

## MALTA'S ECONOMY IN THE NINETEENTH CENTURY

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THE economy of the Maltese Islands under Britain took the form of an artificial cycle determined not by the vicissitudes of the market, but by the exigencies of military security. War marked the upswings of the Maltese economic cycle; the return of peace was always the harbinger of a downswing.

With the assumption of the Islands into the British Crown, the economic performance of the country became a function of Britain's demand for Malta's services as a fortress. It is proposed here to describe the unfolding and the evolution of that role since the departure of the Knights of the Order of Saint John.

Malta's economic history makes little sense unless incorporated into the story of her political life. In interweaving both aspects of this period of the history of the Maltese, we hope we are working out a pattern that is more realistic than one that could be given by treating each aspect in isolation.

In March, 1802, the Treaty of Amiens was signed. Article Ten gave Malta back to the Order. But England was not destined to observe the Treaty. Nonetheless, Sir Alexander Ball was appointed His Britannic Majesty's Plenipotentiary to the Order of St. John. Sir Alexander, who had already been to Malta as Nelson's special emissary and who had been ordered to give up his mission to the Maltese in 1801, was now instructed to return to the Islands to implement the stipulations of Article Ten. Charles Cameron, the British Civil Commissioner in Malta, went back to Britain and Ball once again took the reins of civil administration. At the prospect of a return to the days of the Order, Malta was shrouded in mourning. And when, as the Treaty ordained, Neapolitan troops under the Prince of Pantelleria reached Malta on the 8th October, 1802, they only added to the general consternation of the inhabitants.

Francophile infiltration was rampant in the Islands, and it became clear that by reverting to the Knights, Malta would before long become part of the French Republic. Britain had therefore changed her attitude by the time the Neapolitans arrived. Ball was instructed to continue carrying out his duties as Civil Commissioner. Seeing this, Napoleon wanted Britain

to declare unequivocally her true intentions on Malta. After the 'Moniteur' incident,<sup>1</sup> the British Government informed Napoleon that it would not discuss Malta's future unless a satisfactory explanation of the 'Moniteur' report were forthcoming. Bonaparte charged Britain, in turn, with provoking him into war by her retention of Malta.

To add still further to the confusion, the Pope appointed Bailiff Giovanni Tommasi to the Grandmastership of the Order. Tommasi, old and mentally unstable, immediately despatched his lieutenant, Chevalier Buzi, to take charge of the Islands. When the latter reached Malta, Ball informed him that he could do nothing until he had received special instructions from his superiors in Britain.

Napoleon soon heard of this, and his anger knew no bounds. A multitude of letters and despatches were exchanged. As a last resort, Britain proposed that if France evacuated Holland and Switzerland, she would leave Malta within ten years, when the Islands' independence would be acknowledged. But Bonaparte would not stand such a compromise, and war was declared on the 10th May, 1803.

Meanwhile, the administration of the country was chaotic. Confusion had reigned in every government department throughout the blockade. And when the French left, many francophile officials followed suit. Their place was taken by people of little or no experience. To restore some measure of order, Ball directed that government departments should revert to the procedures adopted during the days of the Order. This implied, among other things, that the head of the administration was to be the holder of the joint office of Public Secretary and Treasurer – an over-centralized system that only added to administrative chaos.

Yet hardly anybody really cared about this state of affairs. Ball himself, always an optimist, was quite sure that as the national income increased, and as the government's coffers became heavier, order would be restored. Ball was in a way justified as commerce became an overwhelming concern for a large part of the population. Some idea of the extent of trade at the period may be had from the fact that there was an insatiable demand for warehouses and stores, the rents of which soared to five times the pre-blokade figures.

In an effort to maintain this rate of growth, Ball provided convoys for merchantmen plying between Malta, Sicily, Constantinople, Smyrna and other ports. The climate of Malta and the general health of the population induced several wealthy traders to set up shop on the Islands. In no time, Malta's harbours were preferred to most of the other Mediterranean nations.

<sup>1</sup>The 30th January, 1803 issue of the official 'Moniteur' contained a report about the British army in Egypt which Britain considered very unfair.

New markets were opened for the islanders; the most significant of these was Barbary, with whom no communication had previously been possible, as it was one of the *raisons d'être* of the Order to destroy the Mohammedan powers.

The Berlin decrees of 1806 favoured Malta even more strongly. For while the Continental blockade brought suffering to England and her allies, it gave a new surge of life to the Islands. British merchants came over in larger numbers, attracted by a host of incentives, not least among which were tax exemption and political stability. General Hilderbrand Oakes, Ball's successor, writing on the 8th March, 1811, says: 'The population of this city (Valletta) is of late years much increased in consequence of the great commerce carried on here'.

Two years earlier, the Civil Commissioner had been empowered to grant licences to any vessel to import or export merchandise to and from Malta, provided that two-thirds of the cargo leaving Malta were of British or Empire origin, and that one-third of the crew were British. Vessels of any nation that wanted to trade in the Mediterranean were consequently virtually compelled to obtain a licence from Malta, if they were to be exempt from capture by British ships.

Government revenue established new records. At the centre of the Mediterranean entrepôt trade, Malta's affluence reached its zenith. The native population at the time was little more than 100,000, about two-sevenths of the 1961 figure. We have no data by which to make any precise estimate, but we may be sure that the per capita income was among the highest in Europe.

But just at a time when economic commonsense might have established Malta on a sound financial basis for many decades to come, ill-conceived political agitation thwarted the course of events. A Mr. William Eton, superintendent of the Lazaretto, Malta's isolation hospital, had got himself, through his endless intrigues, into serious trouble with both the ecclesiastical and the civil authorities. In 1802, alleging ill-health, he had left Malta, but returned nine years later. He was dismissed from the public service but he managed to rally around him a number of individuals and concerted ways and means with them to arouse discontent against the government.

