
FEATURES OF AN ISLAND ECONOMY: MALTA 1800-1914

Arthur G. Clare

The economic history of Malta in the 19th century, particularly in the first half of the century, is a case-study in economic backwardness. Industrial activity was low; the main form of employment was agricultural, and external commerce fared badly except in times of war. In addition, the monetary system lacked uniformity, and fiscal measures were regressive in that they proved to be inimical to economic welfare. But the first decades of the century also represented an era of transition in Maltese affairs, and like every other transitional period in a nation's history it was perforce difficult and uncertain. The very first years were politically unsettling: towards the end of the 18th century there had been a short-lived French occupation of the island, an event that had begun by raising Maltese expectations, but which had ended disastrously for the invaders. Then there was a time when the return of the old rule of the Knights was not merely possible but also very probable. However, the years following the failure of the Peace of Amiens in 1802 heralded the dawn of a new era for the Maltese. Then came the fruition of a new political permanence: a defensive arrangement between Malta and the British Crown. In return for protection of Maltese territory, Britain had control of Malta's harbours and sea lanes in the cause of imperial defence. British protection, however, soon took the form of direct rule, and this caused Malta to lose her former status: once the 'Capital of Christian Piracy' now a mere colony. But Malta of the Knights was an anachronism in the 19th century, and new conditions prescribed a new form of government which was unlike that of the old regime. In fact, what the British brought to the island was a totally new political and economic relationship between the rulers and the ruled. And this the Maltese had to learn anew.

A characteristic feature of British economic thought at the time was its undue emphasis on individual enterprise. The system contemplated a wide framework within which the individual could operate, but it left little room for state economic action. Indeed, as time passed, the policies of the local British administration moved more and more in faithful accord with the economic tenets of 'laissez-faire'. And this in a Maltese context meant three things: first, that the Maltese individual had to seek out his own economic salvation; second, that the Maltese nation as a whole should not expect heavy financial commitments from British sources except by way of defence spending; third, that the island had to survive on its own taxes. While this state of affairs might have had some measure of success in a country endowed with rich re-

sources in terms of both men and materials, in Malta's case it retarded economic growth.

Malta's rather primitive economy was 'open' in that it depended almost exclusively on foreign trade as the main determinant of non-agricultural employment. But foreign trade in the Mediterranean was unstable and subject to a variety of influences many of which lay outside the economic system. Moreover, competition in the transit and carrying trade was intense. This, coupled with Malta's inability to widen its industrial structure due to a dire lack of essential raw materials and to an inadequate capitalist development, proclaimed a bleak economic future. There was no industrial revolution in Malta and there was an unhealthy disregard for the benefits of a secure economic base. In times of economic difficulties, therefore, welfare depended on piecemeal administrative measures designed merely to alleviate the conditions of none but the very poor. The presence of British military establishments necessitated a direct flow of funds from Britain, but these fluctuated according to defence needs: rising in times of tension and falling in times of peace. There was thus a fortuitous element in direct British expenditure, and as such it did not generate sufficient income in the long run. It was no accident that pauperism became one of the chief preoccupations of the Government in the first decades of the century. But very few funds from the revenue system could be transferred to relief projects. There was a limit to the amount of revenue that could be raised for this purpose — a limit imposed by the very need to sustain trade which was the island's life-blood — and when this limit was exceeded the repercussions were wide.¹

Judged by European standards, Malta in the first half of the 19th century exhibited all the symptoms of economic retardation for which no remedy appeared to be forthcoming. The situation was aggravated by the reluctance of local capitalists to explore new avenues of business. The leading industrial sector, cotton, was inefficient, but it was at least a foundation on which more ambitious native enterprise could be built. That this was not grasped at the outset is evidenced by the blind faith that the Maltese placed on commercial capital. And it took some time for them to realise the paucity of the dividends it paid in the long run. The outcry for industrial protection took second place to tariff reform and free trade, and in their search for short-term benefits Maltese capitalists overlooked the undoubted virtues of industrial development. Of course, the lack of coal and iron constituted a major obstacle to industrial advancement, and seaborne raw materials would have introduced a high-cost element in local production. But there were compensatory factors. Labour was very cheap, for instance, and British capital and know-how were available. Moreover, other Mediterranean cotton producers, notably in Spain, had not yet advanced far enough to overwhelm competitors in overseas markets. British competition and foreign tariffs were a much more serious threat,

1. H.I. Lee, *Malta 1813-1914 A Study in Constitutional and Strategic Development* (Malta, 1972), p.20.

but notwithstanding these Maltese cotton goods had gained a foothold in Europe, the Eastern Mediterranean and North Africa.² In short, the local industry had a potential for expanding on modern lines, even perhaps for initiating an industrial revolution, but the extent of this potential rests with future researches to uncover.

In the first fifty years of our period, most of the lower ranks of society tried to make a living from agriculture. But land was saturated with labour, and, inevitably, rural earnings were very low. Conditions in towns were only slightly better, and times of prosperity were interspersed with times of gloom. Overpopulation characterised the economy, and when employment opportunities did present themselves they were transitory. At this time, perhaps more than at any other time in Malta's history, the lack of resources began to bear heavily on the population, and it was now that the most venturesome began to look beyond Malta's shores for their livelihood. To contemporaries it became clear that the old, glorious Malta of the Knights, when privateering and Mediterranean trade had served Maltese interests well, had vanished. But with this realisation came the belief that good government embraced all the aspects of social and economic life of the subjects. For this reason, the aloofness of the administration perplexed contemporaries. Moreover, the two-tier government, at Valletta and London, was less intelligible to the Maltese, and definitely more remote, than the home-based administration of the Order. Decisions affecting an entire nation were seen to be taken by a narrow clique cut off from the mainstream of Maltese life. And many times these decisions meant the subordination of local interests to the expediency of the British Crown.

Although the Maltese were left out of all important political issues affecting their land, the discontent that flourished in the first decades of British rule sprang from economic causes rather than political ones. These years saw Malta in the throes of a prolonged economic depression occasioned by the abrupt ending of a commercial boom which had endured, for reasons that will be discussed later on, from about 1807 to 1813. An uplift appears to have come only in the late twenties but even then permanent prosperity was still a long way off. Thus, in the intervening period the Maltese faced severe hardships, having had their first taste perhaps of what it was like to be poor in an individualistic age.

