", but it broadly implies "let it be", or "leave it alone." This left the British alone and thus had to face the problems by themselves. For Malta this meant:

- a. Malta had to seek its own salvation
- b. Maltese nation should not expect heavy financial commitments from the British.
- c. Malta had to survive on its own tax revenue.

- 1812 Commission: Here it was reported how the population had increased with the arrival of the British.
- Plague ( 1813): Trade with Malta increasingly lessened, as Malta was officially proclaimed that it was infected with plague. Economy was blockaded due to Quarantine. ( quarantine regulation were officially lifted by the 1820s however, it took time to the countries to personally lift the quarantine.
- *The Battle of Navarino(1827)*: The Battle of Navarino was a revival for Maltese economy after the economic depression caused by the plague.
  - ✓ Good Naval Hospital: It showed that Malta needed a good naval hospital, as the one in Fort Racasoli wasn't a suitable hospital. ( as wounded soldiers were coming here from Navarino)
  - ✓ The number of Royal Navy ships based in Malta rose.
  - ✓ The Russian squadron recovered from the battle and placed its ships for repair.

- 1832; The Bighi Hospital
- 1837: Attack on
- 1839; Cigar trade industry: in 1839 was considered a most profitable branch of trade here and gives employment to many thousands of poor families. By 1856, it provided work for 1,500 workers and exported cigars to all parts of the Mediterranean. But the industry was doing very badly by the end of the century.

→ 1940s:

From about 1840 onwards, Britain began to consider Malta to be a key position in its extensive maritime Empire. By the end of the 1840s Britain military spending in Malta reached 200,000 a year in defence & public works.

- 1840s: Military development; From the 1840, the islands were redeveloped military on a vast scale as Malta became a key position in Britain's extensive maritime empire.
- 1848: The Dockyard Greek : At a very early stage the Royal Navy laid plans to expand these facilities. However it wasn't until 1844 that the foundation stone for the 1<sup>st</sup> dry dock was laid.

This was built at the head of the Galley Greek ( renamed Dockyard Creek by the British) and was completed by 1848.

→ 1950s

- 1854- 56 ; The Crimean War: Brought considerable military activity that boosted the local economy.

- ✓ Malta as forward supply and refit station for the British Forces.
- ✓ Soldiers hospitalised in Malta
- ✓ Warships repaired in the naval dockyard
- ✓ British military spending ( increased )
- ✓ Local Trade ( increased)
- ✓ Maritime activity : Malta became a coaling station when sailing ships were replaced by steamships.

After the war ended many of these activities slowed down :

- ✗ Maritime activity
- ✗ Economic activity
- ✗ Trade and commerce
- ✗ Employment
- ✗ Wages ( low wages)

- Steamships: The creation of steamships changed the situation of Malta's system of defence completely. This led to consider embarking on an extensive programme which would eventually lead to the complete overhaul of Malta's coastal defence system.

→ 1960s

- 1960; As from the 1960 onwards economy depended more on the British spending, this did not only effected military developments but also boosted the local industries
  - ✓ Money from the British: A large amount of money was coming for the spending of the British on Malta. This money was coming from British commanders, soldiers, sailors including their wives and children.
- 1960; Barracks; Barracks were built in St Georges Bay at St Julian's. Later these were followed by other buildings in Tigne, Sliema & Mtarfa.

➤ Report 's from the British

1. 1838 Report: Commissioners were appointed to inquire to the affairs of the island and of correspondence. They stated that:
  - a. Demand for land
  - b. Few landowners had sufficient revenues to invest in the improvements of their properties.
  - c. Spinning and weaving was considered t be the principal Manufacture. ( a lot of women working as spinners)
  - d. People who begged ( depended on charity )
2. 1911 Royal Commission: In November 1911, a royal commission was sent to Malta to inquire into the local financial and economic situation. It was held due to deficit ( decrease in economy) decrease of employment. In its report, published in April 1912, this royal commission had concluded that the costly extensive system of military and public works, which had been embarked upon towards the end of the

19<sup>th</sup> century mainly for the benefit of the British armed forces stationed in Malta, would have cost much less had they been constructed solely for the benefit of the Maltese population. The royal commission had suggested that Malta should either discontinue contributing money towards the construction and maintenance of the British military and naval installations, or else that Britain should start paying rent for the sites occupied by military and naval personnel. This royal commission also proposed that Britain should increase her contribution towards the construction and maintenance of public works which directly or indirectly benefitted the British armed forces stationed in the Island. Another proposal made by this Royal Commission was that emigration outside the Mediterranean, such as to the United States, should be encouraged by the Government.