Eton and his men, prominent among whom was Marquis Testaferrata, drew up a constitution based on the claim that the old *Consiglio Popolare* was a legislative body. This was, of course, an erroneous assumption, as the *Consiglio's* powers were nominal to a very large degree. Eton demanded that the *Consiglio* be re-established with powers to rule the Islands. It was to be composed of a *Consiglio Ecclesiastico* of twenty-one clerics,

which would discuss matters on its own, but would have no authority as a separate body; and of a *Consiglio Popolare* proper which would be made up of thirty-nine non-ecclesiastics, ten representing the nobility, seven representing the cities, and twenty-two representing the villages. Ecclesiastical matters were to be decided by a majority vote in a joint meeting with the *Consiglio Ecclesiastico*. Executive power would be reserved to the Governor, who would also be in charge of the Islands' revenue.

Testaferrata went up to London with a memorandum bearing 102 signatures, but the Secretary of State refused to recognise him as the representative of the Maltese people.

Things, however, had come to a head, and Malta's first Royal Commission was appointed in 1812. The Commissioners found an island considerably torn by political strife and decided that, in the first instance, the old *Consiglio Popolare* had not been a legislative body and, in the second place, the inexperience of Maltese in politics could only render the establishment of a Maltese legislative assembly 'a measure fraught with the greatest danger and involving the most ruinous consequences'.

It may be that the Commissioners were also motivated by the desire to retain control of Malta for Britain due to the vested interests Englishmen held there. But it may be safely asserted that their decision, in the context of the European situation, was a prudent one. Divergent political interests were rampant on the Islands, and no strong individual appeared on the political scene to take charge of the destinies of his country.

Meanwhile Napoleon, angry at Alexander's vacillating attitude towards the alliance, crossed the Yemen. Britain's friendship with Russia increased, and on the 18th July, 1812, the Czar declared he was no longer interested in the restoration of Malta to the Knights. Next year, the Maltese were informed that the Prince Regent was preparing measures for the permanent government of the Islands. Malta had become a part of the British crown.

Paradoxically, the Islands' entry into the Empire marked the nadir of their prosperity. For the plague which had broken out in Constantinople in 1812 soon found its ravaging way to Malta. The malady spread like wild-fire, and by the time it subsided, 4,668 Maltese had succumbed. In its wake, it destroyed Malta's affluence and faced the government with bankruptcy. By September, 1813, the Treasury's liquid assets had gone down to a bare £20,000. Oakes floated a loan at 6%, but only £18,000 was forthcoming. Maitland, his successor, put up another loan at 12%, in a frantic effort to raise money. By then, the Islands' wealth had decreased considerably. Worse still, their main source of income, foreign trade, had

dwindled to nothing.

On the 28th July, 1813, Lord Bathurst, the Secretary of State, sent a despatch to Maitland which set out the main administrative principles by which Malta was to be governed in the succeeding years.

Bathurst acknowledged that the Islands' value to Britain had risen considerably during the Napoleonic Wars, so that 'there is no spot in the south of Europe which appears so well calculated to fix the influence and extend the Interests of Great Britain as the Island of Malta'. It was therefore thought necessary to set up a permanent administration with the chief authority, both civil and military, vested in the Governor who would be subject only to the King-in-Council. A proviso stipulated that Maitland could, if he wished, form a nominated advisory council consisting of not more than six persons besides himself; four of these six were to be the bishop of Malta, the President of the High Court of Appeal, the Public Secretary and the Treasurer. The islanders were to have complete freedom in their religious practices, while ecclesiastical institutions and privileges were to remain unaltered. Extensive changes were to be made in the Law Courts.

Public revenue would accrue directly to the Treasury, and a warrant bearing the Governor's signature would be necessary to authorize expenditure. Bathurst's despatch concluded by exhorting Maitland to help 'the promotion of every method by which the English may be brought to supercede the Italian tongue'. The evolution of this proviso was eventually to lead to a major flare-up in Maltese politics more than a hundred years later.

By Article Seven of the First Peace of Paris, signed on the 30th May, 1814, Malta became officially a part of the British Empire. England hoped at the time that the Islands would become the cultural and commercial English centre of the Mediterranean. A pan-Mediterranean University was even planned for Gozo. But the hardship which the plague had entailed brought most of these plans to nothing. The people were dispirited, and it was due to Maitland's energy that Malta started recovering towards the end of 1814.

One of Maitland's important innovations at this period concerned the *Università*, a public body which enjoyed a monopoly for supplying grain and most other articles of daily life to the population. Naturally, private initiative had little scope in a situation where the government played the role of a great merchant catering to the entire population. But what particularly worried Maitland was the widespread corruption among the officials who ran the *Università*. Instead of realizing a good margin of profit, the monopoly's books were chronically in the red. The *Jurats*, as the

*Università* officials were known, had a most complicated and questionable system of accountancy. An inquiry was held, with the result that Mr. Livingstone, the Head *Jurat*, was suspended.

Maitland wanted to throw open the corn trade immediately and thus abolish the monopoly. But the intrigues of local merchants did not allow him to carry out his plan before 1822. By then there was growing discontent on the Islands. To replenish the Treasury, Maitland used his strong hand to levy taxes. Duties on exports and imports were increased, and this lack of foresight led to a greater trade stagnation. The desire for a representative legislative council spread over the Islands. There is no doubt that, given the required administration, such a body could, at this time, have helped Malta's economy; but Maitland did not share this opinion.