Our main interest in the economic fluctuations of the time stems from the question of whether it lay in Britain's power to alter the course of events. Contemporaries seemed to believe so. In fact, they alleged that the Knights had done much to stabilise economic conditions and to bring about economic welfare, implying that the government of the Order had intervened directly to stimulate the economic life of the subjects. Of course, in times of economic difficulties it was easy to gloss over the shortcomings of the Order's rule in order to emphasise current British deficiencies, but there is evidence to sug-

2. R. Montgomery-Martin, *History of the British Colonies* (1835), V, p.217.

gest that Malta had experienced a degree of prosperity under the Knights. It seems that the island had reached a peak of affluence as a transit depot for French goods in the heart of the Mediterranean in the late 18th century.³ Although quantitative material relating to incomes and the distribution of wealth is limited, impressionistic evidence points towards a rising prosperity even before this time. The Knights, it seems, had paved the way for economic expansion, having provided employment in the war industries, attracted an entrepot trade to the island's harbours, and developed agriculture.⁴ They also encouraged local manufactures by protective measures, and stimulated maritime activities by indulging in both privateering and legitimate trade. In addition, they brought to the island, via their property abroad, additional foreign income which could be used for basic imports. Of course, occasional food shortages, wars, and plague did play havoc with Maltese economic life at times, but there were many compensations. More important there seems to have been a responsible government, mercantilist in outlook and expansionist. In these circumstances, population grew but living standards were maintained, so that the Maltese on the whole fared better than some of their Mediterranean neighbours did. It is understandable, therefore that the picture which contemporaries drew of the old Malta was one of economic advancement, and this contrasted sharply with their view of conditions in the first decades of British rule. Let us now review these conditions.

Historians agree that the first thirteen years of British rule were prosperous ones for Malta. Defence requirements in the very first years provided employment to a section of the labour force which had previously served in the naval workshops of the Order. Thus, the first to benefit directly from the British connection were the skilled craftsmen: shipwrights, caulkers, coopers, painters, sailmakers, and smiths. In the naval yards there was also a demand for ropemakers, masons, labourers, bakers and clerks. In addition, local personnel enlisted in the army and served on British ships. The arrival of troops on the island meant more mouths to feed and this acted to the advantage of the local agricultural community. Furthermore, the spending of the services on the island encouraged both internal and external commerce, so that gradually all sectors began to partake of this newly-found wealth. But real prosperity began sometime after 1806. The foundation of this prosperity stemmed from the imposition by Napoleon of the Continental System which involved the transfer of British commerce from Italian ports to Malta, thereby making the Malta route the main artery of supply of British contraband goods into Europe. The strategic position of the island soon became vital to the British attempt to maintain their important commercial links with the Italian states during the war years, and this invested Malta with a great commercial significance. Davy tells us that Malta "had become not only the entrepot of British

3. J. Godechot, *Histoire de Malte* (Paris, 1870), p.57.

4. B. Blouet, *The Story of Malta* (1967), p.145.

commerce in the Mediterranean, but also for the greater part of Europe".⁵

The commercial boom which this situation produced appears to have been marked by considerable commercial investment,⁶ though there appears to have been little investment in industry other than perhaps ship-building. The way to wealth, it seems, was only through trade in re-exports, carrying and contraband traffic. But there were other opportunities: in 1809 the Banco Anglo-Maltese was set up and three years later the Banco di Malta. The growth of traffic and invisible earnings necessarily contributed substantially to the wealth of Malta's commercial community and had a direct influence on the development of commercial services, including marine insurance, in general. Traffic also extended the range of foreign commercial contacts. Vessels plying the Mediterranean were calling daily at Valletta harbour. In 1801, the number of British ships stopping in Malta was 291; ten years later the figure doubled, while the total number of arrivals in 1812 rose to around 3,000 ships. In the meantime, the number of Malta-registered ships swelled from 165 in 1803 to 840 in 1811.⁷ All this indicates the extent of commercial activity in and around ports, a situation which benefited all classes of society. Indeed, such was the demand for labour that wages were rising faster than food prices at this time. Moreover, the increased demand for food which the influx of foreign merchants and troops engendered ensured the livelihood of the farming community by raising farm incomes. There was also a land boom, for rents went up in both rural and urban areas. Land, it seems, was earning a high premium everywhere.

Until 1813 the favourable conditions in commerce had guaranteed the incomes of a large part of the labour force in civilian occupations. The only sour note was sounded by the industrial sector, cotton, whose chief foreign market, Catalonia, had been closed by order of the Spanish authorities in 1800. Furthermore, it was during this time that British cottons were beginning to threaten local products. Booming conditions in agriculture, from which cotton outworkers were drawn, were then providing the sector with supplementary earnings, and so the damage being done to local cotton production was temporarily obscured. Cotton growers got round the difficulty by devoting less acreages to cotton and more to wheat. Nevertheless, the real problems of the industry — lack of capital and technological improvements — were neglected. Cotton, being a major growth commodity, could perhaps have contributed substantially to Malta's external balance by way of visible earnings had production been intensified and carried out in mills during this phase of capital accumulation. The fact that the industry continued to linger on well into the second half of the century, despite its technical shortcomings, seems to indicate the feasibility of factory production. Certainly, overseas

5. J. Davy, *Notes and Observations on the Ionian Islands and Malta* (1842), 1, p.42.

6. H. Bowen-Jones, J.C. Dewdney, W.B. Fisher, *Malta: Background for Development* (1961), p.117.

7. *Memo on Maltese Commerce*, C.O. 158/19.

markets were still providing an outlet for local goods, even though many of these were protected. As for the lack of coal and the cost of imported fuel, Maltese producers would have been in no worse position than textile manufacturers in, say, Catalonia where a cotton industry had grown despite a lack of essential raw materials. The greatest economic drawback of the boom was that it diverted funds away from industrial development. It was thus a retarding factor which blinded men from the real need to diversify an economy which had remained virtually unchanged.