Quotations:

“ For centuries the people of Malta have never been a self –supporting community”

“ Fleet has for the past few years been more frequency absent “

3. Report in 1919: The governor held a study on the situation of Malta. The committees of various areas estimated that:
  - a. Some rates were below minimum wage
  - b. Average rate paid labourer was rarely more than 1s per day.
  - c. A total of 40,000 persons were directly dependent for their live hood on the dockyard.
  - d. Many worked in any condition due to the scarcity of employment.
  - e. At wartime employment was far more greater
  - f. 50,000 Maltese depended on the Fleet and garrison
  - g. After war, the discharges from naval, military and other war establishment alone exceeded 17, 000 men.

All these statements were conducted by civil states man who had no political interest.

Laws:

- a. Newly opened companies were not to be copied. ( company manager: Joseph Haward)
4. 1955 Report: This report brought forward the political and economic structure at that time. It showed the strange situation which both the Maltese.
    - Report
      - a. International Affairs : was in the hands of the British
      - b. Local Affairs: were under the Maltese
    - Economists
      - a. Thomas Balogh : Was a Hungarian economist who conducting a study regarding Maltese economy. He brought forward the idea that Malta had 2 problems that the population grew rapidly and that Maltese economy depended a lot on the services. He was brought by the MLP to see if Malta was ready for integration.
        - Integration, as a constitutional solution to Malta's economy.
        - The decline of Industries: Cotton
- He proposed:
1. British firms to come to Malta
  2. Jobs to be increased
  3. The social services in Malta to be similar to those to the Uk.
  4. The services must buy all that necessary for Malta.
  5. The fishing, tourist, agriculture industry to be organized.
  6. British firms must invest more money in Malta.
  7. British was to give Malta \$5 million per year, to pay for the land services.
  8. Foreign investment: It provided employment

- b. Dudley Seers: He was a British economist who was sent to report on economy in Malta.

➤ **Economy in early 20<sup>th</sup> century**

Malta was a *dual economy*, which means the existence of two separate economic sectors within one country, divided by different levels of development. This included;

- A. Country side Economy : not yet industrialized  
B. Harbour Economy : Industrialized as they were near the shores.

Economy developed on two main elements:

1. International Trade
2. Investment of the British

➔ **Economic Boom:** This exceptional boom of economic activity and high level of employment affected the normal life of the Maltese labouring classes. Owing to the rise in the standard of living of a large number of workers, many, not troubling themselves with the future, married recklessly and the birth rate, which always high in Malta, increased considerably..

- **1903: The Construction of the Break Water:** At the mouth of the Grand Harbour was commenced the Break water. This project, which was estimated to cost 1,000,000 was intended to protect the British fleet stationed at Malta from an enemy torpedo attack and also from the strong north-easterly winds. Never had Malta experienced such massive enterprise. The demand for labour was so great that skilled workers, especially from nearby Sicily and Spain, had to be imported to complement the Maltese harbour.

The British War office had contributed part of the finances required for these projects particularly towards the construction of the breakwater, new roads and the installation of the new drainage system. This was because these works were also considered to be beneficial to British military and naval interest besides those of the Maltese population. During this period the British were spending around 2,000, 00 a year in Malta.

➔ **Economic Depression :** However, when work on the break water was terminated unemployment quickly reached high levels. This was because the well-being of the Maltese depended solely on British spending on works connected with military requirements or with the naval warships stationed in Malta.

- **Decline of Malta's Importance:** During the 1<sup>st</sup> decade of the 20<sup>th</sup> century, the military and naval rivalry between Britain and Germany had shifted its attention to defence requirements in the North sea. Consequently the importance of Malta as a British naval base had somewhat declined, resulting in a decrease in British military spending in Malta, leading to a corresponding decrease in employment opportunities for the local population.
- **End of building structure:** The large military and public works projects which had been embarked upon during the 1890s, and which had generated high rates of employment, were completed by 1906. As a result, numerous workers had now found themselves unemployed, while those who were fortunate enough to retain their employment had to face drastic cuts in their wages. Malta was plunged into the worst economic depression it was ever to experience. The government was

paying the sum of 68,000 per annum in charities. Panic set in and many wanted to emigrate. Government revenue plunged drastically and by 1911 Malta's finances were totally depleted.

### ➤ Emigration

- 19<sup>th</sup> and 20<sup>th</sup> century: In such period Malta became over populated. The British governor couldn't provide sufficient jobs for all the Maltese and thus the only solution was emigration until work was available in Malta.

#### Population

1800: 100,000 persons -- > 1900; 200,000 persons

1820 → Many Maltese started emigrating towards the

1. Northern African ( Cairo, Lixandra, Tripoli, Tunes, Bona & Algiers) coasts, or i
2. The Turkish empire or Mediterranean islands ( Sicily, Corfu) & also in
3. the French harbour of Marsilia,

- During the 1<sup>st</sup> years of the British rule. The wages in such places were higher than those in Malta. Here the Maltese worked as skilled workers. ( tas-snajja) The Maltese preferred such places, ( especially Muslim countries) as the climate, language was similar to that of Malta.