Hastings, his successor, even though a worn-out man, tried to better the economic situation and to relieve the distress on the Islands. Through his efforts, several Mediterranean states repealed the strict quarantine regulations, obtaining since the time of the plague, which forbade vessels from Malta to enter their ports. England lifted the duty on Malta-grown cotton, and plans were made for silk cultivation. The employment problem was also tackled, and Naval commanders in the Mediterranean were ordered to accept those Maltese who wanted to join the Service; while Mediterranean regiments could enlist five Maltese recruits for every one hundred British soldiers. Mass migration to Cephalonia was also proposed.

Some progress was made; but Malta could not really recover without British aid, and when Ponsonby became Lieutenant-Governor, on Hastings' death, England was contributing an annual £150,000 to the Islands. In 1821, when hostilities started in Greece, the Maltese Exchequer touched rock-bottom, and beggars roamed everywhere by the hundred. The victory of Navarino in 1827 brought some relief, as the allied fleets of Great Britain, France and Russia sailed to Malta.

Something, however, had to be done concerning Maltese participation in the government of their land. The British administrators of the period had always been averse to Maltese interest in self-government. But their high-handed actions, especially in Maitland's time, had only made matters worse. Much of their activity was directed to depriving the Catholic Church of those immunities which she had enjoyed for centuries, while very little was done to allow the people to express their views and to share in the administration or, even more important perhaps, to set the Islands' finances on a sound basis. The only newspaper that could be published in Malta was the weekly Government Gazette. Moreover, one could not become a printer without a government licence — which was

only forthcoming on two occasions, once for the Commissariat Department and the other for the Church Missionary Society, two presses to which the public had no access.

In these circumstances, Camillo Sciberras and George Mitrovich formed the *Comitato Generale Maltese*. A petition was drawn up, known as the 1832 Memorial, asking for administrative reforms. In particular, the Memorial wanted the institution of a national council of about 30 Maltese to be elected by the votes of the heads of families, land-owners, merchants and professional people.

Ponsonby objected to such a body, but some reforms were carried out. By 1834, the Governor realized the expediency of putting up a small legislative council, composed of the Head of the Government, his deputy, the Chief Secretary, two Maltese nobles and two Maltese gentlemen, with the Bishop of Malta and the Lieutenant-Governor of Gozo as honorary members.

Ponsonby's suggestions were partly approved in London. On the 1st April, 1835, William IV gave orders for the establishment of a seven-man Council, besides the Governor, made up of the Senior Officer in Command of the Land Forces of Malta, the Chief Justice, the Bishop of Malta and the Chief Secretary, as well as three unofficial members, to be chosen by the Lieutenant-Governor, two from the Maltese land-owning and merchant class, and a British-born principal merchant of not less than two years' standing on the island.<sup>2</sup>

The new arrangements were a landmark in Malta's constitutional development. For the first time under British rule, the Governor would no longer be a virtual dictator, but would be obliged to hold consultations with other people. At the same time, the Maltese were finally admitted, even though in a very limited manner, to the government of their own country. So far they had been merely spectators watching foreigners toy with their Islands. Often they had been the guinea-pigs of Colonial administrators. Their only relief had come when the winds of war blew ships over to their Islands; peace would only bring them famine and distress. This consummate irony of fate had been, and would be, it is true, the hinge of the Islands' development. But the sturdy and much-tried islanders now, at last, had some small power to steer their destiny.

Yet the Royal 'Instructions' ran far short of Maltese aspirations. The Colonial Office had, moreover, indulged in its petty jealousy of the influence of the Catholic Church in Malta by imposing an oath on the Council members that they would 'never exercise any privilege, to which

<sup>2</sup>Cf. Cremona, J.J., *The Malta Constitution of 1835 and Its Historical Background*, Malta 1959.

they were or might become entitled, to disturb or weaken the Protestant religion or the Protestant Government in the United Kingdom' – an unnecessary clause which could only arouse ill-feeling, and which led the Bishop of Malta to resign his seat. Protests against the constitution were also forthcoming from the Chief Justice, the Attorney General, the British merchants and George Mitrovich.

Such a state of affairs could not continue for long. On one side, stood the Governor and his Lieutenant, both Englishmen, and on the other the Chief Justice and the Attorney General, Englishmen also. Administration became the development of a fight between the two parties. In between, weary and helpless spectators, stood the Maltese.

The Secretary of State realized that an immediate inquiry was necessary. Colonel Cardew, who was administering the government in Ponsonby's absence, retaliated by drawing up a long document to defend the official position. He alleged that the Maltese never had a real legislative assembly, and could not therefore claim one now. Cardew also held that the practice of keeping out Maltese from higher government posts was in keeping with the system adopted in other colonies. He admitted that education had lagged behind, but, typically, threw the blame on the Roman Catholic authorities. Years before, however, the University Council itself had drawn up a report on educational reforms, which the government had conveniently shelved. Instead, Cardew boasted that government expenditure on education had increased from £572 in 1813, to £1,350 in 1836. The laws of the land, he added, were being revised, and five codes had been drawn up.

In spite of Cardew's laboured defence of the administration, the majority of the Maltese were really dissatisfied. They had been hoping that a Legislative Assembly would be granted quite soon; but the agitation between the heads of the judicial and the administrative side added considerably to the general chaos.

Lord Glenelg was troubled, and he could see no other course except the sending of a Royal Commission to Malta. John Austin and George Cornwall Lewis, the Commissioners, stayed in Malta for more than a year and a half. The report they drew up gives a dismal but realistic picture of the British administration on the Islands.

The 1838 Commissioners accused the government of a narrow-minded policy in keeping down education and free discussion of public affairs. In their view, many of the Englishmen on the Islands were vulgar, offensive types. The Chief Justice and the Attorney General, in particular, were ruthless demagogues, bent on attacking and interfering in the administration at all times.



The islanders, the Commissioners reported, were in a most miserable condition. Due to official policy, the educated among them were a handful. The nobles, formerly the backbone of Malta, were starving. The rest of the population fared even worse.