But the boom could not last for ever. In 1813, a plague hit the island with such severity that its commercial life came to a standstill. Henceforth all ships leaving the island were suspected of harbouring infection. Merchants were scared away; many would never return. The final blow came when, at the end of the war, British merchants re-established their old bases on the continent. From then onwards the precariousness of the economic situation in Malta came to the fore. As commercial activity took a downward trend, unemployment rose and pauperism spread. The illusory basis of the commercial boom and the fact that Malta was a transit depot of wartime convenience only became painfully clear. But the idea that the island could not really compete as a peace-time European entrepot died hard. And this was to bedevil relations between the mercantile community and the administrators for a long time.

With foreign capital much diminished, incomes fell. The worst years, it would appear, were those between 1813 and the mid-twenties. There were some gains in that real wages of the working classes rose after 1817, but gains in this direction were offset by the fall in employment. The figures we have for food prices and money wages in this period are far from satisfactory, but we can discern a clear trend. For instance, money wages paid to artisans employed by the public works departments during 1815 to 1825 show a continuous downward trend, reflecting the falling demand for labour at the time.⁸ Figures in other sources also tell the same story. They show a rise in wages during the period 1806 to 1813, a slight fall in 1815, and a drop in the early twenties. The most to suffer were the unskilled. A farm labourer's wage, for instance, was 1s. 6d. per day in the booming war years; in the ensuing years it fell to about one-third of that figure.⁹ Skilled workers were more fortunate. Their services were in demand at the naval yards and their earnings were thus safeguarded. A table of money wages for certain classes of workers is given below:

In the meantime, however, food prices fell and this mitigated the hardship caused by the fall in wages. According to one source, prices of essential foodstuffs such as fruit and vegetables fell by 60% between 1818 and 1824, while meat in the early twenties fetched one-third of its price in 1810.¹⁰ Unfortunately, this source fails to give exact figures and so an allowance has

8. *Wages Paid to Artificers in Land Revenue Department*, C.O. 158/36.

9. Davy, *op.cit.*, p.416.

Table 1. *Representative Daily Wages of Maltese Workers, 1800 to 1840*

	1800-05	1806-13	1815	1820	1822-40
Farm labourer	6½d.	9d.-18d.	12d.	8½d.	6½d.-8½d.
Town labourer	6½d.	9d.-10d.	12d.	8½d.	6½d.-8½d.
Skilled Worker	2s.-3/4d.	—	—	—	4s.3d.
Semi-skilled	1s.8d	—	—	—	2s.1d.

Source : Blue Books and figures in
Price, Davy and Chesney. Figures approx.

to be made for possible error or exaggeration. Moreover, a fall in the price of an item such as meat would only show the gains accruing to the middle classes, the real consumers of the good. A more satisfactory insight is given by prices of grain, which was a staple food item of the labouring class. Evidence suggests that grain prices fell from 1817 to the early twenties, after having been at a high level between 1810 and 1817:

TABLE 2. *Average Cost and Sale Prices of Grain sold to the Public 1781-1821*

Period	Average Cost Price	Average Sale Price
1781-1790	£2.00s.0d per salme	£2.08s.0d per salme
1791-1798	£2.06.0d „	£2.18s.0d „
1801-1813	£2.13s.4d. „	£3.03s.8d „
1814-1821	£2.05s.0d. „	£3.00s.0d „

Source: Statement on Grain Prices, C.O. 158/113. Prices (approx.) have been converted into sterling calculated at 2s per scudo between 1781 and 1798, and a 20d. between 1801 to 1821. 1 salme: 98.5% imperial quarter.

The period also witnessed offsetting movements in real wages: from a peak in 1808 they fell to a low in 1817; thereafter money wages stabilised while food prices in general fell. This trend was reversed from the fifties onwards.

Despite these developments the over-all picture during the years 1815 to the mid-twenties remained gloomy. The carrying and transit trades were in decline and this affected the employment of a large section of the labour force. It must also have created balance-of-payments problems, for Maltese entrepot was a major foreign income earner. Another large sector which experienced difficulties was agriculture. Having expanded the acreage necessary for more wheat production during the boom, farmers after 1815 were faced with imports of foreign grain which interfered with their earnings. Until 1821, grain imports were purchased by the Government, so that the internal trade in grain was a government monopoly. In 1822 this trade was opened to private dealers with the result that competition forced down the price of the commodity, even though a tax was imposed upon it. In these circumstances, depressed wheat farmers turned to cotton growing to gain some relief, but even here imports of the foreign commodity, this time from Egypt, created further difficulties.

A contributing factor to the decline of Malta's external trade seems to have been the quarantine regulations in force after the plague of 1813. Many vessels by-passed Maltese harbours because health regulations involved too many delays and restrictions. In addition, dues were high and this rendered Malta less attractive than other Mediterranean ports. But perhaps the greatest drawback was that goods coming from Malta were kept in quarantine in foreign ports. This acted to the disadvantage of both the carrying and transit trade; restrictions were raised only after the mid-twenties but great damage was done in the meantime.

There were many in Malta at this time who regarded the Government's policies as being too passive. They expected official intervention in matters of trade. But such a step on the part of the government would have meant the negation of individualism, the antithesis of a cherished principle to which many of the British administrators subscribed. It is significant that even such matters as the supply of water to the cities were still in 1814 being regarded as items of private enterprise rather than of public expense.¹¹ The doctrine of Self-help was as yet unassailable. Nevertheless, there were Englishmen who felt that the island deserved better attention. In the words of one such Englishman: "Malta has been too much considered as a garrison or naval station instead of a central depot for our merchandise".¹²

But the truth is that the local administration could do little to attract trade. Admittedly, had dues been abolished and free trade tried, the situation might have improved, albeit at the expense of revenue. But the crux of the problem was not free trade but the fact that continental ports had greater advantages over Malta. In other words, Malta had formidable competitors. In the rich Mediterranean trade cheapness mattered little; what did matter a great deal were direct linkages with principal European trade routes. And this is what other ports had to offer. Traders operating from such ports as Leghorn, Naples, Trieste, Marseilles and Barcelona, among others, had a whole hinterland to supply. Markets were closer at hand and trade was more direct. In the relatively untroubled times of the 19th century, when privateers were no longer a common menace and when ships were faster and safer, direct trade began to be preferred to indirect trade. It was less time-consuming and promised a more rapid turnover. These developments, more than anything else, rendered false the idea that Malta could become a great peace-time entrepot centre.