The British government encouraged the Maltese to emigrate in British colonies. In fact a Maltese representative of a private industry was usually sent back to Malta to encourage other Maltese to emigrate there.

- Maltese workers who emigrated to foreign countries, used to return back to Malta when they managed to save enough money to open up a business in Malta or when work increased in Malta. ( Opening of the Suez Canal 1869 )
- Some of the families who emigrated used to return back to Malta after 2 years, as they found it hard to adopt to the climate, culture, traditions. However those who succeeded in their business continued to live there and never returned to Malta. Emigration wasn't much of a success by the 20<sup>th</sup> century but was a greater success in the 21<sup>st</sup> century.

#### 1920 →

- Canada
- United States
- Australia
- England

Between 1946-75 around 137,000 Maltese had emigrated. An crucial factor that encouraged them to emigrate was the English language and the fact that Britain was the Maltese colony.

## 9. 1964

### Decrease in Emigration

As from Independence day, new factories and tourism altered and thus there were new opportunities.

➤ Taxes

- Bread Tax:

It was a tax that mostly fell on the lower classes as they were those who ate bread daily. The lower classes were thus paying more taxes than the upper classes.

*The commissioners argued that it wasn't ideal to have such an unfair system, however it was better than any other alternative.*

➤ Classes

A. Working Class

*British employment -- > Working class*

The British provided employment, and this created a social class known as the *working class*. These people were skilled workers and knew how to speak English. As soon as the British ended employing people, this group fought for employment.

B. Capitalist Class

Capitalism is an economic and social system in which the means of production are privately controlled.

Maltese capitalists preferred to invest in trade & imports. Commerce was huge but industry was low. It won't be after the 1950s until the Maltese tackle industry properly.

*Industry → Commercial production and sale of goods. A specific branch of manufacture and trade.*

*Commerce → Social intercourse; the dealings of one person or class in society with another.*

➤ **The Cotton Industry**

The Cotton Industry was very crucial for the Maltese economy, however it later started to decline.

➔ The Background

The spinning jenny was the main invention to the cotton industry. The **spinning jenny** is a multi-spool spinning frame. It was invented c. 1764 by James Hargreaves in Stanhill, Oswaldtwistle near Blackburn, Lancashire in England. The device reduced the amount of work needed to produce yarn, with a worker able to work eight or more spools at once. This grew to 120 as technology advanced. This system made cotton much cheaper as now there was a mass production of cotton.

- UK: Developed the spinning frame which produced a stronger thread than the spinning jenny.

- USA: Whitney invented his manual cotton machine that removed the seeds from the cotton , this speeded up the process.

The Cotton Culture was already wide spread before the half of the 18<sup>th</sup> century. By the 16<sup>th</sup> century the Maltese Islands had evolved an economy based on the growth and processing of cotton. The sector was “ verticalised ” meaning that of relating to or involving all stages from production to sale, meaning that the whole process took place in Malta and cotton was one of it. . All structure, from growing of cotton to production of manufactured cotton items, took place in Malta.

Cotton culture also had important “ Horizontal” linkages meaning that the output of one sector becomes the input of another sector. Horizontal linkages can be seen when seed of the cotton will be used for cotton but also the waste was used to feed the chickens. Usually there were 2 crops, mostly by cotton & Vegetables.

#### → Cotton during the Order

The Order had protected local cotton industry through a variety of measures ;

- a. Protection against imports
- b. Quality controls

#### → Exportation of Cotton

Maltese cotton was exported semi-processed for ready manufactured to south Italy, to Marseille and mostly to Catalonia.

#### → Profits of Cotton

The good profits that could be made from cotton encouraged cultivations to abandon other crops and eventually the best lands were taken over by cotton. There was a huge tradition of Malta to grow cotton.

#### → Cotton Procedure

Cotton is used to make a number of textile products. These include terrycloth for highly absorbent bath towels and robes; denim for blue jeans; chambray, popularly used in the manufacture of blue work shirts (from which we get the term "blue-collar"); and corduroy, seersucker, and cotton twill. Socks, underwear, and most T-shirts are made from cotton. Bed sheets often are made from cotton. Cotton also is used to make yarn used in crochet and knitting.

Labor was intensive, it included:

- Husking
- Beating

Two prominent Maltese supporters who had connections with the industry were:

- M. Anton. Vassallo
- Canon. F.S. Caruana

#### → System

- a. The putting out:

Manufacture of cotton products depended on the “ putting out system”. Many merchant – entrepreneurs across Europe produced their goods using the putting –out system, where they would sub- contract, or put outside the or put outside the organization, the various manufacturing.

b. The Domestic & putting out system

The merchant owned the raw material and the finished goods and paid for the work. People who worked however owned their tools and premises.