Cotton prices had gone down considerably. Many of the farmers were in debt, and no credit was available. Crops were sold at a price varying between one-half and one-third their cost. When bankruptcy overtook him, the farmer would employ himself as a labourer earning from 6d to 8d per day during the harvest; in winter the average farmer's wage was 1d a day, and all his family had to work to avoid starvation.

We are told that the farmer wife's wages would amount to 3d a day in the crop season, while children received an average of 1¼d a day. If one assumes that the farmer had three children working, besides his wife, it would mean that their combined wages were just ten pounds annually, or two pounds per capita. Meanwhile, the Lieutenant Governor of Malta, was earning a salary of £4,000 – which had been reduced from £5,000 only a few years before.

People who followed the traditional employment of lace-making were also in some straits. The average woman spinner worked for something like seventeen hours a day, earning 10 grains (i.e. less than one penny), while a cotton weaver earned 2 taris, or 3.3/10d per day, working thirteen hours. Several children helped in the work, receiving small fractions of one penny daily.

The local population at the time was about 110,000, of whom it is reasonable to assume about 75,000 were income-earners. If we exclude the income of British servicemen and British civilians on the Islands, and if we bear in mind that the land-owning class, most of whom were nobles, were hardly deriving any rents at all due to the utter poverty that stalked the country, we may conclude that the National Income of Malta in 1837 was about £225,000, or just over two pounds per capita.

Under-nourishment and unhealthy living conditions led to widespread disease, which culminated in an outbreak of cholera in 1837, killing 4,253 by the time it died out in October of that year.

It was in situations of this kind that the Catholic Church in Malta distinguished herself as the ultimate protector of the population. While the government helped with some small relief money, ecclesiastical bodies came all out to aid the afflicted. Parish priests throughout the Islands sought to relieve the sufferings of the destitute in their parishes. And when nurses and doctors, dreading the cholera onslaughts, held back from the hospitals, it was the Capuchin friars, in particular, who showed the heroism of Christian charity.

Some results of the Royal Commission, meanwhile, began to emerge. The old question of the liberty of the press was finally solved, and Malta's first newspapers appeared. Education received its real impetus at this time due largely to the energy of Sarah Austin, the wife of one of the Commissioners. When she arrived with her husband in Malta, there were just three schools on the Islands: one in Valletta, another in Senglea, and a third in Gozo. Government expenditure on all three amounted to an annual £400. The University was not better off, the highest professorial salary being £25. Through Sarah Austin's prodding, the Commissioners recommended that the Education vote be raised from £1,725 to £4,000 a year.

Another important outcome of the Commission's activity was the complete reform of tariffs. Maitland, as we have seen, had been singularly ignorant in these matters and had helped to ruin trade through his high tariffs. The new system was based on experience and far-sightedness; it went a long way towards restoring commerce to its former tenor. The grain monopoly was totally abolished. *Sinecure* offices were done away with, and a complete overhaul of salaries was effected. The Commissioners had also been convinced that a considerable amount of the trouble in Malta had arisen at the hands of the Chief Justice and the Attorney General. Both offices were now abolished.

By 1839, trade had recovered somewhat. More ships began calling in the Islands' harbours, and public revenue increased. Undoubtedly, Malta would have gained a lot had the governor who succeeded Bouverie in 1843, Sir Patrick Stuart, been endowed with a wider vision. When planning was necessary to guide Malta to continued well-being, Stuart devoted most of his time to discussions and disputes with the Ecclesiastical authorities – as if the main British interest in Malta were to curtail the prestige of a Church, that in times of distress, had taken upon herself the protection of the needy. Stuart revived the old problem of the right of nomination to the Bishopric, and got himself in difficulties with both the ecclesiastical authorities in Malta and with his superiors in England over the regulation of pious foundations.

A significant advance in Maltese constitutional development took place in 1849, during the governorship of Sir Richard O'Ferall, Malta's first civilian governor and a Roman Catholic.

O'Ferall soon got a clear understanding of the Maltese scene. The people had to be given more power – there lay the solution to most of the Islands' difficulties. Mindful of the dangers inherent in an immediate grant of wide powers at a time when most of Europe was in turmoil, O'Ferall rejected the proposal to establish elective municipal councils

throughout the Islands. Instead, he advocated a Legislative Council of 18 members. There would be ten *ex officio* members, half of whom would be Maltese, and half English. The other eight would be freely elected by the people. This arrangement would give a majority of two to the official side, while there would be an over-all Maltese majority of eight.

The Colonial Office concurred, and by Letters Patent of the 11th May, 1849, 'a body politic under the name of the Council of Government' was erected.<sup>3</sup> A Civil List of £52,273, out of the total public revenue of £113,972, was approved.

The Council's first activity centred on the Criminal Code, and much time was spent on the religious issues connected with it. O'Ferall, however, continued his policy of boosting trade, especially with the lucrative markets of the Barbary States. The Chamber of Commerce was established through his encouragement. He was, in fact, one of the new British administrators of the period who recognized – perhaps because he was a civilian – that Malta could only set herself up on a sound basis if her trade prospered. He left no stone unturned to carry out this deep conviction. Storage facilities were increased, the Custom House was reformed, and he helped in opening up new markets for Maltese entrepôt trade around the Mediterranean.

It has already been suggested that war in the Mediterranean has inevitably meant prosperity for Malta.

March 1854 saw the beginning of the Crimean War. Malta's position made her the natural headquarters of the Allies. English and French transports arrived daily, and the Islands' harbours reached an unprecedented pitch of activity. The Navy's shore establishments worked to full capacity. Troops poured into the Islands, and at one time three regiments of the Guards and fourteen line regiments were stationed on Malta.