In times of falling incomes, British parsimony appeared all the more vexing. Stringent policies on the part of the British Treasury tied the hand of the local administrators with the result that public works spending was kept down until the late forties. But the low level of expenditure also reflected the inability of the Government to increase its revenue yield due to reduced trade and trade was further handicapped by the reluctance of Britain to extend

11. Minute on Despatches 19/2/1841, C.O. 158/119.

12. Montgomery-Martin, *op. cit.*, p.292.

to Maltese shippers privileges which other colonies enjoyed under the Navigation Acts. These Acts gave preference to ships carrying the British flag and also confined the trade of the colonies to the mother country. Maltese shipping, before the mid-twenties, was excluded from this preferential system and was prevented from engaging in direct trade with other colonies. That Malta might have benefited through direct trade was realised as early as 1814 when local merchants petitioned the Government for the opening of colonial trade, particularly that with the West Indies, which would have involved the export of local goods and the re-export of European products from Valletta. But this alarmed merchants in England who had a monopoly over West Indian trade, and the local petition could not be met insofar as it involved the re-export of European goods.¹³ Free trade was further suppressed when both imports and exports were burdened with duties of 1% and ½% respectively. Five years later, in 1819, the export duty was abolished, but the duty on imports was retained, though drawbacks were allowed on re-exported articles in 1824. That same year goods were admitted in bond, but the charges were adjudged to be high by local merchants. The latter also voiced the complaint that government warehouses were unsuitable for displaying goods.¹⁴ Their demand for the removal of all obstacles to trade was a clear manifestation that all was not well with Maltese trade.

In the absence of trade figures, it is impossible to ascertain the extent of the decline. We can only surmise that for a time after the end of the Napoleonic War trading activity dropped to a low level. The transit trade was perhaps more buoyant than the carrying trade, especially that of grain, but, compared to what their fortunes must have been in the booming war years when Maltese shipping plied the Mediterranean alongside British shipping, the two activities suffered a dramatic downturn. From the mid-twenties onwards, however, the situation seems to have changed for the better. This coincided with the lifting of certain quarantine restrictions on Maltese shipping and with the granting of the long-awaited privileges to Maltese shippers under the Navigation Acts. Basing our evidence on the number of incoming ships to the island, it would appear that commercial activity in ports began to increase from about 1827. Although the change was not spectacular — charges for depuration and other port dues were still higher in Malta than at other ports¹⁵ — the transit trade seemed to have picked up after a long period of stagnation. With regards to the carrying trade of Maltese-owned vessels, it seems that Maltese owners were losing much of this traffic to competitors. We know that the duties paid by Maltese ship-owners on the transfer of vessels had fallen from about £M5,000 as a total in 1815 to a mere £M100 in 1823. Because of adverse conditions, it seems, fewer vessels were changing hands. The services of locally-owned vessels were less in demand, and this

13. J. Blow-Williams, *British Commercial Policy and Trade Expansion* (1972), p.87.

14. *Ibid.*, p.88.

15. Ponsonby to Murray 16/9/1829, C.O. 158/64.

was also true, as far as the grain carrying trade was concerned, of a later period.

Part of the trouble can be traced back to the commercial treaties which Britain compacted with other states. For instance, the Sicilians were allowed to engage in the grain carrying trade of the Maltese as a result of a treaty which Britain and Naples signed in 1816. Twelve years later, of the 500 or so ships engaged in this activity only about 48 were Maltese-owned.¹⁶ This same treaty also allowed the Neapolitans to extract heavy port dues from Maltese ship-owners with the result that the latter found themselves at a disadvantage in Neapolitan territories from which grain was supplied. Reciprocity treaties, as they were known, aimed at the exchange of privileges between countries in the interest of trade. In Malta's case, however, they represented a total disregard for local commercial aspirations. Others were to follow. In the early thirties, treaties with France, Austria and Greece allowed signatories to operate directly from Maltese ports.¹⁷ These treaties, however, were not without compensations. First of all, they promoted freer trade; secondly, while they interfered with the local carrying trade, they aided entrepot besides giving local mariners the opportunity of employment on foreign ships. By the end of the 1830s, mariners formed a large part of the island's mercantile community. There were some 16,880 individuals, representing about 3,370 families, depending on the mercantile marine for their livelihood.¹⁸ How many of these actually served on locally-owned ships is difficult to measure, but the number of mariners and their families is an indication of the importance of this sector to the economy. Anything which affected their earnings was bound to have many side-effects.

Godechot tells us that there were other circumstances aggravating Malta's economy. From 1817 to the 1840s he says, the purchasing power of many potential customers in the Mediterranean area itself was still rather weak. Further, the introduction of more efficient vessels made it unnecessary for certain types of ships to call at Malta for supplies and shelter.¹⁹ But perhaps there was a more convincing economic reason for by-passing Malta. As ships became larger and therefore more expensive, shippers found it more profitable to carry larger cargoes to and from any one place, and it is possible that bigger ships coming to Malta found both outward and inward cargoes insufficient for their needs. This also explains why local tonnage remained for the major part small. In fact, Maltese vessels rarely exceeded 400 tons, and there were many small coasting crafts. These small ships had their own problems, of course, especially when it came to the question of security at sea. When in the twenties, Greek privateers interfered with Maltese traders in North African waters, the latter could not defend themselves.

16. Lee, *op.cit.*, p.44.

17. Convention on Commerce, C.O. 158/52.

18. Classification of Population (1837), C.O. 158/115.

19. Godechot, *op.cit.*, p.92.

To afford some relief to the population in general, the Government undertook to reform the tariffs in the 1830s. Ships of a certain size were given preferential treatment in the payment of port dues. The latter which had comprised six different charges prior to 1832 — anchorage and lighthouse, water, pilotage, hospital, ballast, and health — were consolidated, and a single rate was applied to tonnage ranging from 6d. a day for vessels of 25 tons and under to 3s. for vessels of 251 tons and over. Furthermore, ships built locally were relieved of all port dues for two years. In addition, duties on transfer of shipping and on marine insurance were repealed as was the notorious transit charge. Import duties were also modified so that by the mid-thirties over seventy articles destined for local consumption entered duty free. The quarantine charges, however, were retained as were the duties on imported grain. The latter, which had been based on a sliding scale in 1824, averaged about 10s.3½d. until 1832-36 when it averaged 10s 3¼d. For the rest of our period, this rate did not vary much.

