

## Maltese Industrial Development, 1933 – 1939<sup>1</sup>

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### Abstract

*Research on economic aspects of inter-war Malta has been mostly subsumed in broader political historical narratives, especially for the years leading up to the Second World War when British colonial rule was re-established after a short stint of Maltese self-government. This paper attempts to address this by focusing on industrial development in the years 1933 to 1939, taking also into consideration recent historiography on the subject. This period coincided with the ebbing of a major world depression whose effects could still be felt on Malta. The British administration, sensitive to the implications of growing uncertainty in the Mediterranean and the need for security locally, shifted their policy to protect local industry. At the same time economic diversification by way of creating new industries was highlighted by some local groups. Yet notwithstanding these developments, industrial production was held up for a number of reasons, not least since the timing was not ideal, but also due to the persistence of traditional habits and challenges.*

### Introduction

Historians use the term ‘Industrial Revolution’ to describe a process of sustained industrialisation and technical evolution connected to the emergence of capitalism. It was noted that despite the dependent nature of the Maltese economy, Malta had experienced industrialisation well before the Second World War when it was a British colony. This however, was not preceded by an ‘industrial revolution’ and was a result of Malta’s geographical location as an island in the centre of the Mediterranean. Maltese industrialisation happened in a preindustrial social and economic structure and was directed towards services (shipbuilding and ship repair) rather than producing goods. Moreover, it was state driven and lacked private business investment.<sup>2</sup>

Local manufacture in the 1930s was no different from the previous decade. That is, limited commodity-production except for ‘a couple of small factories and cottage industries such as lace, tobacco products and residual cotton-spinning and weaving’.<sup>3</sup> Albeit there were some new enterprises (below), the lack of private industries on the one hand and on the other the continual investment in commerce by way of importing business was a major handicap locally. Indeed it was a defining feature of Maltese underdevelopment that despite signs of a developed economy and society, such as industrialisation and the existence of native capitalist class, it remained a dependent economy.<sup>4</sup>

Having no significant natural resources and limited agricultural land was challenging, and the situation was made worse by overpopulation. J. B Greaves - sent to Malta by the United Kingdom’s Department of Overseas Trade to study the local market - reports that given its high population and population density, the greatest problem bearing down on Malta was ‘how to maintain and provide useful economic activities for her people’.<sup>5</sup> This was related to the question of economic diversification and a much debated point in Maltese economic history of the nineteenth and early twentieth centuries. That is how to explain why with the end of indigenous cotton manufacture, large-scale industrialisation not connected to naval activity and defence failed to take off in Malta despite the availability of local merchant capital. There have been many explanations on this point.<sup>6</sup> The interest

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<sup>1</sup> This paper is a revised version of a chapter from my B.A. Honours dissertation: Jonathan Camilleri, *Trade and Industry in Malta, 1933-1939* (Department of History, University of Malta, 2015).

<sup>2</sup> Mario Brincat, ‘The Birth of the ‘Maltese Model’ of Development, 1945-1959’, *Journal of Maltese History*, vol. I, no. 2, 2009, 35-36.

<sup>3</sup> Dominic Fenech, *Responsibility and Power in Inter-war Malta: Book One, Endemic Democracy (1919-1930)* (Malta, 2005), 249.

<sup>4</sup> *Ibid.*, 249-250.

<sup>5</sup> National Archives of Malta [NAM], Government Miscellaneous Reports [GMR] 1370/1935, 38.

<sup>6</sup> John Chircop, *Underdevelopment, the Maltese Experience, 1880-1914* (Unpublished MA dissertation, Department of History, University of Malta, 1993), 50, 73-74, 95-99, 112-128. Carmel Vassallo, *The Malta Chamber of Commerce 1848-1979: An Outline History of Maltese trade* (Malta, 1998), xviii. Michael Refalo, *The Maltese Commercial Class, 1870-1914: Business, Families, Networks* (Pisa, 2010), 100. To explain this Chircop, a pioneer in this field, made some very important considerations. Such were related not only to structural and mercantile reasons like the lack of raw materials and local consumer and merchant mentalities but also colonial related issues such as British policy of *laissez-faire*, lack of government assistance, British owned industries draining local profit and Malta’s place in the colonial infrastructure. This interpretation

that was generated makes evident that this is a multifaceted problem, as John Chircop has shown. As seen in the following sections of this essay, these reasons persisted over a long period of time and in fact with the exception of a changed British policy, much of the conclusions that had been reached by Chircop are found to be still applicable to the 1930s.

For the inter-war period, Apostolides carried out a comparative macroeconomic analysis of Malta and Cyprus by constructing Gross Domestic Product estimates for both countries. He noted that Maltese self-government attempts at diversification were hampered as a result of the constant undermining by British military intransigence.<sup>7</sup> He also suggested that like Cyprus the small size of Malta, 'precluded the development of large industrial units' and that its domestic market was 'eroded by external competition', while at the same time 'lack of colonial protectionism led to further limitations on industrial development'.<sup>8</sup> Referring to imperial preference – introduced in Malta in 1934 - he said that this 'was designed to enable a greater penetration of colonial markets by British manufacturing products and not in promoting manufacturing production in Cyprus and Malta'.<sup>9</sup> The latter position was challenged elsewhere and it was shown that in the case of Malta benevolent policies adopted by the British after the suspension of Maltese self-government constitution of 1921, meant that while imperial interest was to be promoted this was not to happen at the expense of local industries.<sup>10</sup> In this essay it is shown that during imperial rule of the 1930s colonial policy on Malta became less *laissez-faire* and increasingly pursued a policy of protectionism to aid local industry.

The fact that the small size of the Maltese market hindered investment is not disputed here. There was no doubt that the presence of the British Services was the 'dominating' and 'stabilizing' factor in the local economy.<sup>11</sup> On the other hand the large scale imports for domestic use that occurred during these years, such as over 400,000 pairs of shoes in each year between 1933-1936, or manufactured articles amounting to £1,361,450 in 1938,<sup>12</sup> indicates that the local market could offer potential opportunities for local entrepreneurs interested in industrial production. Likewise Mediterranean foodstuffs were imported in such great quantities to the extent that it led to one commentator to 'wonder whether agriculture is practiced at all in the Islands'.<sup>13</sup> Reflecting an increase in the standard of living, the local market during this period was growing and it catered for a variety of needs not just those of the Services.<sup>14</sup> Greaves acknowledged that the Maltese market was small but then remarked that 'no market is too small to be taken seriously', especially when it was already being taken seriously by 'foreign trade rivals'.<sup>15</sup>

Apostolides seems to have ignored a very important point related to the conservative mentality of local capitalists and their reluctance to invest money, which remained very strong despite the new British policy. In the last part of this essay it is argued that the nature of the Maltese dependent economy and local mentalities had a major role in the island's failure to diversify its economy. However before examining this, it is necessary to understand what were the existing industries on Malta, what was British policy towards industrial development and any new local ideas that emerged in the 1930s.

### **Existing Industries**

In Britain as in Europe, during the post-depression recovery, the traditional industries of textiles, steel and ship-building experienced a lacklustre growth, but these were counterbalanced by the growth of new drives in the areas of electricity, motor vehicles, and chemical industries.<sup>16</sup> Malta cannot be compared to the great industrial and developed nations of Europe; however, it was not isolated from international trends and a similar shift was evident in the Maltese economy. The inter-war period saw a boom in activity in the field of electricity and motor transport in Malta. Related to the chemical industries there were also some new industrial undertakings such as soap-

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was contested by Vassallo who was not optimistic about 'application of models and concepts borrowed from literatures of development and industrialisation typically moulded on large political/economic units', and saw the lack of industrialisation as a result of foreign exploitation. More recently Refalo thought that both Chircop and Vassallo had adopted a 'top-down approach, ignoring thereby prevailing mentalities that tended to favour proven techniques to make money'. In reality Chircop had not ignored merchant mentalities since on analysing what he called 'the nature of Maltese mercantilism', he did note the lack of an enterprising industrial spirit and conservative mentality that characterized the local merchant.

<sup>7</sup> Alexander Apostolides, *Economic Growth or Continuing Stagnation? Estimating the GDP of Cyprus and Malta, 1921-1938* (Unpublished PhD in Economic History, The London School of Economics and Political Science, 2010), 187-190.