➔ Decline

- External
- Internal

Since the Middle Ages cotton was the most valuable crop for the Maltese farmers. Since the late Middle Ages, Maltese cotton had been exported to Catalonia in Spain. But in 1800 this market was closed because Spain was an ally of France in the war against Britain. From that date onwards the cotton industry entered into a slow but steady period of decline. Maltese hand-made cotton fabric was coarse while foreign machine-made cotton was softer. The cultivation of cotton started to decline when because of cheaper from Egypt and the USA. The Maltese cotton industry recovered for some years during the **American Civil War (1861-65)**. But with the end of that war Maltese cotton went into a period of rapid decline. Hundreds of farmers abandoned cotton cultivation and migrated to the harbor area – there new jobs were being created with the opening of the **Suez Canal (1869)**. Those farmers who stayed in the villages, started cultivating the potato crop instead, which soon became very much sought by the British services and the Maltese.

➔ Could things have turned out differently?

The decline of the cotton industry was inevitable, however Malta could have taken other measures to prevent its failure in such sector.

1. Importation of Industry: Malta could have imported better machinery to enhance its textile industry. However, they preferred to invest their money elsewhere.
2. Lessez Affair : Malta couldn't expect the help of foreign countries to industrialize it, as it was part of this affair.
3. Decline of women: Women formed a major part of the cotton industry. Some say that the decline of their role ( used to work labor force) in the cotton industry might have led to such decline.

➤ **Trade Unions**

Early Trade Unions:

- Fr. Dominic Plater : He was the 1<sup>st</sup> representative who came up with a religious labour.

➔ Prominent Trade Unions:

- UHM : Union of United Workers
- CMTU: The Confederation of Malta Trade Unions ) emphasised the importance of being free from political links and tended to be less confrontational in their approach with the state and private employers.
- GWU: The GWU is by far the largest trade union in Malta. It boasts a wide representation reaching 'all sectors' of the Maltese economy and is especially strong in the public sector and in state-owned or -controlled enterprises and corporations.

The GWU was founded in 1943 in the Naval Dockyard (subsequently named the Malta Drydocks) as a reaction to British colonial policies. A civilian clerk called Reginald Miller gathered a group of workers and succeeded in persuading them to set up a general union to protect their jobs and improve their working conditions, which at that time were poor. From its foundation, the GWU embarked on a campaign for new legislation relating to workers' rights, trade union freedom and the resolution of conflicts. The greatest achievement for the GWU in the industrial relations field was the enactment of the Industrial Relations Act of 1976. This act was a landmark for trade unionism in Malta, as it not only consolidated previous legislation but also made new provisions regulating worker-employer relations.

One of the most controversial actions of the GWU was its socio-political pact with the Malta Labour Party in 1978, when the two organisations officially entrenched in their constitution a statutory fusion. This fusion was cancelled in 1992.

➤ **Malta Under Self- government**

Self government was given to Malta by the 1921 constitution. This was given after the 1<sup>st</sup> World War, as the Maltese demanded for a new constitution as a way of compensation throughout the war. ( repaired shipped & nursed the soldiers)

➔ Procedure

1. A National Assembly was set up: It consisted of important people Maltese people, including Filippo Sciberras who was the leader of Assemblea Nazionale.
2. The Assemblea Nazionale made a draft constitution to be sent to London.
3. The Assemblea Nazionale than met in Valletta in 1919, in the Giovane Malta club, to discuss the constitution.
4. Sette Giungio: A great amount of people entered Valletta to support the constitution, however due to the unruly crowd conflict between the British & the Maltese erupted and 3 Maltese were killed. The next day, another Maltese was killed.

➔ Division of Power

Under the 1921 Constitution control of the Island was divided between 2 governments

- a. *Maltese Government*: dealing with local affairs. The Maltese government was responsible to a bicameral legislature, consisting of a legislative Assembly, composed of 32 members, & a Senate, composed of 17 members. Provision was also made in the letters Patent for ministry, the Executive Council, the Nominated Council, the Privy Council and the joint Committee of the Privy Council.
- b. *Maltese Imperial Government*: dealing with the reserved matters.

#### → Legislature

Malta legislature, in which an officially elected or otherwise selected body of people vested with the responsibility and power to make laws, was opened by the Prince of Wales.

The 1<sup>st</sup> government was formed for the UPM by Joseph Haward, with the outside support of the Labour Party.

#### → Elections

1921, 1924, 1927, 1932 ..

House of Representatives: Every 3 years.

Senate: Every 6 years.

Plural Voting: One could have more than one vote.

Transferable vote: Votes could be transferred from a candidate to another.

The Catholic Church declared as the official religion of Malta.

Electoral Districts: This meant that 4 were to be elected from each district.