The reforms had a threefold aim: to lower the cost of living; to encourage the local carrying trade, and to stimulate the transit trade. Traffic did increase as a result of these measures, but the gains were not large.²⁰ In years to come, in the fifties and sixties especially, Malta's prosperity was to depend once more on the circumstances of war. Before that time her trading situation did not change much. In one respect trade even suffered a setback, for with the repeal of the Navigation Acts, Malta had less to offer by way of preferential shipping. According to Blow Williams, by the 1850s the older British firms declined and business went to the "native shopkeepers and little traders of all nations".²¹ The next half-century was to see little change in the organisation of local trade; it remained confined for the most part to these "little traders", though the opening of Suez did bring the island to the attention of the larger firms once more.

According to Montgomery-Martin, direct British expenditure in Malta, excluding military and naval expenses, amounted to £M668,666 in the period 1800 to 1829.²² Price puts the figure for naval and military expenditure alone at £M125,000 per annum between 1820 and 1825, rising to over £M200,000 by 1851.²³ The influx of Sterling was at first too small to have an appreciable effect on the monetary system. In fact, the island's currency in the first two decades of British rule consisted of non-British coins. From the 1820s onwards, however, Sterling began to assume a greater importance in local currency, so that by 1857 it became sole legal tender. But for a long time foreign coins continued to be used in local trading circles. The use of foreign currency in 19th century Malta was one way of overcoming the shortage of local circulating media, it also facilitated the payment for foreign goods. Neverthe-

20. Blow-Williams, *op.cit.*, p.89.

21. *Ibid.*

22. Montgomery-Martin, *op.cit.*, p.280.

23. C.A. Price, *Malta and the Maltese* (Melbourne, 1954), pp.208-209.

less, it acted against uniformity in the currency system and must have introduced an element of uncertainty at the exchanges. But further research is needed to establish the real effect of this system on Malta's internal and external trade.

At this stage it is worth investigating the responses of Malta's other sectors — industry and agriculture — to the conditions prevailing in the first half-century. The little we know about industry seems to suggest that the leading sector, cotton, was already past its prime by the time the British arrived. According to Eton, the value of Malta's cotton exports during the Order's time in the late 18th century amounted to £M500,000 yearly.²⁴ We cannot say whether this figure is anywhere near the truth, but there is a strong indication that the industry occupied a very prominent place in the economy.²⁵ Eton suggests that it employed 35,000 men, women and children, although this figure is almost certainly an exaggeration. Nevertheless, it does appear to have kept a good part of the rural community occupied for most of the year. In the 19th century, however, conditions changed. Because of the war Malta's chief foreign market, Catalonia, was closed in 1800 and this signalled the beginning of a gradual decline. The industry's greatest drawback in the following years was that it remained a domestically-based pursuit, dependent on out-dated machinery, at a time when new conditions of demand and supply were tipping the scale in favour of steam-power and factory production. Then came competition from abroad. Like other textile industries on the continent, the local industry was faced with severe competition from British mills where technology, capital, and know-how combined to produce cotton goods of exceptional quality and at the most competitive price. The Maltese produced both yarn and cloth, but they were inferior to machine-made goods and exporters began to find it difficult to sell in markets which had already been penetrated by the Lancashire producers. At the same time, local growers were suffering through the importation of cheap Egyptian raw cotton which local spinners mixed with the home produce. In the 1820s spun cotton from Malta was allowed into Britain free of duty, while that coming from Britain's own cotton districts was taxed locally at the rate of 1%. These measures, however, did not arrest the decline, and matters were not helped when the tax on cotton was abolished in the late 1830s. By then the value of Maltese cotton had fallen to perhaps less than £M90,000, a figure which is only 18% of Eton's estimate.

A foreboding of the difficult times ahead for cotton had appeared in 1816 in the form of an Anglo-Neapolitan treaty which forbade the importation of Maltese yarn into Neapolitan territories. This had the effect of lessening the demand for local supplies of cotton, for by that time Neapolitan markets had been absorbing large quantities of the Maltese product. But all was not yet lost. In the twenties and thirties, domestic and foreign demand for local cot-

24. W. Eton, *Authentic Materials for a History of Malta* (1802), p.215.

25. Price, *op.cit.*, pp.2-5.

ton good, albeit much reduced, kept the industry going. Maltese coarse cotton, for instance, found a market in the Eastern Mediterranean where it was made into sail-cloth and uniforms. Then there were exports to the German States, Tuscany, Venice, the Roman States, Spain, the Ionian Islands, and North Africa, which included such articles as coverlets, nankeens, towels and blankets. But behind the apparent resilience of the cotton industry lay a more sinister aspect: long hours of work and starvation wages. This, it seems, was the price it had to pay for survival. In the late thirties, as many as 7,600 female spinners laboured at their wheel for the meagre wage of a penny a day each, a penny less than their male counterparts. A more fortunate male weaver might earn something like 3½d. per day,²⁶ but even this was low by contemporary standards. By then the industry was employing around 15,000 persons — beaters, spinners, weavers, dyers and weighters — drawn almost entirely from rural areas, and evidence suggests that the working day for, say, a spinner began at 4 a.m. and continued till night-time. Children were employed in great numbers, especially when seasonal factors drove them off the fields. The industry lingered on, but by the late 19th century it had become insignificant. Very little cotton was manufactured then and most of the labour force formerly engaged in cotton had long retired or turned to some other pursuit.

At one time the local administration set out to establish an embryonic silk industry on the island. Production of silk was not new in Malta, but it was domestically-based with the raw material being grown and spun in the homes of the workers themselves. In the mid-twenties, an ill-fated firm was set up, backed by British capital, to initiate production on a large scale. It was promised Government support and in fact received a large tract of land on free lease for a stipulated period. Mulberry trees were then brought over from Naples and the project got under way. By 1827, production reached some 40 lbs. per year, and in the next four years the figure increased tenfold. The future of the whole enterprise did not look too poorly by local standards, even though production methods were out-dated, and had it not been for some initial setbacks, it might have enjoyed a greater success than it actually did. By the late thirties, the fortunes of the industry were low and interest in silk-production on a large scale evaporated.