<sup>8</sup> *Ibid.*, 137.

<sup>9</sup> *Ibid.*

<sup>10</sup> Camilleri, 30-37.

<sup>11</sup> NAM, GMR 1370/1935, 42.

<sup>12</sup> *Malta Blue Book* [MBB], 1933-1938, Section 20, Tables 5, 9.

<sup>13</sup> H. Bowen-Jones, et. al., *Malta: Background for Development* (Durham, 1962), 168.

<sup>14</sup> Camilleri, 42-46.

<sup>15</sup> NAM, GMR 1370/1935, 67.

<sup>16</sup> On industries in Britain see Eric Hobsbawm, *Industry and Empire: from 1750 to the Present Day* (London, 1999), 197-201, 230-236. On Europe in general see Charles H. Feinstein, et. al., *The European Economy Between the Wars* (Oxford, 1997), 178-182.

making. However, in the case of Malta the steel and ship-building industry remained strong and artisanal and handicraft production continued even if under increasing pressure.

The local lace industry was perceived to be of some importance in Malta. After the First World War the industry had deteriorated greatly and afterwards there were calls for its revival, both by Maltese and subsequent British governments.<sup>17</sup> By 1931 the cotton industry had almost vanished and the lace industry was greatly reduced, employing some 1,932 persons, a third of what it employed a decade earlier.<sup>18</sup> Lace making had been under pressure from imported machine-made products and legislation was passed by the Nationalist Party's administration in 1927 to prohibit these and protect the local industry.<sup>19</sup>

In 1935 a British company J. Hodgson and Co. Ltd. was in contact with the Maltese trade commissioner expressing interest in developing the lace industry on Malta. They did not intend to invest capital and labour directly as the company seemed to be more concerned in buying ready-made embroidery from Malta. The company had been in business with lace makers in Flanders and they noted that it would be easy for Malta to 'beat this competition' due to lower wages.<sup>20</sup> However, such a venture had 'to be drawn up in a thorough business-like way', with care taken to increase quality, administrative and production efficiency, and the proper training of staff. Yet, nobody seemed forthcoming to invest on a large-scale and nothing seems to have come of the company's expression of interest.

International trade sanctions imposed on Italy by the League of Nations in 1935 due to the Abyssinian crisis were detrimental to a certain Mr. J Grima, who used to purchase raw materials in Belfast and then had embroidery made in Sicily for export to the United Kingdom.<sup>21</sup> As the sanctions drove him to the verge of bankruptcy, he sought help from the Colonial Office and was offered the opportunity to open a lace industry in Cyprus or Malta. His business reflects the survival of the 'putting-out system' in the lace industry, characterized by low initial investment, female labour, religious undertones and luxurious quality output.<sup>22</sup> The reason for his business activities in Sicily can be understood if a statement given by the Maltese Trade Commissioner A.V. Agius noting that it was proper to regulate 'the whole lace and embroidery industry in Malta in order to avoid wasteful overlapping and competition', is taken into consideration.<sup>23</sup> Grima invested in Sicily because of the highly competitive nature of the Maltese lace making industry. The failure to develop production on modern lines showed that the lace business was still dominated by what Max Weber called a 'traditionalistic' character.<sup>24</sup> By now not only modern factory production did not take root in Malta, but it seemed that locally it had become too competitive and restrictive. This resulted in merchant middlemen taking their business outside Malta and into neighbouring areas for better investment opportunities.

Likewise artisan production was characterized by strong local competition and 'intense individualist traditions'.<sup>25</sup> Throughout this period artisans were facing strong competition from foreign imports. Such competition for example had driven some gold and silversmiths out of business in the first two decades of the twentieth century.<sup>26</sup> These continued to decline and by 1938 there were only about 88 persons working in these sectors<sup>27</sup> whereas in 1910 these numbers averaged around 221 per year.<sup>28</sup> An important artisanal group were the carpenters. Their fortunes were slightly better than the rest of artisans as they could work in the local dockyard. Like lace, carpentry was characterised by a certain traditionalism and a lot of effort was spent on aesthetic quality and less on changing designs to meet the demands of the market. The result was that a lot of 'continental' furniture was being imported since the local finishes were not in line with the tastes of the British living on Malta and some local Maltese.<sup>29</sup>

Another important artisanal group were the shoemakers. Local shoes exhibited 'good design and workmanship', but the industry did not appear 'to have developed to the extent hoped'.<sup>30</sup> Many local shoemakers

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<sup>17</sup> NAM, GMR 1370/1935, 42.

<sup>18</sup> Marthese Paris, *Malta in the Years of the Great Depression* (Unpublished B.A. Honours dissertation, Department of History, University of Malta, 1993), 44.

<sup>19</sup> Fenech, 2005, 173-174.

<sup>20</sup> Letter from J. Hodgson and Co. Ltd., to the Maltese trade commissioner, 21 November 1935, in NAM, Despatches from the Secretary of State for the Colonies to the Governor of Malta [GOV 02] (28/1936, 11 February 1936).

<sup>21</sup> NAM, GOV 02 (28/1936, 11 February 1936).

<sup>22</sup> Chircop, 1993, 62-66.

<sup>23</sup> NAM, GOV 02 (28/1936, 11 February 1936).

<sup>24</sup> Max Weber, *The Protestant Ethic and the Spirit of Capitalism* (London and New York, 1992), 64-68. Weber used this concept to show that even though an enterprise might have a capitalistic form of organisation, its management and way of doing business, such as finding customers, remained essentially traditional and outside the modern factory.

<sup>25</sup> Chircop, 1993, 47. See also *Report of the Working of Government Departments* [RWGD], 1934-1935, 293.

<sup>26</sup> Dominic Fenech, *A Social and Economic Review of Malta During the First World War, 1914-1918* (Unpublished B.A. Honours dissertation, Department of History, University of Malta, 1973), 57-58 and Chircop, 1993, 70-71.

<sup>27</sup> *MBB*, 1938, Section 22, 6-7.

<sup>28</sup> Chircop, 1993, 70.

<sup>29</sup> NAM, GMR 1370/1935, 53.

<sup>30</sup> *Ibid.*, 41.

during this period were driven to unemployment as a result of ‘the severe competition they were suffering through the importation of foreign footwear on an unprecedented scale, especially by the Bata Company. The shoemakers made constant representations to the government against this company, which imported foreign footwear from Czechoslovakia. For example in 1934 they requested the government to prohibit Bata from opening a shop in Sliema. Originally Governor Campbell refused Bata’s application, but later retracted his position. Although Bata renounced their idea, Campbell changed his stance after the Secretary of State disagreed with the principle of withholding an application to sell goods which were lawfully saleable, recommending instead protection to be made via increase in customs duties. A few months later the shoemakers urged the government to prohibit the same company from importing machinery for manufacture and repair of footwear.<sup>31</sup> On the latter occasion, the Chamber of Commerce was sympathetic, noting that albeit the use of machinery meant progress and should not be hindered, this event would cause a spike in unemployment.<sup>32</sup> However, for Governor Campbell this was a ‘retrograde step and too drastic’ and he was not prepared to accede to this request.<sup>33</sup> The reaction from the government was to afford protection by introducing imperial preference on leather shoes.