#### → Laws

- a. Introduction of compulsory education: decided to keep children into school once they enrolled & fines were to be made, for those who did not oblige. ( ACT 1924)
- b. Re-letting of Immoveable Urban Property Act: To protect terrain from excessive rents. ( ACT 1925)
- c. Reserved Fund Constitution: a fund for special projects such as the *Development of the Harper Area* & the *Construction of the general Hospital ( St. Luke's) by Strickland*.
- d. Encouragement for new industries: Those who created an incentive for entrepreneurs to build manufacturing business were given an award of monopolies for a fixed number of years. ( max: 50years)
- e. Factories Regulation: A maximum of 8hrs of work per day for women and children.
- f. Pensions Act ( 1926): Established pensions
- g. Cigarette Excise Duty: To protect producers of handmade cigarette. Those who used machinery to produce cigarettes were taxed while the handmade ones paid nothing.
- h. Protection Of the Local Lace Industry Act: To protect what was left of the cottage industry. It prohibited the importation of imitations lace.

#### → Economy

According to Fenech, there were 3 main areas in the government who sought by direct action tackle the economic problems of Malta:

1. Education
2. Emigration (The British encouraged emigration)
3. Public Works

#### 1. EDUCATION

Until the educational reform got established in 1920, the total bill for public elementary education was fairly stable.

It almost doubled in 1920s and rose steadily to double by 1935. In 1920s children aged 4-12 received forms of instruction rose.

#### 2. EMIGRATION

There were 2 ways emigration was crucial

- a. Remittances: It meant, The sending of money to someone at a distance. This have put several cash into the Maltese economy.
- b. Emigration Committee: Put The effort to manage and regulate emigration. Those who opted to emigrate where to undergo some medical, language aptitude( quickness in learning), in order to give a positive impression to the countries they emigrated to. Thus the majority of those who emigrated were skilled workers.

#### Industries in Malta

- Cotton Industry
- Fishing
- Agriculture
- Matting for chair bottoms
-

➤ **Malta after World War 2**

In 1940, in the early months of World War Two, Malta had been the centrepiece of Britain's strategic naval position in the Mediterranean for almost a century and a half. There were, however, serious doubts over its continued status as such. The power of the Italian Air Force cast its shadow over the island, and it was considered that no longer could Malta provide the main base for Britain's Mediterranean Fleet.

It was therefore decided that this would henceforth have to operate from Alexandria, in Egypt, leaving the French Navy to dominate the western Mediterranean. This was not to be, however, as in May 1940 the French signed an armistice with Germany, thus obliging Britain to replace French power in the area with 'Force H' at Gibraltar. And soon the defence of Malta itself against Axis attack became a major role for both British naval squadrons.

➤ **... soon the defence of Malta itself against Axis attack became a major role ...**

The Italian Air Force was not in the end as powerful as it had seemed at first, and the Italian Navy was not able on its own to prevent the movement of Allied shipping in the central Mediterranean. Consequently, a small number of British fighters, first of all a handful of Sea Gladiators taken over by the RAF, and then a larger number of Hurricanes, were able to limit the extent of the air attacks both on Malta itself and on Allied shipping.

Malta thus held out, and became a base from which Axis supply lines to North Africa could be interdicted by Allied air, submarine and surface forces. In early 1941 Germany again tried to bomb the island into submission, and almost succeeded, but in the summer the Luftwaffe was called away to more pressing business in Russia.

At the same time Italian cyphers were penetrated by the Allies, and the information gained in this way helped Malta-based aircraft and submarines to claim more successes against Germany. Rommel, the German commander in North Africa, had good cause to be worried.

➔ Importance of Malta

As historian Correlli Barnett has argued, the island had become the Verdun of World War Two, drawing Allied forces into a debilitating battle of attrition. Having been awarded the George Cross as a propaganda gesture, the island of Malta could not be allowed to fall as Singapore had done. Indeed the North African campaign was being fought in 1942 as much to sustain Malta as vice versa.

➔ Effects of War

Throughout war time several Maltese buildings were hit , damaged and many were destroyed by the air raids.

- Homes

Many Maltese were forced to live away from their regular homes, until their old home were re-constructed.

- Economy

Economic disruption was side spread, but there was still employment. Wealth was concentrated in the hands of those with goods to sell, mostly farmers. After war, Malta was given \$30 million war damage fund by the British government.

➔ Political Developments

1943: GWU conducts 1<sup>st</sup> mass meeting

1943: Elected members of the Council of government had petitioned the British government to restore self-government.

1943; In the house of Commons was stated that after war a constitution was to be drawn.

1943: The Council of Governments met for a draft constitution and the National Assembly meets for the 1<sup>st</sup> time.