French warships brought Turcos and Zouaves from Algiers, while French troops were constantly reaching the Islands from Marseilles. Malta had never seen such a conglomeration of faces and nationalities. But, more than that, she had never witnessed such an overflow of money. Many of the troops and sailors gave themselves up to pleasure, and foreign spending scattered gold sovereigns all over the place. Employment was full. People in private employment were receiving good wages, and the standard of living began to rise.

The presence of so many warships, some of which needed repairs, called for the expansion of the existing Dockyard facilities. The Admiralty acquired three-fourths of the shores on both sides of Dockyard Creek,

<sup>3</sup> Cf. Cremona, J.J., *The Malta Constitution of 1849 and Its Historical Background*, Malta 1960.

and constructed extensive buildings all over. Most of the marina of Vittoriosa was walled in and, since then, only a small part of it has been accessible to the public. At the head of Dockyard Creek, the first dry dock was constructed, and this was to be a boon to Malta's dockyard activity. 360 Officers and men were now working there. Their total weekly wages amounted to £260, an average of 14s. 5½d per capita weekly. This means that their average annual income was about £38, which compares favourably with the £25 a top-ranking professor earned at Malta University a few years earlier. But perhaps the teaching profession has always been a Cinderella.

In 1854, shipping tonnages entered and cleared at Malta reached a peak of 1,200,000 tons. Economic activity had never been higher. Now was the time to forge ahead, to explore new markets and to develop that entrepôt trade that had helped to make Malta prosperous. But it appears that hardly anyone in Malta realized that the boom was transitory and that once peace returned, rapid decline would follow. It may be, as H. Bowen-Jones and W.A. Charlton assert, that 'the new entrepreneurs attributed the post-war decline to a British Colonial policy adjudged to be both *laissez-faire* and restrictionist in character rather than to the inevitable termination of artificially favourable wartime conditions.'<sup>4</sup> On the other hand, the Maltese merchant could hardly have been expected to formulate economic policies. It is true that, in 1854, Maltese members were sitting on the Council of Government. None of them, however, had any real experience in the Islands' finances. And it seems that Reid, the governor of the time, and one of Malta's ablest, was himself too absorbed in the happy situation prevailing in Malta during the Crimean War to discern that peace would bring new problems.

At the time, the economy of Malta appeared definitely sound. The balance of payments was favourable, as invisible exports were considerable. A large part of the harbour labour-force's pay packet came from non-Maltese sources, tonnage dues by foreign shipping contributed heavily to government revenue while, most important of all, the big commercial turnovers in the form of entrepôt trade produced handsome profits.

Increased prosperity brought a change in the consumption pattern. Where before imports had been dwindling, they now registered a remarkable growth. Previously, local produce had had to satisfy a substantial part of local demand. The increased purchasing power placed a higher effective demand for foreign goods. From about the beginning of the Crimean War up to nearly forty years later, import duties on food and drink made up over forty per cent of Government revenue, while tonnage

<sup>4</sup> Bowen-Jones, *Malta - Background to Development*, p. 117.

dues accounted for a large fraction of the rest. Obviously, such a situation could only obtain as long as entrepôt trade registered a steady rate of growth. As we shall soon see, the belief that such a rate could be maintained perpetually, regardless of changing conditions in Europe, would be Malta's big mistake.

One result of the Crimean War was a severe disproportion in the distribution of income in Malta. While merchants and traders had become wealthy, and some of them had made large fortunes, government employees had continued to receive their old wages and salaries. The War had almost doubled the prices of goods, and many employees could not make ends meet. Over-crowding in government departments, moreover, had added confusion to dissatisfaction.

Le Marchant, Reid's successor, tried to remedy the situation by reorganizing the public service. He was also instrumental in bettering the conditions of service of Maltese soldiers. When, amid the general boom, an unskilled labourer received from 1/- to 1/3 daily, a Maltese soldier received 8½d, which dwindled to 5d after deductions. According to the new arrangements, a Maltese officer in the Artillery Corps would have the same pay as an officer of the line, while the pay of all other ranks was raised by 2½d a day.

Seeing the increase in shipping, Le Marchant decided, in 1858, that a commercial harbour should be constructed at the Marsa, the innermost extremity of the Grand Harbour. His idea was that all vessels could be enabled to load and unload there, with storage accommodation only a stone's throw away. French Creek would then pass over exclusively to the Admiralty; private property within its limits would be evaluated and sold to the Naval authorities. In May, 1859, the Council of Government approved the suggestion. One-half of the expenses would be borne by the Maltese Treasury, and the Imperial Government would pay the rest. Sir Adrian Dingli, one of Malta's great men, carried out the purchase of private property around French Creek for the Admiralty.

When Sir Adrian was Crown Advocate, two constitutional changes took place. Judicial functionaries were barred from the Council by Letters Patent of the 17th April, 1857, and in July of the same year, Letters Patent prohibited any cleric of whatsoever Church from membership in the Council.

An administrative advance was made during the governorship of Sir Henry Knight Stork (1864-67). District committees with consultative status were set up. It was hoped that they would help in supervising sanitary conditions in the towns and villages, while advising the administration of their needs. These committees however, were to meet with poor success.

Malta's progress received a set-back in 1865, when cholera re-visited the Islands, carrying away 1,873 lives. The following year, drought, a problem which was to assume disturbing proportions years later, hit the country. A proposal to sink shafts to sea-level in the centre of Malta, and to pump such water as might be found by steam power was made by Mr. John Bateman, who had been sent by the Secretary of State. The search for fresh water continued in the following years, but 1868 brought abundant rainfall, and the Islands heaved a sigh of relief.

In the same year, Malta's commerce began to suffer some effects of united Italy's efforts to attract trade. The P.&O. Company, whose steamships had long been a feature of the Grand Harbour scene, transferred its central Mediterranean station to Messina.