By 1938 the number of persons employed in manufacture and industrial occupations (excluding those working with government water works and electricity) was about 8,300. These official figures give a clearer picture than those of previous years but do not indicate the level of all the industrial production and manufacture on the Maltese Islands. Extraction of raw materials in Malta did provide some employment. These were mainly exported and helped the country’s trade balance. On the whole, as a result of Malta’s limited resources, raw material extraction on the islands could only be carried out on a small scale. Yet it seems that the local business community was inventive and made use of the available resources on the island to develop the local extraction industries. The most important resource was quarried stone, used locally but also exported to Greece in small quantities in the form of blocks and slabs.<sup>34</sup> There was also a lively skinning industry producing hides and skins from slaughtered oxen, horses, sheep, goats, and lambs. Around five local dealers purchased hides and skins from animal owners for export, after these had been cleaned at the Abattoir, washed and salted. Efforts were made to improve quality since a considerable number of skins were damaged by knife cuts when flayed by hand.<sup>35</sup>

The restrictive nature of international trade that followed the great depression was a major obstacle to Maltese exports. Local exporters had to face increased restrictions in foreign markets, the most detrimental of which were a crisis tax imposed by the Dutch government in 1935 and restrictions in Germany in 1937 on the importation of potatoes in their countries. The Dutch crisis tax threatened to render ‘the export of potatoes to Holland almost unprofitable’ and these declined drastically by 1939.<sup>36</sup> The same applied to the export of produced raw materials which dropped from £91,665 in 1928 to £39,630 in 1938. Export of cumin which was considered a raw material had experienced the greatest decrease.<sup>37</sup> Nevertheless, some of these exports depended more upon the availability of external demand rather than open markets. This as shown by exports of hides, skins and old metals which had more than doubled in a single year from £23,805 in 1936 to £49,611 in 1937, but then decreased again in the years that followed.<sup>38</sup>

These years also saw a new focus in the revival of a wine industry. This was aided by local government and its growth was most visible in Gozo. A lot of work was being carried out in experimentation on different crop varieties and education on disease control. Limited quantities of fine wines were produced and most of the production consisted of common table wine. Distilleries were not legally organised and winemakers were normally family run businesses within the agricultural community.<sup>39</sup> The developments in this area are more related to agriculture and those of the inter-war years still need to be researched further.

With regards to infant industries and factory production, the presence of British servicemen locally had led to the development and growth of two important industries, beer and cigarette making.<sup>40</sup> The brewing industry is perhaps the most successful industrial activity of the inter-war period and it continues to survive today. Following the renewed focus on industrial production during the period of Maltese self-government two brewing industries came into being, the Malta export Brewery set up in 1928 by Francis Portanier and then taken over by Marquis Scicluna, and the brewery owned by Lewis Farrugia which became known as Farsons.<sup>41</sup> The latter had

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<sup>31</sup> NAM, Despatches from the Governor of Malta to the Secretary of State for the Colonies [GOV 01] (114/1934, 20 June 1934); (258/1934, 02 November 1934); (96/1935, 26 March 1935). GOV 02 (173/1934, 7 August 1934).

<sup>32</sup> Archives of the Malta Chamber of Commerce [AMCC], *Corrispondenza Ricevuta*, 4/1934, (67/1934, Council of the Malta Chamber of Commerce, to Lieutenant Governor’s office, 20 March 1934).

<sup>33</sup> NAM, GOV 01 (258/1934, 02 November 1934).

<sup>34</sup> NAM, GMR 1370/1935, 42.

<sup>35</sup> NAM, GOV 01 (215/1934, 10 October 1934); (9/1937, 9 January 1937); (32/1937, 3 February 1937).

<sup>36</sup> AMCC, *Annual Report of the Malta Chamber of Commerce* [ARMCC], 1938, 19. Marthese Paris, 21.

<sup>37</sup> MBB, 1928-1938, Section 20, Table 6.

<sup>38</sup> *Ibid.*

<sup>39</sup> RWGD, 1933-1934, V47-V53.

<sup>40</sup> Fenech, 252.

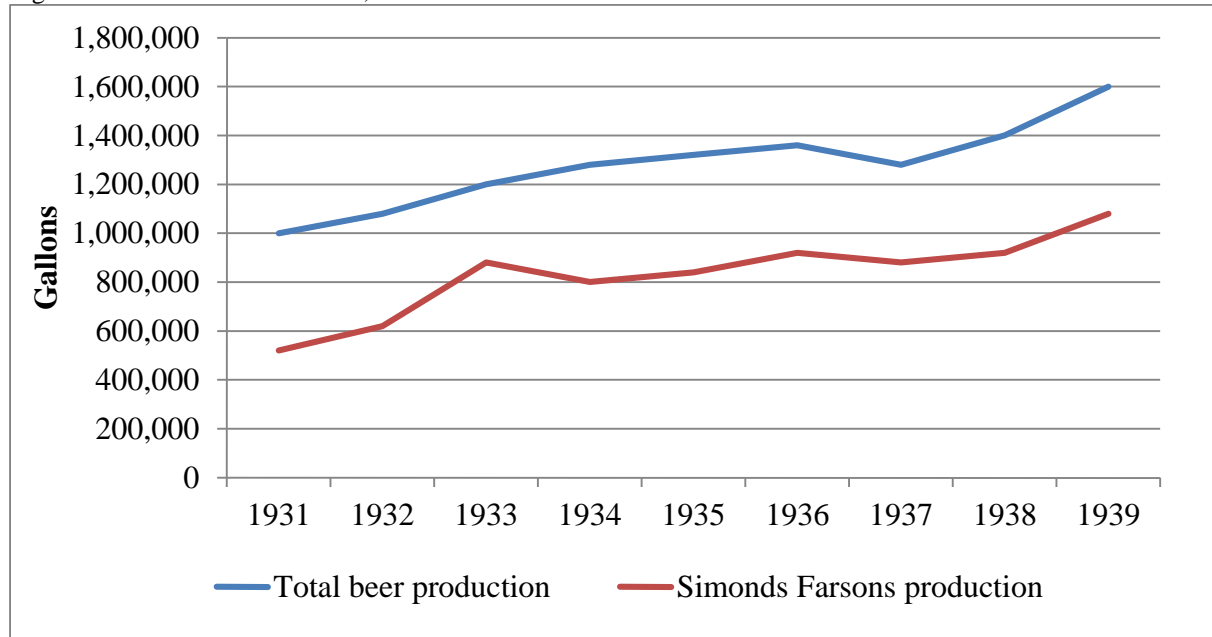
<sup>41</sup> Henry Frendo, *Europe and Empire: Culture, Politics and Identity in Malta and the Mediterranean* (Malta, 2012), 409.

originally intended their product as an alternative alcoholic drink for local Maltese who still preferred to drink wine.<sup>42</sup> In 1929, Farsons then merged with British company H. & G. Simonds who had an agency on Malta since 1875.<sup>43</sup>

The Great Depression acted in favour of the breweries as retrenchments in British Services reduced the income of service personnel who began buying local beer which was almost half the price of the imported foreign beer.<sup>44</sup> In fact among members of the British Services, it became well known that spirits and beer prices in Malta were extremely cheap.<sup>45</sup> This trend seems to have continued post-1933 when it was remarked that locally manufactured beer was rapidly replacing imported beer.<sup>46</sup> This is not to say that the brewing industry did not have its problems. Both breweries were in fierce competition with each other in the domestic market, and this reduced their profitability.<sup>47</sup> As a result of their competition unsightly advertisements sprang up all over Malta, defacing landscapes and localities so much so that legislation was enacted to regulate advertising.<sup>48</sup> A merger between both was proposed by Farsons in 1929 but this failed to happen.<sup>49</sup>

Initially founded to cater for Maltese consumers, the industry became dependent on the demand of British Services personnel, which became pivotal for the brewing industry's success as seen from local beer production in Figure 1. Any decline in production was related to the withdrawal of the Mediterranean fleet from Malta and rises often related to the fleet being anchored in the harbours. One such case occurred in August 1935 when the British Mediterranean Fleet was withdrawn temporarily from Malta and then returned back in 1937.<sup>50</sup> At the same time the increase in 1939 was described as abnormal and connected to a reduction in the levels of imported beer and wine,<sup>51</sup> presumably due to import restrictions after World War II had started.

Figure 1 - Local Beer Production, 1931-1939.



Source: *The Torch*, 25 December 1947, Appendix E.

<sup>42</sup> Edward Sammut, *The Saga of Simonds Farsons Cisk* (Malta, 1988), 30.

<sup>43</sup> *Ibid.*, 15-16.

<sup>44</sup> 'The New Brewery', *The Torch*, 25 December 1947, 2 and Sammut, 50.

<sup>45</sup> John Manduca, 'Introduction', in *The Bonham-Carter Diaries, 1936-1940: what the British Governor thought of Malta and the Maltese* (Malta, 2004), 42.

<sup>46</sup> Harry Luke, 'Memorandum on the General Estimates for 1934-1935', 20 March 1934, in NAM, GOV 01 (50/1934, 20 March 1934).

<sup>47</sup> Sammut, 46.

<sup>48</sup> NAM, GOV 01 (Confidential, 27 December 1934).

<sup>49</sup> Sammut, 46-47.

<sup>50</sup> Apostolides, 21.