➔ Report on the Finances of the Government of Malta 1945

A. by Sir Wilfred Woods: A royal navy officer, he arrived in Malta while the National Assembly was meeting. His role was to examine the present and to look at the financial distribution. His task was to produce a comprehensive survey, mainly on **INCOME TAX & PROPERTY TAX.**

1. Showed how predictions by economist were wrong
2. Punctures the Maltese model of development

He concluded that settlements of Malta's Financials problems, that economy in Malta depended a lot on foreign expenditure. He commented on the complete absence of natural resources conventionally associated with economic development. He observed that the major drawbacks were:

1. Agriculture: Constrain on the development of agriculture, besides the limited area available & the scarcity of water.
2. Industrial Development: He believed that industrial development could alter by building new factories.
3. Encourages Industrial development in Malta, however he only believes that this will only happen for a short time. ( won't last a long time)

Quotations

" The economic history of Malta in the 9<sup>th</sup> century, particularly in the 1<sup>st</sup> half of the century, in a case study in economic backwardness" –Claire

## FIRST, SECOND &amp; THIRD DEVELOPMENT PLANS

Industrialization either:

- a. Exported
- b. Driven by foreign direct investment and foreign technology.

→ Diversification

**Diversification** is a form of corporate strategy for a company. It seeks to increase profitability through greater sales volume obtained from new products and new markets. Diversification can occur either at the business unit level or at the corporate level. At the business unit level, it is most likely to expand into a new segment of an industry that the business is already in. At the corporate level, it is generally very interesting entering a promising business outside of the scope of the existing business unit.

“ Put briefly it means that Malta must get out into the world, earn its own living in other ways than it has done in the past”

→ Exportation

The term **export** is derived from the conceptual meaning as to ship the goods and services out of the port of a country. The seller of such goods and services is referred to as an "exporter" who is based in the country of export whereas the overseas based buyer is referred to as an "importer".

- In Malta: By means of exportation Malta did not only rely on the local market but also on foreign market, as its products were being exported.

→ Importation

It is the commercial activity of buying and bringing in goods from a foreign country.

- In Malta: Maltese were not able to be self sufficient, as the Maltese farmers produce only served lasted after 4 months in a year. Consequently, Malta relied on foreign imports for food, such as wheat and other products.

→ Skill

Maltese were skilled workers, and thus produced a number of goods such as cotton, cigars & potato which were later exported. It contained skill but not resources.

“For centuries the people of Malta have never been a self-supporting community. Their own agriculture, industries and commerce have never supported them. They have always been able to rely on a large expenditure in the Island of revenues drawn from outside sources.” *Report of the Royal Commission, 1912*

### Foreign Industry

The government took measures to encourage foreign business man to buy Maltese products and export them. In order to do so principles regarding the industry of Malta were to be followed.

- a. Efficiency: In building it's industry it had to maintain efficiency to preserve the incentive for foreigners to come here & buy Maltese products to sell them.
- b. Export Orientation ; Export-oriented Industrialization (EOI) sometimes called export substitution industrialization (ESI) or export led industrialization (ELI) is a trade and economic policy aiming to speed-up the industrialization process of a country through exporting goods for which the nation has a comparative advantage. Export-led growth implies opening domestic markets to foreign competition in exchange for market access in other countries. It attracted investors to Malta.
- c. Incentives: The government ought to make incentives:
  - Make bigger sales
  - Employ more people ..
- d. Industrial Development Boards: It was an industry ordinance based in London, to advise the Governor on the promotion of industrial development .
  - Plans ( 1<sup>st</sup> , 2<sup>nd</sup> & 3<sup>rd</sup>) were published in order to create new jobs, emigration, importance for indigenous investment

#### 1<sup>st</sup> Plan

**First Development Plan** recognises that Malta's strategic value had been greatly reduced as a result of changes in Britain's defence policy resulting from technological developments and

changes in the economy.

#### 2<sup>nd</sup> Plan

- Export economy: Create a state of self sufficient on the basis of a viable export economy. The idea was that outside help,

would be essential until the economy reached “ take off stage of development”.

### 3<sup>rd</sup> Plan

- Capital: It ought to increase the participation of Maltese capital.
  - Division of labour: It was the 1<sup>st</sup> to make explicit division of labour between the public & private sectors.
- e. Malta EU association agreement: In June 1962, Malta had the 1<sup>st</sup> contact with Brussels which talked with the senior members of the British delegation to the Common market and with representative of the Commission. But then the British application failed and then Malta opted to end such agreement as it was not more required. However it later decided to join the European Community by 1970.
- Tariffs on most products were reduced by 70%
  - Malta was to reduce its customs duties by 35% on most EU exports to Malta
  - The tariff ( a tax on imported goods) cut would be raise.

INFORMATION ON :

#### CRIMEAN WAR

- During the Crimean War Malta proved its worth as a logistical centre, as a naval station, a military base and a victualling (supply) centre;
- With the Crimean War the British became more aware of the strategic value of Malta;
- It was with the Crimean War that military expenditure started to grow substantially and across the board naval/military infrastructure and personnel;
- Imperial expenditure started to have a tremendous impact and would become predominant in Malta's economy – leading to an almost total economic dependence on defence spending.