One of the reasons why silk failed in Malta was that the basis of the industry was unsound. In an age when capital and technology were paving the way for greater factory-production, the local scheme was technically-weak. Whether silk-throwing factories would have made much headway is difficult to say; they would certainly have produced a much better-finished product. But capital for this type of venture was not forthcoming. True, the absence of coal was a major stumbling block, and silk was heavily protected abroad. But British markets would have absorbed the product; in fact, colonial silk-production was one way of undermining the continental dominance, particularly

26. Commission of Enquiry, Austin and Lewis (1837), C.O. 158/115.

French, over the product. Duties on imported silk in Britain had at the time been lowered in favour of the colonies.

The concept of factory production was not altogether new to the local scene. Houses of industry and cotton workshops, intended for the relief of the poor, were based on the factory principle — the housing of workers under one roof. The superiority of factory-production over other types of production was also realised then. But the reluctance of local capitalists to tie their wealth to industrial projects which could only pay their way in the future set many difficulties in the way of factory production. Maltese capitalists financed trade; aspired as bankers — the Sciclunas in the thirties, for instance — invested in property and foreign debentures; engaged in commerce, but they lacked the drive to diversify their economy. Perhaps the risk element was too high in the circumstances of the time, higher than we can imagine at this stage of research.

There were ship-building and ship-repairing activities, however, on the island, and also a pool of able ship-wrights. But again the industry was small-scale, confined for the major part to the naval shipyards. The latter increased their output in the thirties and by 1840 or so the shipyard in the Grand Harbour had about eight slips for laying down vessels of any size. In 1842 alone, a total of nine ships with an aggregate tonnage of 990 tons were built locally.²⁷ In that year also, Maltese owners had a total of 101 vessels of 400 tons and under, besides a number of smaller coasting vessels. Many of these were built on the island, but the advent of the steamer was destined to thwart local production.

The only other pursuit of note at this time was cigar-manufacturing. This appears to have been viable, and by the 1830s it was employing some 600 workers. Although we do not know anything about their earnings, we know that about 50 million cigars were being manufactured annually with exports contributing around £10,000 to foreign earnings. This sum surpassed the export value of other manufactures, namely wrought stone and precious metals taken together, by £3,000. Other crafts were insignificant.

The composition of Malta's exports for a good part of our period was as follows: cotton goods, cigars, precious ornaments, wrought stone, soap, leather, macaroni, some furniture, oranges and salt. These were purely local products. There were also several imported goods entering the re-export trade such as coffee, cocoa, indigo, spices, flax, hemp, silk, tobacco leaf, wax, wood, foreign cottons and wool. In the latter part of the period, total value of exports, including re-exports, is estimated to have been about £300,000 per annum, while imports, which included goods meant for re-export, averaged about £550,000. The chief import item for local consumption was, of course, food, but there were also manufactures and raw materials, including colonial products, both for home consumption and for re-export. As time passed, exports of local products were to form an increasingly small part of total for-

27. National Library of Malta (=N.L.M.), Bibl. MS. 388.

eign trade, and in the latter decades of the century local consumption of foreign manufacturers increased appreciably. The vulnerability of Malta's economy, its increased dependence on commercial pursuits for the payment of basic imports, became even more glaringly obvious in the second half of our period.

One of the main employers of labour during the first half of the 19th century was agriculture. In the 1830s alone, it sustained about 5,200 families, or a total of about 26,000 persons.²⁸ This number is in addition to the 400 or so families who were returned as landed proprietors in 1837.²⁹

The main crops grown on the island were wheat and cotton. The type of farming adopted was intensive and essentially a form of spade-husbandry. There was little scope for mechanisation on Maltese fields, and local agriculture was very laborious; its returns hardly justified the effort exerted. In these circumstances, yields were low, and all the food grown was never enough to feed the entire population for more than a few months in the year. Hence the need to import large quantities of food to the island. But cheap foreign corn depressed farm incomes to the extent that both petty farmers and labourers, who overcrowded the land, were generally poor, and this was true for most of the century. The falling fortunes of cotton pushed earnings further downwards and the distress in the rural districts was acute and widespread. Overcrowding produced low output per head and many farmers were nothing more than subsistence farmers. In a much worse condition were the landless labourers who had to support their families, when employment was available after the bleak winter months, on as little as 8d. a day. Cotton spinning and weaving augmented their earnings while the going was good, but when cotton declined charity was the only alternative. Farmers made regular use of members of their families, and it was only on the larger farms that outside labour was demanded. The large farms rarely exceeded 30 acres, while the smallest of farms were only about one acre large.

References to the skill of the local farmers abound in 19th century literature. Indeed, Maltese husbandry required great care and patience. The occasional visitor was struck by the strange appearance of the fields. Many of these formed, as they still do today, a succession of terraces, giving the impression of steps. The manner of forming them involved much skill on the part of cultivator. When a piece of land was to be reclaimed the rugged surface had first to be broken up and furrowed. Pieces of rock were then inserted in the furrows and soil was laid over the whole surface at a depth of three feet. A rubble wall was then erected around the whole field.

This type of land reclamation was heavily engaged in during the French wars. Then Maltese farmers were called upon to produce food not only for the local population but also for the thousands of foreigners — perhaps as many as 30,000, including the entire British contingent — who came to

28. Classification of Population (1837), C.O. 158/115.

29. *Ibid.*

Malta at this time. In common with other sectors, agriculture was prosperous between 1800 and 1813, farm incomes having increased substantially over the years. During this period, the Government bought a total of 807,429 salme of wheat, 446,063 of which were locally grown. This was in contrast to later years when, in the period 1815 to 1822, the local produce totalled only 74,665 salme. In the 1820s and 1830s, wheat grown on the island rarely averaged more than 15,000 salme per annum. During this same period, imports rose to an average of 55,000 salme per year.³⁰

The fall in local produce reflects the depressed state of agriculture in the years following the end of the wars. According to one official in the grain department at the time, rent on Government property in both urban and rural areas — some 14,000 acres of cultivated land in the countryside alone — were in arrears by the early twenties. From 1814 to 1824, "the circumstances of the island and the value of property have been gradually falling, thereby creating difficulties in the collection of rents During the last two years I have taken upwards of 1,000 warrants of seizure of property".³¹ The same source goes on to say that farmers on Government land were subjected to 1,200 seizures of crops.