<sup>51</sup> 'The New Brewery', *The Torch*, 25 December 1947, 2.

Other industries such as textile production of sailor caps and shirts, and the tobacco industry were almost solely connected to the Services. In the case of cigarette making, duty on machine-made cigarettes introduced in 1927 stimulated the manufacture of handmade cigarettes.<sup>52</sup> The number of employees in cigarette making swelled and more than doubled between 1931 and 1934, reaching a figure of 918 persons.<sup>53</sup> The connection with the Services is revealed by a drop in employment of some 70 persons in 1935 - during the temporary exit of the fleet - but then recovering the following year to 1031 persons, remaining constant for some time.<sup>54</sup>

Another industry that had provided employment for locals was the canning industry. Local canneries had been in decline owing to foreign competition and experienced a revival only in 1933 when legislation was passed to protect the industry.<sup>55</sup> There existed three canning establishments in Malta canning several vegetables but the most important were tomatoes. In 1933, about 44,684 cwts (2,270,051 kilograms) of tomatoes were processed, of which more than half were canned as concentrated extract – purée - and the rest as peeled tomatoes or paste.<sup>56</sup> In 1934 steps had started to be taken to install a fourth ‘modern canning plant’ and employment numbers doubled in between 1934 to 1935 from 44 to 89 employed persons.<sup>57</sup> A British agricultural advisor thought that canning could be developed to tap the export markets but with the exception of 1934 when exports of canned tomatoes reached £1,325 the canneries grew to depend entirely on the domestic market and Services establishments.<sup>58</sup> Apart from these two other local industries that had existed prior to the inter-war period were the pasta and aerated water industries. Employment figures in these two rose from 262 persons in 1933 to 311 persons in 1938.<sup>59</sup> Similar to the other industries these grew in parallel to an increase in naval and military personnel’s expenditure.

Renewed focus on industrial development during this period saw the establishment of new industrial enterprises. 1934 saw the opening of The British Empire Pipe Co. Ltd producing smoking pipes and also Arnolds Manufacturing Company Ltd manufacturing shirts. There were also the Malta Chemical Industries Ltd. producing laundry soap, the Malta Button Manufacturing making button blanks and then in 1939 Dent, Allcroft & Co. Ltd. started manufacturing gloves after being granted a monopoly (see the following section). Arnolds - owned by a certain Sig. Arnaldo (British citizen) and Maltese brothers Pio and Amelio Carabott – was set up in Birkirkara, employed somewhere around 50 women and had a total of 32 sewing machines.<sup>60</sup> The pipe, laundry soap and glove factories were on the other hand subsidiaries of British companies, they survived the war and were described by the Malta Chamber of Commerce in 1947 as ‘leading’ Maltese industries.<sup>61</sup>

These new industries however were dependent on British companies or individuals. They were either a joint enterprise with the initial capital shared between Maltese and British investors, or else they were subsidiaries of British mother companies where the capital invested was entirely British. This of course, was nothing new since as far back as the 1880s the few examples of capitalist factory-based production had been British subsidiaries, which strengthened the consolidation of local pre-capitalist formation.<sup>62</sup> Still there was some interest to invest locally by some Maltese capitalists and entrepreneurs but these – with the exception of the beer industry - were only willing to be junior partners and they sought guaranteed returns. This trend in the Maltese economy – of Maltese investors finding established manufacturers in the UK to share the initial investment - continued even after the war.<sup>63</sup>

The 1930s were not ideal years for local industry due to a multitude of internal and external problems which hindered further development. As for the manufacturing industries that were created in the inter-war period, the domestic market was an obvious prospect. However, as yet there was no distinction between export-oriented and import substitution types of industrialisation, in the sense that the possibility to export to bring in capital was also on their agenda. This is especially true for the pipe company.<sup>64</sup> With the exception of the button factory, all other infant industries suffered a decline in their exports.<sup>65</sup> These resulted in part from the increasing tensions in the Mediterranean and in part from the restrictions on international trade that followed the Great Depression. The beer industry is a clear example of this. It was around the early 1930s that Maltese breweries started to export its

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<sup>52</sup> Harry Luke, ‘Memorandum on the General Estimates for 1934-1935’, 20 March 1934, in NAM, GOV 01 (50/1934, 20 March 1934).

<sup>53</sup> MBB, 1931-1938, Section 22, 6-7.

<sup>54</sup> *Ibid.*

<sup>55</sup> RWGD, 1933-1934, V6.

<sup>56</sup> *Ibid.*

<sup>57</sup> NAM, GMR 1399/1934, XXXIII.

<sup>58</sup> *Ibid.*, XXXIII-XXIV and MBB, 1934, Section 20, 8.

<sup>59</sup> MBB, 1931-1938, Section 22, 6-7.

<sup>60</sup> National Library of Malta [NLM], Malta Society of Arts, Manufactures and Commerce [MSAMC], *Eighty First Annual Report: 1932-1933*, 35-36.

<sup>61</sup> ‘Leading Malta Industries and Trading Activities’, *Commercial Courier*, December 1947.

<sup>62</sup> Chircop, 1993, 48, 74.

<sup>63</sup> ‘Leading Malta Industries and Trading Activities’, *Commercial Courier*, December 1947.

<sup>64</sup> *Ibid.*

<sup>65</sup> MBB, 1930-1938, Section 20, Table 6.

beer and this became popular among Maltese communities in North Africa.<sup>66</sup> In fact, Malta was the second largest exporter of beer to Tunisia, behind France, exporting as much as 2,262 hectolitres in the first quarter of 1938.<sup>67</sup> Not only Maltese beer exports to Tunisia sometimes experienced a decline for the above reasons,<sup>68</sup> but further growth was hindered by the lack of a commercial treaty between the two countries. Thus, imports into Tunisia of Maltese products paid higher customs duties unlike some imports originating from other countries which had a preferential rate.<sup>69</sup>

Export of locally produced tomato sauce was affected by international trade sanctions imposed on Italy.<sup>70</sup> A few years later in 1938, the pipe factory – which did not seem to be a model employer – had to reduce its workforce due to French competition.<sup>71</sup> The new glove company only began operating in 1939. However, despite that in their first year of operation with only a few workers, glove exports amounted to £1,851 whereas before these were non-existent. During the ensuing war the company shifted its operations to producing different articles for the Services and after it ended it resumed the manufacture of gloves.<sup>72</sup> Some industries also suffered from a lack of confidence among the local consumer. In the nineteenth century cheaper prices had led to local consumers preferring foreign products.<sup>73</sup> The depression of the 1930s led to reduced prices which made it also difficult for local industries, such as the company producing pasta, to compete locally and not just internationally.<sup>74</sup>

The soap industry and local motor vehicles assembly reflected the emergence of ‘new industries’ in Europe. Seemingly the idea of having a motor-car assembly factory appears to have existed as early as 1926 and according to Sir Wilfrid Woods, writing in 1945, it was the ‘favourite dream of the colonies’.<sup>75</sup> Local company Mamo Bros. Ltd. who were engaged in the construction of buses, had a ‘factory’ at Ta’ Xbiex and two other branches at Marsa and Ħamrun.<sup>76</sup> In 1935, it was recorded that 187 persons were employed in motor vehicle ‘body making’, but these declined the following year to 45 and remained so in the subsequent years.<sup>77</sup> A certain Alex Mizzi in 1934 had complained that imperial preference could disrupt plans to start three car assembly ‘plants’ in Gzira that would employ four hundred men.<sup>78</sup> Unfortunately no other information was found related to this, prompting one to believe that this was either another episode in the myths surrounding ‘Ford affair’<sup>79</sup> or there were commercial interests at stake. This story aside it seemed that overall there was a decline in the numbers employed in the manufacturing of vehicles.

### **Industrial development and British policy**

In several European countries, the whole inter-war period saw a move away from *laissez-faire* and free trade. Several trade and financial blocs and barriers to free exchange were set up.<sup>80</sup> Mediterranean authoritarian regimes – one of which neighboured Malta – ‘went further with economic dirigisme’ and adopted state economic planning.<sup>81</sup> In these years, ‘high and structural unemployment was the shocking new phenomenon’ along with a disruption of international trade.<sup>82</sup> Ultimately it was the Great Depression that killed *laissez-faire* and though Britain did not embark on a strong programme of state intervention, it was not excluded from the new protectionist directions taken in economic policy.<sup>83</sup>

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<sup>66</sup> MBB, 1932, Section 20, 8 and Sammut, 51.