#### SUEZ CANAL

Suez Canal opened in November 1869

- By the 1880s the traffic on the Suez Canal exceeded that around the Cape, both in terms of the value and volume of trade.
- Opening of the Suez Canal turned the Mediterranean into a 'world highway'

*“ After 1870, shipping business and port activity in Malta increased more rapidly than did world trade and for two decades enjoyed a prosperity of which the Napoleonic and Crimean Wars had provided but a foretaste”: Bowen Jones*

- Suez Canal opened in November 1869
- By the 1880s the traffic on the Suez Canal exceeded that around the Cape, both in terms of the value and volume of trade.
- Opening of the Suez Canal turned the Mediterranean into a 'world highway'

- Malta was used in various ways to support the Allied forces (initially Anglo-French, later joined by the Piedmontese) in the Black Sea, becoming virtually the Allies' rear base headquarters.
- During the Crimean War Malta proved its worth as a logistical centre, as a naval station, a military base and a victualling (supply) centre and a major hospital centre for wounded and diseased troops.

- Greatly increased trade resulting from higher British military and naval expenditure and the presence of the expeditionary forces
- Employment opportunities for the Maltese, not only at home but also in the Crimea – by October 1855 there were about 350 Maltese muleteers receiving 2s 6d a day.
- Spending on labour by the naval and military establishment quadrupled between 1853 and 1856 (although work on Dock No.1 would have contributed)

Local businesses made money supplying the expeditionary forces, e.g.

- In 1854 over 100 mules were bought at £ 4.10s each;
- 24 large Maltese boats were also purchased;
- the Admiralty bought coal from local merchants;
- In December 1854 materials were purchased for the hutting of the soldiers, and 12,000 dozen oranges were ordered from the principal merchants of Valletta

But whilst this could be said of the Maltese 'taken as a body,' not all groups of society benefitted from inflation.

- People on fixed incomes, including Civil Servants, could not keep up with the rising prices.
- Certain groups did well out of wartime economic conditions: some harbour wages nearly doubled, wages of agricultural and unskilled labourers jumped by approximately half, and the earnings of spinning women were double that of the mid-1830's.
- Civil service salaries were raised in 1856.

### **Long-term effects of the Crimean War on Malta**

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Il-bini tal-Kanal ta' Swejs - (tagħrif miġbur u riċerka minn Frank Testa)

Malta tikber fl-importanza strateġika



Fl-1869 il-mara ta' Napuljun III fethet il-Kanal ta' Swejs.

Dan hu kanal 100 kilometru li jibda minn Port Said fl-Egittu, jiżbokka fil-baħar l-Aħmar u l-Oċean Indjan. Dan kien ifisser li l-Mediterran ma baqax baħar magħluq żda sar rotta importanti ħafna marittima bejn l-Ewropa u l-Indja u l-Asja. Peress illi Malta kienet tinsab f'nofs din ir-rotta hi kabbret sew l-importanza tagħha mhux biss bħala bażi militari iżda bħala ċentru ta' transitu kummerċjali.

Prova ta' kemm dan kien minnu ġiet bejn 1876 u 1877 meta inqalghet krizi bejn l-Ingilterra u r-Russja

dwar l-artijiet tal-Lvant tal-Mediterran mahkuma mit-Turkija.

Wiehed irid jiftakar li l-Imperu Ngliz kien jestendi sa l-Afrika u l-akbar Kolonja tieghu kienet l-Indja. Mill-Indja l-Ingilterra kienet tiehu hafna materja prima u maghha kienu jaghmlu hafna kummerc. Bis-sahha ta' dan l-Ingilterra saret l-ikbar potenza kummercjali fid-dinja. Din il-qawwa ekonomika kienet tiddependi minn flotta militari u merkantili li ma kellhiex rivali. Issa bis-sahha tal-ftuh ta' Kanal ta' Swejs vapuri merkantili Nglizi setghu jgorru l-Merkanzija mill-Indja u mill-Asja b'mod dirett u fi zmien qasir. Dan kollu f'bahar li diga` kien l-aktar wiehed importanti fid-dinja. Din l-importanza bdiet tant tikber li mal-ftuh tal-Kanal ta' Swejs 33% tal-kummerc Ingliz mad-dinja kien jghaddi mill-Mediterran. Barra dan jekk jinqala` xi inkwiet fl-Indja jew fil-kolonja taghha fl-Asja hi setghet tibghat truppi f'dawk l-inhawi aktar malajr.

Wiehed malajr jifhem illi l-Ingilterra kellha interess kbir li jkollha kontrol fil-Mediterran; dan setghet taghmlu bis-sahha ta' Gilbilta` u Malta . Ma ninsewx li l-Ingilterra kienet boghod hafna minn dan il-bahar. Malta forsi kienet aktar importanti ghaliex kienet tinsab qrib hafna ta' l-Italja. Dan stqarru l-istess Napuljun III meta qal- "*Bil-ftuh tal-Kanal hu essenzjali li qawwa marittima bhall-Ingilterra jkollha lil Malta*".