Foreign imports of grain and cotton were clearly bearing heavily on local agriculture once the booming conditions of the war years had disappeared. In the twenties and thirties, the situation was worse. The value of cotton exports which stood at about £118,000 in 1830 fell to about £86,270 in 1842.³² This fall in the value of exports also affected farm profits. In the 1830s, these were ridiculously low. According to Davy, the difference in favour of an average cotton farmer, after deducting the costs involved in the cultivation of a cotton field from the value of its produce, was only the small sum of 8s. 10½d.³³ Of course, returns varied with the size of the field, its rent and the amount of crop grown. High rents and falling farm prices, however, did not lead to any spectacular gains even in the larger farms. Rent was sometimes as high as £4 10s. per acre on good soil and this diminished profits even further.

Notwithstanding the fact that Maltese farms were not mechanised, farmers did require some sort of capital occasionally to pay off their labour force before the gathering of crops. For this purpose, credit was usually available from the landlords themselves. But the interest was high, at times rising to 10%, and few farmers must have borrowed out of pure enterprise. Farm tools were not even provided on this basis. In fact, labourers not only had to provide their own strength, they also had to furnish their own tools. This was one of the conditions of employment. In some cases, the wage they received was in kind, so precarious was the situation in agriculture.

30. Consumption of Foreign Wheat, C.O. 158/113. See also N.L.M., BC/5/26.

31. Greig to Thornton 24/4/1824, C.O. 158/36.

32. Montgomery-Martin, *op.cit.*, p.219, N.L.M., Bibl. MS. 388.

33. Davy, *op.cit.*, p.407.

Agriculture completes the picture that we have of the first half of the 19th century, and, as we have seen, the credits on the economic balance sheet were few. The next half century, however, saw some changes in the material well-being of the nation, sometimes for the better, but the need for a secure economic base remained. From the mid-century onwards, British parsimony subsided, and by the 1860s Malta was receiving about £450,000 per annum direct from Britain. This, together with increased expenditure on local public works, acted as a stimulant on the economy and labour was afforded some relief. Wages rose but only a little; in fact, while earnings of 1s. or more a day were now common for unskilled work, this rate was to remain more or less unchanged right up to the First World War. In the meantime, however, food prices resumed an upward trend, and the gains in wages were offset by the rise in the cost of living. Already in 1846-47 the price of food had suddenly shot up in consequence of a European shortage, and although prices fell in the next two or three years, they rose again in the early fifties and remained high for a long time. This gave a fillip to local agriculture, but the gain was small and was reflected mainly in farm wages which rose to about 10d. per day at this time. It was during this time also that the increase in steamer traffic in the Malta route was enabling the local population to tap new sources of grain supplies in the Eastern Mediterranean.

The 1850s were years of war — Crimea — and increased defence spending. Traffic to the island rose rapidly in the years 1854 to 1856, and once again Malta went through the stages of a commercial boom comparable in its intensity with that of the Napoleonic era. But even during this phase of capital growth the economy remained basically the same, and this meant that with the return of peace the weaknesses of the economic system would be exposed once more. Nevertheless, during the short period of the boom conditions were very prosperous, at least around the ports. Shipping tonnage which had averaged more than 15,000 salme per annum. During this same period, imports rose to over 1 million tons in 1855. Navy ships brought supplies and military personnel in their thousands, and in their wake followed the traders. As a result, dockyard and victualling work increased,³⁴ and the demand for labour soared. In these circumstances, incomes took a sharp turn upwards, especially in the harbour trades, and the whole economy benefited. Malta became the supply centre of the Mediterranean, a replica of what it had been forty years before. Food prices rose rapidly during this time but their full effect was not felt owing to the general prosperity.

The end of hostilities inevitably reversed the situation. Economic activity in 1856 and 1857 took a downward trend and pulled down wages and profits in the process. Indeed, survival now depended more and more on expenditure by the local Government and by the Garrison. The late fifties also witnessed the increase in the popularity of the steam-driven ships and the beginning of the decline of the wooden vessel. The Steel Age was coming in and

34. Price, *op.cit.*, p.107.

with it the demand for steel hulls. This signalled the end of Maltese aspirations as shipbuilders but it opened new avenues of employment for the local population. The new ships were easy to service and repair, and, more important, they needed bunkering. The growing size of ships and their coaling requirements led to an extension of the harbour area, and this meant increased employment. Indeed, the enlargement of the dockyard and the construction of a new dry dock and a coaling station served the harbour community well in the early sixties.

Then out of the blue came another brief period of prosperity to the island, agriculture being the main beneficiary. Owing to the outbreak of the American civil war the supply of cotton from the South dried up, and this forced buyers to tap other sources of supply. The price of cotton trebled and Maltese farmers, quick to grasp the situation, doubled their cotton acreages to meet the new demand. Throughout the war foreign ships called at Malta for cotton bales and departed fully-laden for Europe and the USA. Needless to say this activity had an important side-effect in increasing the demand for coaling facilities and other port services. During this time however, the Maltese were taking less and less part in the carrying trade, and the number of local mariners engaged in this activity began to fall. One great source of foreign income was slipping away. Nevertheless, Maltese vessels still had regular communication with Southampton, Marseilles, Constantinople, Sicily, Tunis, Egypt and the Levant. And the transit trade appears to have been fairly buoyant.³⁵

The war in America soon came to an end and the cotton boom was over. In the second half of the sixties, rural areas became depressed once more, for now the demand for raw cotton was not justifying the supply. Moreover, there were three years of drought in this period and cholera struck.³⁶ The result was great distress among the farming community. And although food prices were high, overcrowding on farms depressed earnings. Labourers were compelled to accept less for their efforts and petty farmers could not make ends meet. With cotton in decline, the problem of under-employment came to the fore. The cotton dearth had put local manufacturers at a disadvantage, but when supply became more flexible the local produce was not absorbed fully by the local market.