<sup>67</sup> NAM, GOV 01 (56/1939, 24 February 1939).

<sup>68</sup> MBB, 1938, Section 20, 9 and Sammut, 51.

<sup>69</sup> NAM, GOV 01 (106/1936, 4 April 1936); (150/1936, 13 May 1936); (409/1936, 16 December 1936); (390/1938, 26 October 1938); (56/1939, 24 February 1939).

<sup>70</sup> ‘On the British Industries Fair Olympia, February 17-28<sup>th</sup>, 1936’, in NAM, GOV 01 (99/1936, 31 March 1936).

<sup>71</sup> Bonham-Carter Charles, *The Bonham-Carter Diaries, 1936-1940* -15 December 1938, 284.

<sup>72</sup> ‘Leading Malta Industries and Trading Activities’, *Commercial Courier*, December 1947.

<sup>73</sup> Chircop, 1993, 49.

<sup>74</sup> Mr. Muddiman, ‘Memorandum on Certain Economic Conditions in Malta’, 41, in NAM, GOV 01 (Confidential, 25 May 1935). ‘On the British Industries Fair Olympia, February 17-28<sup>th</sup>, 1936’, in, GOV 01 (99/1936, 31 March 1936).

<sup>75</sup> Brincat, 39.

<sup>76</sup> NLM, MSAMC, *Eighty First Annual Report: 1932-1933*, 32-33.

<sup>77</sup> MBB, 1931-1938, Section 22, 6-7.

<sup>78</sup> AMCC, *Corrispondenza Ricevuta*, ‘Correspondance respecting Ordinance No XVIII of 1934 – To repeal and re-enact with amendments the Import Duties Ordinance 1917’, 1934, (Alex Mizzi to the Malta Chamber of Commerce, 10 April 1934).

<sup>79</sup> Mario Ellul, *H.M. Naval Dockyard, Malta: society, work and industrial relations in a British naval base, 1900-1939*, (Unpublished M.A. dissertation, Department of History, University of Malta, 2006), 31-33. In the 1920s a rumour that had started among a community of expatriates, that American company Ford had expressed interest to establish a branch on Malta, developed locally into a story of missed opportunity. No official reports have yet been found to confirm this as it is doubted that Ford really showed such interest.

<sup>80</sup> Charles H. Feinstein, et. al., 2-4. See also Ivan T. Berend, *An Economic History of Twentieth-Century Europe: Economic Regimes from Laissez-Faire to Globalization*, (Cambridge, 2006), 5, 55-61, 71-73.

<sup>81</sup> Berend, 5.

<sup>82</sup> Feinstein, et. al., 8, 10.

<sup>83</sup> Berend, 61-67 and Hobsbawm, 220-223.

During the inter-war years in Malta private industrial development was seen as an attainable prospect to reduce unemployment. The state of dependence on British military and naval expenditure and the unsustainable nature of the economy was a topic of debate among contemporaries, as was the need for economic diversification. Some such as Henry Casolani promoted the development of tourism,<sup>84</sup> others like Ċensu Buġeja and members of the Labour Party sought private industrial development.<sup>85</sup> There was, of course, a measure of continuity in the idea of private industries helping to develop Malta's economy, as evident in the nineteenth century writings of Dr Nicola Żammit.<sup>86</sup>

In the 1920s the merchant class and local capitalists showed 'little inclination to change their way of business thinking' that focussed on investing in commerce and merchant activities.<sup>87</sup> Apart from a few exceptions the same can be said of the 1930s, yet these years did witness a new emphasis on enterprise and innovation. In this period of confined commerce, we start hearing the first appeals from the Malta Chamber of Commerce for local capitalists to invest in new options like tourism and industry.<sup>88</sup> It was 'gratifying to note that local industries are receiving more attention', the Chamber said. Whilst 'local idle capital' was plentiful this had to be employed in the development of local industries for benefit of 'capitalists and the labour market'.<sup>89</sup> The Chamber could not understand why capital was being invested solely in the building industry and not creating new industries.<sup>90</sup> In a similar fashion, the Malta Society of Arts Manufactures and Commerce saw 'the attempt being made on all sides to create new industries' and revive those that vanished as a striking development.<sup>91</sup>

Despite the introduction of imperial preference in 1932 and the fact that free trade was officially abandoned, promoting industrial development in the colonies by way of protection was not encouraged by the British; especially in those colonies where the Colonial Office held effective control. British home industries and their interest continued to be the major concern. Thus several colonies were still considered as primary producers and protecting their industries was not on the agenda.<sup>92</sup> Likewise although state interventionism increased in Southern Europe in reaction to the Great Depression, no serious reforms were undertaken in colonies of the Mediterranean on North Africa and the Maghreb.<sup>93</sup>

Malta, however, was an exception. After the suspension of the 1921 Maltese self-government constitution, the British wanted to regain full control for security reasons and this meant keeping the Maltese population contented and loyal. Due this and the need to legitimize their position the British adopted a 'reactive policy of de-Italianisation', running parallel to a proactive one of 'benevolent despotism' which was characterized by a programme of social and economic modernisation.<sup>94</sup> Emigration possibilities during these years declined drastically and local unemployment rose. Thus, the British abandoned a pure laissez-faire economic policy in Malta and resorted to protecting local industries. Customs duties were used to this effect notwithstanding the introduction of imperial preference.<sup>95</sup> For example Campbell in 1935 reduced slightly the wheat tax to protect local millers, some of whom were on the verge of bankruptcy due to increased importation of cheap subsidized flour from France. He did so 'to protect adequately those industries ... that reduced unemployment'.<sup>96</sup> Other measures to aid local industries included the regulation and later the reduction of electricity prices,<sup>97</sup> and the promotion of local industries outside Malta.<sup>98</sup> Under the governorship of Bonham-Carter the policy of Campbell to aid local industries was continued. For example when in 1939 local shirt producers Arnolds Manufacturing Company Ltd requested assistance in the export of their products, it was decided to refund duty paid on

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<sup>84</sup> *Malta Royal Commission 1931 Report* (London, 1932), Evidence by Henry Casolani, 5 May 1931, 114.

<sup>85</sup> John Chircop, *The Left within the Maltese Labour Movement* (Malta, 1991), 32-35.

<sup>86</sup> Frenco, 377.

<sup>87</sup> Fenech, 163-164.

<sup>88</sup> Vassallo, 88-90.

<sup>89</sup> AMCC, ARMCC, 1934, 14. For the Chamber's stance on industrial development during these years see ARMCC, 1933-1938, Part I.

<sup>90</sup> *Ibid.*, 1935, Part I, 1-2 and 1938, 18.

<sup>91</sup> NLM, MSAMC, *Eighty Third Annual Report: 1934-1935*, 39.

<sup>92</sup> Michael Havinden and David Meredith, *Colonialism and Development: Britain and its tropical colonies, 1850-1960*, (London and New York, 1996), 168-174.

<sup>93</sup> Şevket Pamuk, 'Intervention during the Great Depression: another look at the Turkish experience', in *The Mediterranean Response to Globalization before 1950*, Şevket Pamuk and Jeffrey G. Williamson (eds.), (London and New York, 2000), 321-322.

<sup>94</sup> Simone Azzopardi, *Imperial Policy in Malta, 1934-1939: Britain's Need for Benevolent Despotism* (Unpublished M.St. in Global and Imperial History, University of Oxford, 2012), 7-8, 11-20.

<sup>95</sup> Camilleri, 33-37.

<sup>96</sup> NAM, GOV 01 (Secret 1/1935, 02 January 1935).

<sup>97</sup> 'Ordinance No. VII of 1934', in *Malta Government Gazette*, Supplement XV, 6 February 1934. NAM, GOV 01, (228/1934, 23 Oct 1934).

<sup>98</sup> 'On the British Industries Fair Olympia, February 17-28<sup>th</sup>, 1936', in NAM, GOV 01 (99/1936, 31 March 1936).



manufactured exports.<sup>99</sup> However, the policy was taken a step further and attempts were made to create industries by granting investors monopolies in certain sectors.