Il-bastimenti merkantili Nglizi sejr in u gzejjin mil-Lvant kienu jghaddu minn Malta ghal xi tiswija fit-tarzna, jahznu l-merkanzija jew iserrhu l-bahrin. Barra dan Malta saret centru ta' hazna ta' faham kif ukoll il-kwartier generali tal-flotta navali Ngliza imsejha Navy li riedet tipprotegi l-bastimenti merkantili li jghaddu mill-Mediterran.

Ufficcjali tal-gvern Ingliz kienu qalu hekk dwar Malta :

*" Our naval strength in the Mediterranean varies from time to time according to the trend of European politics. Its is essential however, that we should be able to augment at will from the United kingdom the naval forces there and that the Mediterranean and Suez Canal should always be available for the for the passage of troops to India and the East."*

*" The island has a significance to the Empire out of proportion to its geographical size and the number of its inhabitants and natural resources. It possesses one of the finest harbours in the Mediterranean . It is not only a naval base of the first importance to the local position of the British Navy in that area: it is also a vital link in the general chain of imperial communications stretching through the Suez Canal to India, Australia and Asia."*

Fl-1878 l-Ingilterra baghtet 7000 suldati Malta lesti ghall-battalja u hadet l-amminsitrazzjoni tal-gzira ta' Cipru biex jghassu u jzommu dak kollu li riedet taghmel ir-Russja fl-intenzjoni taghha li tiddomina l-Lvant tal-Mediterran.

Fl-1882 l-Inglizi kellhom l-inkwiet mal-Paxa` ta' l-Egittu, tant li kellhom jibbumbardjaw il-belt ta' Lixandra fl-Egittu. It-truppi u l-meterjal kollu telaq minn Malta . Mhux hekk biss izda f'dan l-inkwiet intbaghtu zewg korpi ta' suldati Maltin, wiehed ta' artillerija u l-iehor tat-trasport. Dawn marru lura Malta meta l-Inglizi regghu hadu taht idejhom il-belt tal-Kajr.

L-effetti fuq il-Maltin

Il-ftuh tal-Kanal ta' Swejs gab perjodu twil ta' prosperita` ghall-Maltin. Hafna li qabel kienu jahdmu fil-biedja telqu jahdmu fl-inhawi tal-port fejn kien hemm opportunitajiet kbar ta' xoghol speċjalment fil-hzin tal-faham, tiswija ta' vapuri kif ukoll bini ghaliex il-gvern Ingliz kien iddecieda li jibni bacir gidid. Malta kienet mizghuda bil-bastimenti mhux biss Inglizi izda ta' kull nazzjonalita`, dawn gew

minn portijiet mill-Baħar l-Iswed, il-Lvant u l-Awstralja. F'sena waħda bejn fl-1879 u l-1880 it-tunellaġġ ta' vapuri li sorġew Malta żdied min miljun u nofs għal ħames miljun tunellata. Dan sar bis-saħħa ta' l-espansjoni tal-kummerċ tal-qamħ mill-Baħar l-Iswed li fisser numru kbir ta' vapuri ġejjin u sejrin ihottu l-qamħ u jiehdu lura merkanzija oħra. Malta saret mahżen ta' qamħ, faħam, u mekanzija varja li kienet tiġi mxerrda madwar l-Ewropa u l-Lvant. Barra dan vjaġġaturi bil-baħar kien jiġu Malta biex ibiddu l-vapur jew għal waqfa matul il-vjaġġ.

### COTTON IN MALTA

#### **Cotton culture – decline and fall**

- **Causes (internal and external)**
- **Effects on the Maltese economy in general**
  - **Effects on the structure of the labour force in particular**

Cotton, although still prominent, had begun its decline –traditional markets were being lost as a result of protective measures and competition by imports (e.g. British manufactures, Egyptian cotton). Given cotton's role in the rural economy this reduced the incomes of the rural population, who were also hit by lower prices for farm prices in general.

Spinning and weaving of cotton was described as “The principal Manufacture of the Casals”.

*cotton growing and manufacturing, the leading industry of the 19th Century, disappeared;*  
Balogh and Seers, pg. VIII, para

The Commissioners estimated the number of female spinners in the principal villages in Malta to be approximately 7,600,

- 60% of these were to be found in Mqabba,, šurrieq, Safi and šejtun.
- A woman spinning from four in the morning to nine at night (seventeen hours, presumably not working non-stop) earned less than one penny after deducting the cost of oil used for lighting.

Cotton sector protected and regulated by the Order;

- Cotton culture had declined in 15th and 16th Centuries but revived in 17th and attained great importance in the Maltese economy in the 18th.
- Cotton's role in the Maltese economy was still important, although in decline, by the time the British established themselves in the Maltese Islands.

April 25, 2011

[STRUCTURE & CHANGE IN MALTA'S ECONOMIC HISTORY ]

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