But this hardship did not last for long. In 1869, the Suez Canal was opened, and Malta entered a new phase of development. In the four preceding years, there had been feverish activity in Malta to have the commercial harbour ready. Several difficulties had to be tackled, paramount among which was the bickering about property around French Creek – a problem that was to emerge as the *leit-motif* of Admiralty-Government relations. It is difficult to see why the Admiralty which, after all, was benefitting considerably from the new arrangements, should not have been more generous in its view. The Malta Treasury was spending £83,087 on the commercial harbour, and the Admiralty could certainly afford a few extra thousands to appease the Government. Eventually, the Admiralty agreed to pay the value of the property at the time it was taken over. To settle its debts, it passed over to the government the Ordnance Office and the adjoining buildings in front of the Opera House at Valletta.

In 1871, the Somerset Dock was opened. The construction of a commercial dock in Msida Creek was undertaken by a Stockport firm. Aware of the possibilities of such a dock, the Council granted the company a portion of Msida Creek, and a gift of £5,000. It was, probably, the first grant to industry ever made in Malta. Perhaps the situation would have been different now had such grants been more frequent.

The structure of Maltese Society now underwent a fundamental change. Agriculture had been the predominant occupation for centuries. The production of cotton and its manufacture had been a stable source of income for many in the suburban and country areas. The American Civil War, however, had stopped the supply of cotton to Europe. While Lancashire suffered, Malta prospered. Cotton production was greatly increased, and workers in the industry received good wages.

At the end of the war, in 1865, the cotton trade receded from Malta. Agricultural workers returned to the cultivation of grain, while the con-

struction of the commercial harbour and of the docks coupled with the flood of vessels calling at Malta, attracted the labour force to the harbour area. The working population registered a constant increase from 1864 onwards, reaching its apex towards 1879. After 1871, agricultural labourers began to decrease, at first gradually; after 1799, they declined spectacularly.

For centuries, the Maltese worker had lived in the relative seclusion of the fields, returning to his *raħal* (village) after work. His communications with his friends were usually limited to conversations on the *zuntir*, the Church square, after church service. He hardly had contact with Valetta, *Il-Belt* (the city), as it is called by the islanders. *Il-Belt* meant the centre of commercial and political activity. At the time of the Knights, the average Maltese farmer would have small reason for going there. His landlord would probably be some nobleman dwelling at Mdina, the quiet old capital. When Britain took over, his reasons for visiting Valetta might have increased; but as long as his rural life was not interfered with, he cared little for the city lights.

Now, however, many Maltese workers were gathered together in the vast industrial complex that covered most of Grand Harbour's marina. The old rural outlook began gradually to give way to new ideas, arising out of intercourse with the city dwellers. Hundreds of foreign sailors and workmen were on the Islands, and the influx of new trends in thought and in the habits of living soon made their impact felt. In about two decades, Malta surged forward from the feudal concepts of the sixteenth century to the hustle and bustle of the mid-nineteenth century.

1871 was a key year in Malta's development, and it serves as a guide to the changes taking place on the Islands. Up to then, agricultural employment had been predominant; but, as has been suggested above, the tide now turned. Industrial activity increased, and it was only the sheer impetus of population growth that kept up the number of farm workers. The following table compares the percentage increases in the male working population according to location.

Location	1861-1871	1871-81	1881-91
Urban	+8	+17	-4
Suburban	+0.7	+17	+5
Rural	+9	+8	+1

The 'Three Cities' area, it will be noted, where most of the dockyard installations were situated, is classed as urban, and it is mostly here that industrial workers tended to settle.

One of the main features of the 1871-81 decade in respect of the previous decade is the increase of the labour force by 37%, or nearly twice that obtaining during the 1861-71 period. Moreover, bunkering was at a higher level during this second decade; so that the greatest increase of workers occurred in the groups of coalheavers, porters and carriers. Their number went up by 100%. For the same period, the number of persons engaged in work connected with commerce increases by 27%.

#### FUNCTIONAL INCREASES IN OCCUPATIONS - 1871-81

	Increase %
Workers: Labour connected with Port Activity.	100
- Labour connected with commercial activity.	27
- Labour connected with transport.	129
Small Retailers	25
Shopkeepers	11
General Merchants and Traders	8

With the passing away of cotton production after 1871, Malta's National Product underwent a radical change. Internal sources of income were now mainly restricted to rent from property, while the large bulk of the National Product came from external sources. From then on the level of Malta's economy was to become a function of foreign spending on the Islands, mostly through the Naval Base and the invisible exports it entailed. As long as the boom, ushered in by the opening of the Suez Canal, lasted, the importance of this function was not fully understood. When harbour activity declined, it would appear in its gigantic proportions.

Alongside this economic development, the population was registering an increasing rate of growth. It has been a unique feature of Maltese demography that some external element came into play every time the island was in danger of reaching a level of 'overpopulation'. As Mr. Richardson has noted, 'the concepts of 'overpopulation' or 'optimum population' have no historically valid meaning in a Maltese context.'<sup>5</sup>

Just when the Suez Canal boom pushed the population trend upwards, we find that the death rate increased. It stood at 47.87 per 1,000 in 1873, and nearly doubled the following year. It was a time when men looked for the profits to be derived from trade, and the social conditions of certain strata of the population were overlooked. Disease, arising out of bad hygienic conditions and poor housing, spread with considerable speed.

<sup>5</sup> H. Bowen-Jones, *op. cit.*, p. 161.