Monopoly legislation had come into effect during a Nationalist administration in the 1920s intended to aid local industries. Bonham-Carter emerges as a big supporter of this legislation. He established that due to the defence considerations, any monopoly would be only granted to British subjects so as 'no foreign commercial interest' would 'obtain a predominant position' in Malta.<sup>100</sup> In his first year he had reviewed principles to be adopted when granting monopolies. These ensured that a monopoly was only given if it was in the interest of the whole community by meeting certain criteria such as providing employment, produced articles which hitherto were imported, and employed capital in Malta which amount had to satisfy the governor.<sup>101</sup>

In 1937 Colonial Secretary William Ormsby-Gore, who seemed to be set on a determined course to review or repeal legislation that was enacted by the Maltese administrations during the period of self-government, attempted to repeal the monopoly legislation as he believed that monopolies could limit British interests.<sup>102</sup> Bonham-Carter however, thought otherwise. On this occasion he was considering an application for a monopoly by Mr. O.F. Gollcher – a local entrepreneur - to can fish, refine oil and manufacture soap.<sup>103</sup> He stated that he agreed that as a principle a monopoly went against normal policy in the United Kingdom or other colonies, but for him the circumstances in Malta were 'somewhat exceptional'.<sup>104</sup> These circumstances included the lack of industrial and economic activity apart from the dockyard and employment in Government departments, increased population and population density, no room for expansion in agricultural employment and the lack of emigration opportunities during this period. As such he saw that only by assisting local industries could new employment be created. In view of these and the fact that if monopolies were to be removed it would be seen in Malta as prejudicial of 'local interests and to the benefit of outside capitalists', he trusted that Ormsby-Gore would 'not insist' further on repealing Act X of 1925.<sup>105</sup>

Bonham-Carter had thus explicitly detailed government policy on Malta and frankly admits that this went counter to policies in other colonies. A report by a certain Mr Muddiman, passing through Malta as representative of the Canadian Government in 1934, condemned the imposition of custom duties to protect local industries as well as the establishment of monopolies.<sup>106</sup> This is important as it represents the reality of the situation that even before Bonham-Carter, Malta was a special case when it came to colonial economic policy.

The governor won the day but the monopoly requested by O.F. Gollcher failed to materialise. Gollcher had partnered with a company in the UK which was to provide much of the initial capital. Originally they planned to invest some £50,000 to establish this factory to employ between fifty to hundred people.<sup>107</sup> It turned out that Gollcher and the British investors wanted more than a monopoly, requesting guarantees against foreign imports and in case of war breaking out in the Mediterranean. They wanted to impose import duties on edible oil to guarantee that they had no competition but the British declined so as not to increase consumer price.<sup>108</sup> Instead they offered to grant the import of raw material and machinery duty free. Still Gollcher did not think it was enough and the project did not materialise.<sup>109</sup>

Although this failed, it was not all talk and no action, since a monopoly was granted in 1939 to Dent, Allcroft & Company Ltd for the manufacture of gloves, gauntlets and similar hand coverings. The terms for this monopoly spanning 10 years included that initial capital investment could not be less than £5,000 and production to start within two years. An annual payment fee of £50 was also required and that the industry at all times must employ not less than 30 persons all Maltese British subjects. The only exceptions to these terms were that in the first two years at least 20 had to be employed and allowance was made for number of foreign technical experts composing 10 percent of the total workforce.<sup>110</sup>

After the above was granted, Malcolm MacDonald like Ormsby-Gore before him came out against monopolies. This time since another British glove manufacturer 'Fred W. Millington Ltd' had made representations against this monopoly. MacDonald was concerned with distinguishing between industries catering

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<sup>99</sup> *Ibid.*, (24/1939, 28 January 1939). Bonham-Carter Diaries, 15 December 1938, 284.

<sup>100</sup> NAM, GOV 01 (Confidential, 10 April 1937).

<sup>101</sup> *Ibid.*

<sup>102</sup> NAM, GOV 02 (Confidential, Ormsby-Gore to Bonham-Carter, 8 March 1937).

<sup>103</sup> NAM, Lieutenant-Governor Office Files [LGO] 2059/1936.

<sup>104</sup> NAM, GOV 01 (Confidential, 10 April 1937).

<sup>105</sup> *Ibid.*

<sup>106</sup> Mr. Muddiman, 'Memorandum on Certain Economic Conditions in Malta', 1-22, in GOV 01, (Confidential, 25 May 1935), 3-4, 8.

<sup>107</sup> NAM, LGO 2059/1936, (Minute paper 29, 16 December 1936).

<sup>108</sup> *Ibid.*, (Minute 48, 26 February 1937 – Minute 61, 31 July 1937).

<sup>109</sup> *Ibid.*, (Minute 108, 21 October 1938); (Minute 112, 24 October 1937); (Minute 124, 6 December 1938). Bonham-Carter Diaries, 12 January 1939, 293.

<sup>110</sup> 'Conditions for the grant of a Monopoly to Messrs. Dent. Allcroft & Company, Limited, as approved by His Excellency the governor of Malta in Council', in NAM, GOV 01 (81/1939, 11 March 1939). Bonham-Carter Diaries, 9 July 1938, 249-250.

for the local market and those industries like Fred Millington which intended to export its manufacture.<sup>111</sup> He did not agree with the idea of a monopoly in the hope to induce more than one similar undertaking to open in Malta.<sup>112</sup> Once more, Bonham-Carter did not budge. He noted that when the monopoly was granted it was never intended to be limited solely to the domestic market, but most important that if Malta refused to give out a monopoly based on hopes he feared that 'Malta would get no factory at all'.<sup>113</sup> He did agree however, that before any future monopolies were granted, approval was to be sought from the Colonial Office first. At the start of the twentieth century Maltese entrepreneurs felt that the administration could never 'realistically protect emerging local industries',<sup>114</sup> but now the British administration were adopting a different attitude and showed promise to protect these industries. Yet, only a few were forthcoming to invest, even with the prospect of a monopoly.

Most certainly the timing for the creation of industries was not right, not only due to export limitations but also the increasing political tension in the Mediterranean. For example in 1939 a local company 'Carlo V. Borda & Sons' seeing the progress attained in local pig production, were considering to apply for a monopoly to set up, conjointly with British investors, a meat curing factory to produce smoked ham and bacon.<sup>115</sup> Eventually the proposal was ditched due to the 'unsettled political situation'.<sup>116</sup> However, the fact that British companies chose to start operating locally reflects the opportunities that the local market could offer. Notwithstanding the restrictions to exports outside the empire, imperial preference showed promise for export within the empire itself. Dent (the glove company) knew that with imperial preference leather gloves imported from outside the empire were going to pay additional customs duties, hence giving it more control over the local market. Likewise the 'British Empire Pipe Factory' and the 'Malta Button Manufacturing' availed themselves of the benefits of the empire trading zone. Although both failed to meet all requirements to have their products admitted to Empire preference in the United Kingdom, they got sympathetic consideration from the Board of Trade which still granted preference to their exports.<sup>117</sup> In fact at the same time that the exports of the pipe factory found closed doors in Germany,<sup>118</sup> exports to Britain until 1938 rose progressively.<sup>119</sup>

So what was stopping Maltese capitalists to invest in industrial production? Why did they fail to heed the new calls being made by the Chamber; and why did the few who thought it worthwhile to invest seek to share their initial investment capital with British companies? Most probably, despite the protection of local industries and the backing offered by the British administration, few local capitalists felt that they could be adequately protected in what was considered a high risk undertaking. This was shown in 1936 by local company W.J. Parnis England Ltd. who were involved in the manufacturing of soap. They complained against giving Gollcher a monopoly and asked instead for protection to erect two edible oil tanks for the importation of oil in bulk, rather than in barrels. The local authorities rightly noted that this was not a manufacturing venture but related to commerce.<sup>120</sup> The Chamber on this occasion had sided with the local administration, prompting Parnis England to complain that 'industrialists' in Malta were given no protection.<sup>121</sup> This did not stop a Danish firm who was behind this project from erecting these tanks to be used as storage for soya bean oil which led to a drop in the retail price of edible oil.<sup>122</sup> Besides the scepticism in the local government to offer protection, then as now (when most manufacturing is the product of foreign direct investment), the foreign investor had the advantage of having access to export markets, which the Maltese counterpart did not. Furthermore, behind Parnis England's comments and the problems industries faced in the 1930s, lay other long term issues and deep rooted mentalities which are analysed below.