The sixties witnessed the introduction of a steam-driven factory for the production of biscuits, but industrial development on these lines still lay outside local interests. Commerce was still taking the lion's share of capital on the island, and commercial pursuits were further enhanced when, in 1869, the Suez Canal placed Malta in the centre of an increased traffic between the primary producers of the East and the manufacturers of Europe. The economic uplift which this event engendered was of a longer duration than previous booms and it was destined to effect a structural change in the economy. In

35. W. Tallack, *Malta under the Phoenicians, Knights and the English* (1861), p.86.

36. *The Malta Observer* 13/2/1868.

the seventies and eighties there was a definite movement of rural labours from traditional agricultural employment into port occupations. This was caused by the opportunities which the bunkering activities began to offer. The Suez traffic invested Mediterranean ports like Malta and Aden with a new vitality. They became convenient stopping places for all ships plying the Mediterranean route to the East. According to Bowen-Jones, "Not only from the Mediterranean littoral, Australia and the Orient, but also from the Russian and Danubian Black Sea ports came the ships which converged on the Malta Straits".³⁷ Malta, in fact, secured a snug position within a widening framework of the international economy. The number of port arrivals increased considerably, so that total tonnage grew from about 1½ million in 1879 to over 5 million in the late 1880s. An important development was the increase of the Black Sea grain trade which, combined with the need of steamers to load with coal, meant that inward and outward cargoes of vessels stopping at Malta paid their way. Thus, steamers from northern Europe and beyond called at Malta to unload coal and to take up Russian grain and raw materials from the East for their return journey, and so side by side with the bunkering trade there developed an important transit trade on the island. This state of affairs was to produce new invisible wealth and was mainly responsible for attracting men away from the fields. It is significant that coalmen were among the highest paid of all unskilled workers at the time.

During this period, however, food prices began to rise, particularly in the seventies, and real wages took a downward slide, but the buoyant conditions created by the new entrepot activity raised the level of local consumption.³⁸ This mirrored perhaps a rise in the living standards of at least that section of the population engaged in commerce. Those of fixed incomes, the civil servants for instance, were not so well off in consequence of the reduced purchasing power of the money. There was, however, an improvement in the earnings of those who chose to remain on the fields; the shift of a part of the rural labour force to non-agricultural occupations brought about a new adjustment in the supply and demand conditions in the labour market. Food prices fell a little in the late 1880s and this, given the stability of money wages at the time, pushed up real wages, so that the Maltese in general were prosperous. This development also coincided with increased official spending on the island.

Prosperity was short-lived. The 1890s brought a reversal of former trends, as both the grain trade and bunkering activities began to decline. The economy had already felt a jolt in 1887 when cholera visited the island once more and dislocated trade for a time. But the real trouble came in the mid-1890s when international demand for grain slowly turned away from Black Sea produce. Moreover, steam-shipping was becoming more and more efficient and fuel requirements did not necessitate frequent stops for bunkering.

37. Bowen-Jones, *op.cit.*, p.120.

38. *Ibid.*, p.119.

As a result, Mediterranean traffic became more direct, and this development enabled other Mediterranean ports, which were not so strategically positioned as Malta had been, to re-establish themselves. The late 19th century saw Malta once more struggling for a trade which only exceptional circumstances had brought within its reach. Competition from southern European and North Africa ports set the clock back for Malta and she was faced once more with the prospect of having to rely solely on British defence spending for her income. By then her transit trade was becoming increasingly confined to goods destined to the Middle East, North Africa and Britain; her cotton industry had become almost solely a lace-making trade, and population pressure was adding its weight on the employment problem. It is significant that the first decade or so of the 20th century was to direct the attention of a great number of Maltese to the safety-valve of emigration to places outside the Mediterranean.

Maltese emigration in the 19th century has attracted a great deal of interest among historians not so much for its success in decreasing population pressure as for its failure to present itself as a lasting solution to the problem of over-population. The Maltese, it seems, were reluctant to seek permanent settlement abroad. Those that did emigrate had a definite preference for the Mediterranean littoral, and few went further afield. Moreover, there was a high rate of returning migrants, so that inward and outward movements sometimes cancelled each other out. There were several attempts at organised settlements abroad, but these had little success. One of the very few successful settlements was in North Africa where a large Maltese community was to be found, but ventures to places such as Cyprus, the West Indies and Australia, despite greater economic attractions, met with little success in the 19th century. There was a host of economic and non-economic reasons for this phenomenon which lies outside the scope of this essay, but what strikes us is the fact that the majority of those Maltese who suffered much economic hardships throughout our period declined to take the advantage of the better living standards which the Americans and Australia had to offer.

The opening of the 20th century, however, saw the Maltese in the clutches of a dilemma. Population had been increasing fairly rapidly since the eighties, but since economic opportunities from the nineties onwards were not rising in step, unemployment at the turn of the century was high. This, coupled with the absence of a developing industrial sector which would have offered eventually an alternative form of employment, meant that the choice for many lay between starving or migrating. For most of the 19th century, rural labour had something to fall back on cotton, even though the returns were low, and the problem was one of underemployment rather than unemployment. The seventies and eighties had then presented new opportunities in the ports and induced a rural exodus, but when conditions in the early 20th century were unfavourable there was a number of unemployed for whom employment abroad was the only alternative. For a time in the late nineties and early 20th

century, increased Government spending and imperial requirements guaranteed work in the harbour area and in public works in general, but from 1905 onwards activity in the naval base slowed down and this meant unemployment for more than four thousand men who went on to fill the already growing army of unemployed. Tension and war in the Meriterranean in the second half of the 19th century — Crimea, the Eastern Question, Fashoda, the South African War — had made necessary the presence of a large British fleet in that area and had enhanced the strategic value of Malta. But in the first decade of the 20th century Anglo-German rivalry shifted attention to defence requirments much further north, and this detracted from Malta's naval importance. From 1906 to 1914, the problem of what to do with the unemployed was a constant source of worry to the local administration. But increased expenditure on public works, it seems, was having only a limited effect. And it was in these years that significant number of Maltese were beginning to leave Malta's shores for permanent settlement abroad. The 20th century had indeed arrived.

From the foregoing one vital fact stands out: that the basic realities of Malta's commercial significance in the beginning of the 20th century were much the same as they had been a hundred years before. Except in times of crisis, or during economic developments which lay outside Malta's own system, the island's dependence on commercial activities and defence spending signified a weak economic structure: one with no industrial base ready to fortify the weaker parts. Had something been done to diversify the economy at an earlier time, then perhaps a different story would today have been written.