There were families, particularly in the rural areas, which had thrived on cotton production, and which could not now take easily to either other agricultural or industrial activity. In 1874, Sir Charles Van Straubenzee, Malta's governor, set up an investigating commission. The main point that emerged from this inquiry was that despite the general appearance of well-being in the middle and upper classes destitution prevailed among the lower strata of the population. Hardly any agricultural land was available for them; and emigration was not an easily acceptable solution. Eventually, it was Algeria that welcomed many Maltese migrants, most of whom were to become excellent settlers.

One of the curious elements in this phase of Malta's economic history is the relative insecurity of public finances. Disorganization probably accounted for a large part of the unhappy situation at the Treasury, but the dyarchical nature of the Council of Government undoubtedly contributed to make matters worse.

A striking instance of the factors involved is given by the proposal, made in 1873, for a proper sewerage system. It was agreed that the government of Malta would contribute £40,000 towards the scheme, while the War Office and the Admiralty – who would be benefitting also – would pay £30,000. The Maltese part of the burden does not, at first, seem excessive, but it meant nearly one-fourth of the total annual revenue of the Islands. The official side pushed on with the proposal, suggesting that the money thus lost could be made up by increased duties on cattle and drink. Such a measure would have been detrimental for Malta: livestock was urgently needed, and local importers would have to lessen their sales of beer and wines to foreigners on the Islands.

It was perhaps for this reason that the elected members on the Council rejected the proposal. But, strange to say, the Admiralty and the war Office carried out the sewerage of The Three Cities regardless of the political dispute. They then presented the Council with a *fait accompli*, and asked the government for £3,000 as part of its contribution. Such an action was difficult to explain, especially at a time when people were laying more store on direct representation in government. It is an indication of the problems that a dyarchy in Malta has always generated that, in spite of justified protests from the elected members, the official side of the Council carried the day.

The structure of the Islands revenue was deficient in several ways. Taxes on commodities of daily need formed the main source of revenue. Duties on food and wine, as we have seen, accounted for over forty per cent of government revenue. While, as I have suggested, this indicated a change in the consumption pattern, it also meant that these indirect taxes

were mostly hitting the lower classes, the principal consumers of food and wine. Had there been a heavy tax on luxury articles, the government's position might have been justified.

Wheat, moreover, Malta's staple food in the form of bread, was taxed at 10/- per *salm* (equal to one Imperial quarter), or about  $\frac{1}{2}$ d per two pound loaf. It was by no means a heavy tax, but the fact that the government was deriving a large slice of its revenue through an indirect tax on the community's daily fare made it open to criticism.<sup>7</sup> It implied that the lower classes were being taxed at an annual average of 15s.7d per capita, while the middle and upper classes, who have always consumed less bread, were only paying an average of 10s.10d per capita.<sup>7</sup>

Eventually, the Colonial Secretary suggested that the wheat duty should be halved. The resulting net loss of £24,000 was to be made up through duty increases on beer, wine and spirits, a rent increase for goods kept in bonded stores, and increases on licenses and education fees. Such changes would bring in £29,000, or a net government excess of £5,000 in respect of the previous total. The Colonial Secretary suggested that this excess should go to defray part of the costs of the sewerage system.<sup>8</sup>

Public funds were also burdened with several obligations. For a long time, the Maltese government had had to pay the Royal Malta Fencibles, and it was only after 1836 that the annual payment from the Treasury was fixed at £5,000. In addition, the pension for the whole corps was also chargeable to public funds. And up to 1873 the Malta Coast Guard Service came from a government with little over £160,000 in total revenue. It was only in 1877 that Malta was exempted from paying the pensions, but her military contribution still stood at £5,000. It is a paradox that when Malta badly required education, she was compelled to spend less on that item than on a military contribution to a military nation that was making free use of several facilities on the Islands.

When Sir Penrose G. Julyan came to the Islands to draw up a Report on the Civil Establishments of Malta, he found that rent from government property was not being collected punctually, and that there was a general laxity in the collection of public revenue. At the same time, he concluded that civil servants performed their duties with care and attention, but

<sup>6</sup> Vide Sir Victor Houlton: *Remarks on the Taxation of Malta and specially in connection with a Bread Tax*. This pamphlet was published anonymously in 1876.

<sup>7</sup> See the Report on the Fiscal State of Malta, by Francis W. Rowsell, of the 18th May, 1877.

<sup>8</sup> When these proposals became known in Malta, public reaction was immediate, and violence took place.

their salaries were ridiculously low. If greater efficiency were to be obtained, their remuneration had to be increased.

Another considerable burden on the Treasury were the Charitable Institutions, which were getting about 20% of the total revenue. As has been suggested earlier, there was a measure of destitution among the lower classes even at the height of Malta's prosperity and the Charitable Institutions had helped in making things easier for them. Sir Penrose, in his 1879 Report disagreed with this policy, as he felt that too much charity would keep the people from striving harder after progress.

The relatively high salaries of the Governor and the senior members of the Imperial Government were also a drain on the Islands' resources. Nearly 12% of Malta's annual receipts went towards the salary of about six people. Sir Penrose, realizing the disproportion, suggested that Malta's share towards the Governor's salary should go down by £2,000 to £3,000.

Yet even in the early 1880's when Malta was still enjoying her golden age, political thoughts were centred far from the economic and educational fields. With the coming of Patrick J. Keeman to investigate the educational system, some urgently needed advances were made. But even then, the thorny language question – concerning the respective role English and Italian ought to have in public instruction – made all other matters fade into oblivion.

In July 1887, cholera struck the Islands once again. Distress soon overtook Malta. Trade stagnated, and few ships called at Grand Harbour. Almost in sympathy with the seamy side of Fate, the Dockyard authorities announced reductions.

The administration was not ready to meet such a situation, and it was left to the Bishop's Administration to calm the population. Through his initiative, a relief committee was formed. Unemployment figures rocketed, and the government decided that the only solution was to start work on the roads. Half a pound of bread and some soup was, at the same time, rationed out to those who were still out of work.