### **Some causes for the lack of industrial development**

By the start of the early modern period Northern Europe had replaced Southern Europe as the core area of the world economy. Southern Europe became a semi-periphery and intermediated between the new core areas and the most peripheral ones.<sup>123</sup> Theories of dependence attach capitalist exploitation to continued poverty and underdevelopment in the peripheral countries.<sup>124</sup> Malta's underdevelopment does not fit entirely in the typical

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<sup>111</sup> NAM, GOV 02 (74/1939, 02 March 1939). LGO 761/1939 (Letter, Fred W. Millington Ltd to Secretary of Dominions Office, 3 February 1939).

<sup>112</sup> NAM, GOV 02 (100/1939, 24 March 1939).

<sup>113</sup> NAM, GOV 01 (175/1939, 12 May 1939).

<sup>114</sup> Chircop, 1993, 51.

<sup>115</sup> NAM, LGO 1010/1939, (Letter, Carlo V. Borda & Sons to Secretary to Government, 02 March 1939).

<sup>116</sup> *Ibid.*, (Letter, Carlo V. Borda & Sons to Secretary to Government, 03 April 1939).

<sup>117</sup> NAM, GOV 01 (441/1937, 17 December 1937). GOV 02 (72/1938, 22 February 1938).

<sup>118</sup> NAM, GOV 01 (366/1938, 5 October 1938).

<sup>119</sup> MBB, 1933-1938, Section 20, Table 11.

<sup>120</sup> NAM, LGO 2059/1936, (47/1937, Chamber of Commerce to Secretary to Governor, 22 February 1937).

<sup>121</sup> AMCC, *Corrispondenza Ricevuta*, 11/1936, (Parnis England Ltd to the Malta Chamber of Commerce, 12 February 1936).

<sup>122</sup> NAM, GMR 1370/1935, 50 and GOV 01 (160/1936, 19 May 1936).

<sup>123</sup> Immanuel Wallerstein, *The Capitalist World Economy* (Cambridge, 1979), 19-32, 37-48.

<sup>124</sup> On dependency theories and their development see Sing C. Chew and Robert A. Denemark, *The Underdevelopment of Development: Essays in Honor of Andre Gunder Frank* (California, London and New Delhi), 1996.

model expounded by these dependency theories, in the sense that Malta had no raw material for the British to exploit. This does not mean that such theories have no place in Maltese economic history. In fact, the dependency theory can be applied even if in a peculiar way and only to some extent. That is to say, the more the British invested locally in the strategic function of Malta and exploited its cheap labour in order to sustain their empire, the more the Maltese economy became dependent on the British naval spending and remained underdeveloped. The result was that not only the economy grew to sustain the British navy but so did the structures of the State and society in general. Thus, Maltese urban mentalities became shaped on the belief of British sustenance, technological advancement became connected to naval repair, and civil and administrative institutions did not develop sufficiently or were inadequate to sustain private investment.

The dockyard through time came to assume a fundamental role not just economically and politically, but also in the psyche of the majority of the Maltese especially for those within urban society.<sup>125</sup> Some sections of Maltese especially those of the Cottonera area came to see the British as providers and not exploiters.<sup>126</sup> Even if the standard of living of the majority of dockyard labourers was not much higher than workers whose work was unrelated to the yard, employment in the dockyard was highly sought by locals.<sup>127</sup> It became everything that the skilled, unskilled or a young apprentice desired. Thus, the Maltese economy and the mentality of the majority of its population became 'fatally linked and subordinated to the needs of the Mediterranean Fleet'.<sup>128</sup>

Another problem that was connected to this form of dependency was that technical education was geared to produce mostly skilled labourers to be able to work in the dockyard or to enable others to emigrate.<sup>129</sup> This is shown from a scarcity of skilled workers in the local textile industry,<sup>130</sup> also encountered by Dent Allcroft & Co. Ltd. on setting up their glove factory.<sup>131</sup> In the eyes of the Director of Education, technical education was failing to develop skilled people required for local industry. He stated that 'technical education in proportion to the great advance in the use of machinery during recent years is imperative', one that would apply 'scientific methods' to improve the quality, finish and style of the local product.<sup>132</sup> For him this had been detrimental to the local shoemakers and tailors and instead of importing cheap articles from Japan, Italy and Austria, local industries should have developed.<sup>133</sup>

Similar to technical education, the civil service grew around this economic system and was geared to its promotion and development. First of all economic dependency ensured the survival of paternalism within the civil service.<sup>134</sup> Secondly it did not encourage investment in industrial capital. Its failure to help the development of the island's economy was commented upon Mr Muddiman who noted that Malta lacked an office to 'study on a scientific basis the opportunities of the Islands' industries'.<sup>135</sup> The only limited economic research was conducted by the Labour Department. However, its duties were only concerned with estimating workmen's compensation for industrial injuries, calculating cost of living figures and carrying out safety and sanitary inspections at work places.<sup>136</sup> The department did not concentrate on the creation of any industries and its conception of industrial development was limited solely to agriculture and not to the development of indigenous manufacture or service providers.<sup>137</sup>

This form of dependency created a kind of inertia among local capitalists who grew reluctant to invest in industrial undertakings. However, it would be wrong to assume that foreign exploitation alone contributed to Maltese underdevelopment. Structural problems like a lack of raw materials had also played an important part. On a more human level, other factors that contributed to Maltese underdevelopment in an equal measure were the local culture and mentalities which were suspicious not only of industrial investment but also of modern technology.

In Malta a lack of capital was never a problem that resulted in underdevelopment, since this was not lacking. More problematic had been the unwillingness of the wealthy to invest that capital in industrial development.<sup>138</sup> The discourse by the above-mentioned British company Hodgson which was interested in local lace, had showed that Maltese lacked a certain business ethic. Moreover, the attachment to the pulling-out system

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<sup>125</sup> Ellul, 169-171, 197-205.

<sup>126</sup> Fenech, 2005, 126-127.

<sup>127</sup> Ellul, 160-164.

<sup>128</sup> Ellul, 198.

<sup>129</sup> Lawrence Attard, *The Great Exodus, 1918-1939* (Malta, 1989), 13-15.

<sup>130</sup> RWGD, 1934-1935, 292.

<sup>131</sup> NAM, GOV 01 (33/1939, 31 January 1939).

<sup>132</sup> Albert Laferla, 'Technical Education', in NAM, GOV 01 (Secret 14/1934, 20 February 1934).

<sup>133</sup> *Ibid.*

<sup>134</sup> Godfrey Pirota, *The Maltese Public Service, 1800-1940: the Administrative Politics of a Micro-State* (Malta, 1996), 430-434.

<sup>135</sup> Mr. Muddiman, 3-4.

<sup>136</sup> NAM, GOV 01 (422/1938, 23 December 1938).

<sup>137</sup> MBB, 1933-1938, Section 22, 'Summary of Industrial development'.

<sup>138</sup> Chircop, 1993, 112.

in the lace industry had reinforced that unwillingness to invest. This was best illustrated in 1929 when Simonds Farsons made available for subscription by the general public a proportion of its shares. On that occasion only 9,585 applications were received out of 50,000 possible shares, since such ventures were considered 'risky' and 'over-optimistic'.<sup>139</sup> The 'absence of enthusiasm' to invest was inhibiting development locally and the feeling of insecurity prevailing among local capitalists made them unwilling to invest.<sup>140</sup>

In the nineteenth century, the commercial class was successful in the way it exploited the social, political, cultural and geographical conditions of the island for their own purposes.<sup>141</sup> The networks and partnerships established by the commercial class were based on familial ties and their intentions had been to acquire and consolidate wealth as a first step towards elevating their social status.<sup>142</sup> In so doing they strived for high profits and were cautious in their investment. Risk taking was conservative and directed only in areas that provided almost certainty to increase profits like stocks and mercantile activity.<sup>143</sup> Investment was not only monetary; marriage and education for example were ways to consolidate their financial position. On the other hand 'philanthropic investment' consolidated their social position. Such charity had enabled the commercial middle class to rise higher in the social scale.<sup>144</sup> Conversely the Catholic Church promoted charity even to the point of considering it a superior form of wealth sharing than direct taxation or social welfare.