With British interest in the Islands as a fortress declining, and with the Council in the doldrums, Sir J.A. Lintom Simmons, the Governor, made himself a great administrator by introducing far-reaching reforms in health and education. It is to his unending merit that his Ordinances gave Malta a reasonably sound sanitary and educational system when most of the Maltese leaders were entrenched on the battle-field of language.

In 1891, indeed, Malta's golden age came to an end. Throughout the last decade, exports of British steel had increased considerably, and a procession of steamers called at Malta on their way to the East. On the return journey, they stopped at Black Sea ports to load grain for Western

Europe, calling at Grand Harbour en route. Towards 1890, however, ships grew larger and more powerful, thus attaining a greater range of sufficiency. It was no longer necessary for most of them to make a bunkering call at Malta.

This set-back was partly offset by the opening of the Hamilton Dock in 1892 which enabled the repair of larger vessels. But after that year, decline in bunkering was sharp. The New World began to supply more and more grain to Europe; Black Sea trade dwindled. Shipping tonnages entered and cleared in Malta, which stood at nearly  $5\frac{1}{2}$  million tons in 1891, fell to just over 3 million tons three years later. It was not until the close of World War I that, for a fleeting moment, the 1891 tonnage record was broken.

One major outcome of this change of pattern was the closer integration of the Maltese economy with British naval and military interests. In 1891, £35,000,000 worth of goods passed through Malta; only 3% of these were actually landed on the Islands, presumably for local consumption. Much of the rest represented re-exports. The National Product did not register an alarming decline after 1891 due to large-scale construction in the Naval Dockyard, and in public works which absorbed a growing number of workmen. In 1891, 2075 men were employed in coal-heaving, while six years later the number of workers at the Dockyard and other naval works stood at 9,000.

Local economic activity became increasingly a function of Services' expenditure. Entrepôt trade faded into history, and local commerce was mainly restricted to consumer sales. No industrial expansion of any kind was made, no major export or re-export trade was any longer possible. The economic structure of Malta finally took a definite shape; dependence on British interest in the Islands' strategic value seemed to become its corner-stone for all time.

Suez, Black Sea trade, British steel exports and British naval supremacy had brought that value to its zenith. The ascent was essentially transitory, Malta could not rely for ever on the mere possession of good harbours and on her central Mediterranean position for her life. Up to the close of the nineteenth century, the curious inter-play of rise and decline had been rapid; intervals between vacillations in external factors affecting the economy had been short. Malta virtually came to accept them as of right. Hers was a special trade cycle built on the hope of favour from the makers of Fate.

Once more, the islanders were faced with the artificiality of it all. Once more, the people in power paid no attention. The lessons of history fell on ears turned only to language disputes and political strife.

Between 1892 and 1902, the island scene exhibited sharp contrast. Around the Three Cities, the working classes were busy at the Dockyard, making a living as best they could. Female workers fell considerably in numbers as the cotton trade had virtually disappeared in numbers as employment was available. Inside Valletta, people talked only politics as the struggle between the two sides of the dyarchy grew bitter.

The language reforms were the topic of the day. When the British Governments' former conciliatory attitude towards Italian changed, the licensed Maltese council members crippled the administration.

Drainage was the only distraction. The Council of Government approved the raising of a loan, in 1897, to carry out an extensive sewerage system. When, however, new elections were held, the elected members tried to repeal the previous Ordinance and suggested the setting up of a special Committee to see how alternative funds could be raised. They had promised their supporters that no new taxes would be levied. To their embarrassment, the committee favoured a duty increase on spirits for five years. Not to be outdone, the imperial side proposed to double the duties on wines and spirits, and to introduce a stamp duty. Confronted with this position, the elected members resorted to dilatory tactics; and the imperial representation in government had become a farce.

Mizzi and Cachia Zammit complained of the state of affairs to the Colonial Secretary alleging that Malta's interests had been constantly subordinated to British military interests; while the running of things was left to the discretion of a military government. Chamberlain dissented from all this, throwing the blame on the tactics of the elected members. The latter pointed out the queer structure of the administration. They were the people's representatives and yet every time the official side disagreed with their view, it could, by a mere Order in Council, impose its desires with the finality of law.

Chamberlain subsequently visited Malta to get a better understanding of the position. Not unnaturally, he came down on the official side, and for a brief period his authority brought a hint of peace. Resentment for the imperial side's action, however, soon returned, and the elected members refused to vote supplies for education. Once more Grenfell, the Governor, used his overriding authority. By closing the schools, he compelled the Council to pass the vote.

The language question still admitted no compromise. And when Government suggested that taxation was necessary to raise the £380,000 necessary for school-building and drainage, those who had hitherto shown no interest over the merits of the language dispute, joined sides with the pro-Italianites against the imperial side. The latter did not give way.

Another Order in Council not only imposed taxation but raised the sum reserved for Civil contingencies from £1,000 to £10,000 which would be used at the Governor's discretion, without having to receive the Council's annual approval.

It was the last stroke. No representative Government could carry on in such conditions. The imperial side wanted to execute its desires, and it was not going to allow any dissension by the elected members to thwart it.

The close of the nineteenth century indicated Malta's low mark in both economic and political spheres. In the former, it denoted the end of Malta's Golden Age; in the latter, it coincided with the agony of the Council of Government. But the dawn of the twentieth century was to see a curious reshuffle in these positions. Chamberlain was to abrogate the Constitution in June, 1903 – just when Malta was engaged in intensive economic expansion because of new Dockyard work and of the building of the break-water at the entrance to Grand Harbour.

The end of the century, in fact, saw Malta turn her full circle, and her economic and political life reverted to a position not very dissimilar to that which obtained when the Knights left their home.