During the inter-war period the Church and the Catholic religion were still dominant in everyday life on Malta. Well after the Second World War the Church remained conservative, traditional in outlook and still controlled much of the activity related to charity.<sup>145</sup> Mentalities had not changed in response to the modern world. In 1931 when speaking on the need to diversify economy, Henry Casolani noted that in Malta

people are utterly oblivious to what is going on around them. They are given over to amusement, to *festas*, to the exuberant firing off of bomb, to talk. They are talking themselves into starvation.<sup>146</sup>

For him a proper national economy required industrial efficiency and it should aim to graft 'a sense of stimulus in every worker'.<sup>147</sup> Moreover, in 1939 the British administration found opposition from the Church after it reduced drastically the wheat tax and proposed instead the introduction of other forms of direct taxation.<sup>148</sup> The Church had condemned the proposed taxes as 'not in accordance with Christ's doctrine' and although it was not directly affected these taxes fell 'on the rich' who supported the institutes of the Church and the poorer classes.<sup>149</sup> These comments are indicative of the conservative nature of the local Catholic Church emphasizing consumption and charity.

Related also to local culture and mentalities included perceptions on the use of machinery. Although some sectors of society were convinced of the importance of machinery its use was still limited. If we take as an example the production of hides and skins all flaying was done by hand, but there was at least one company who was introducing an electric flaying machine with hopes to increase quality and expand the local tanning industry.<sup>150</sup> Unfortunately these efforts were not deemed satisfactory by the Veterinary surgeon who saw no reason to replace the knife.<sup>151</sup> But there was nothing novel in this as it was the old Luddite mentality.

A particular incident that happened in 1939 reveals important aspects of the attitude of the artisans towards the possibility of new industries and the use of machinery. During the discussions to grant Dent, Allcroft & Co. Ltd a monopoly, a certain Mr. Joseph Attard claiming to be a Maltese glove manufacturer wrote to the Colonial Secretary stating that this monopoly would impinge upon his business.<sup>152</sup> It transpires that Attard was no glove manufacturer, but rather was employed with his father Spiro who owned the 'Green Hand factory' – most probably a workshop – and had reached an agreement with Dent. Apparently Joseph Attard was offered a job by Dent but gave wrong information as he did not seem to be happy with the offer.<sup>153</sup> Another reason could have been that on seeing his father reaching a deal with the mentioned company, this spelled the end of his inheritance of the family business. In his complaint Attard perceived the product of Dent made by machines as inferior to that

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<sup>139</sup> Sammut, 42.

<sup>140</sup> Bowen-Jones, et. al., 166.

<sup>141</sup> Refalo, 101.

<sup>142</sup> *Ibid.*, 70-91, 100-101.

<sup>143</sup> *Ibid.*, 99.

<sup>144</sup> *Ibid.*, 91.

<sup>145</sup> Adrianus Koster, *Prelates and Politicians in Malta: Changing Power-balances between Church and State in a Mediterranean Island Fortress (1530-1976)* (Amsterdam, 1981), 90-92, 125, 164-170. See also Herbert Ganado, *Rajt Malta Tinbidel: It-Tieni Ktieb (1933-1942)* (Malta, 1977), 13-23.

<sup>146</sup> *Malta Royal Commission 1931 Report*, London, 1932, Evidence by Henry Casolani, 5 May 1931, 114.

<sup>147</sup> *Ibid.*, 117.

<sup>148</sup> On this issue see Camilleri, 16-23.

<sup>149</sup> Bonham-Carter Diaries, 1 March 1939, 306.

<sup>150</sup> NAM, GOV 01 (32/1937, 3 February 1937).

<sup>151</sup> *Ibid.*, (313/1938, 22 September 1938).

<sup>152</sup> NAM, GOV 02 (411/1938, 14 November 1938). GOV 01 (33/1939, 31 January 1939).

<sup>153</sup> *Ibid.*

of 'The Green Hand' which was handmade. Dent interpreted this as a claim made 'either in ignorance or wilfully to mislead' since they used power machines and not foot treadles for sewing.<sup>154</sup> Judging from other examples mentioned earlier, like that of shoemakers, it is thought that it was more a question of ignorance than malicious intent. Artisans thought that machine-made products were lacking aesthetic quality unlike their handmade and individually designed work. Once more, this was nothing new; it only represented the survival of ancient attitudes that were present in the nineteenth century and indicate the continuance of pre-capitalist formations and thinking.<sup>155</sup> That said, the mentality that artisan production is superior to machinery products survives to the present day and not only in Malta.

This idealisation of the artisan and lack of interest in modern technology was not confined only to the artisans. It was discernible for example in the discourse of existing institutions like the Malta Society of Arts, Manufactures and Commerce. The Society was looked upon by local industries as having some influence on local administration.<sup>156</sup> It recognised that with the aid of the authorities the development of industries on 'a large scale' was possible.<sup>157</sup> Yet it did not have a clear appreciation of modern industrial practices since the Society's idea to develop local industries 'on large-scale' was tied to artisanal production.<sup>158</sup> Promoting industrial development for the Society could be achieved through an industrial gallery where local produce which they considered as 'art', would be 'manifested in all its excellence its defects, its needs, and so approach to perfection'.<sup>159</sup> Thus, for the Society boundaries between modernity and tradition overlapped as industrial development had to proceed within the frame of mind of aesthetic perfection. This meant that not only technical education had evolved to service a dependent economy, but other institutions who were supposed to be focussed on industrial development were not equipped to bring about change and remained instead attached to tradition.

More striking is the fact that similar patterns were visible within the civil service. Henry C. Curmi when he was still acting as commissioner for the Labour Department lambasted machines as robbing the livelihood of the craftsmen.<sup>160</sup> For him the purpose of machinery was a good one as it gave the workman means for 'a higher spiritual and material development', but when it came to producing what he called artistic articles – furniture - the 'natural lines of beauty' were blurred and the craftsman's skills lost.<sup>161</sup> Curmi's view represents that of top civil servants and this was not dissimilar to the view held by institutions like the Chamber of Commerce and Malta Society of Arts. All of them approved of the material benefits that could be brought about by machinery but none of them were entirely convinced. Much less convinced were the shoemakers and Joseph Attard, who represented the view of the majority of the artisans and workmen on the island.

Yet not all machinery was bad, some were prepared to invest in setting up factories even if conjointly with British investors and Spiro Attard was happier to come to terms with Dent, rather than opposing them like his son. This example could be seen to represent a conflict between tradition and modernisation in the area of technology. In the same manner this was also visible in various other aspects of Maltese life such as the introduction of modern hygiene and health systems,<sup>162</sup> and the replacement of traditional modes of transportation with motorised ones.<sup>163</sup> Several 'aspects of casualty and consequence' in time and space are related to a form of 'intangible heritage' ingrained in 'perception, memory, opportunity, interest, profit and influence'.<sup>164</sup> It can be seen that this constant attachment to old habits and practices is in effect a consequence of this heritage which made strong the upholding of tradition and slowed the spread of new ideas that could have helped the process of industrialisation.

## Conclusion

To sum up the experience of Malta and its economy in the years 1933 to 1939 is to depict a picture that is not very dissimilar from the situation of the late nineteenth and early twentieth century; a colonial Mediterranean country having signs of development, but its economy underdeveloped by way of its dependence on naval and military expenditure of the mother country. Higher levels of unemployment and a lack of emigration opportunities brought about by the Great depression, along with increasing uncertainty in the Mediterranean convinced the British to

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<sup>154</sup> *Ibid.*

<sup>155</sup> Chircop, 1993, 72-73.

<sup>156</sup> NLM, MSAMC, *Eightieth Annual Report: 1931-1932*, 43-44. One of the local canning industries had asked for the society to use its influence with the local government to gain some measure of protection.

<sup>157</sup> NLM, MSAMC, *Eighty Second Annual Report: 1933-1934*, 15.

<sup>158</sup> *Ibid.*, 15.

<sup>159</sup> *Ibid.*, 15.

<sup>160</sup> RWGD, 1932-1933, V3.

<sup>161</sup> *Ibid.*, V6.

<sup>162</sup> Bowen-Jones, et. al., 177.

<sup>163</sup> Doris Mangion, *The Impact of Motor Transport on Maltese Society, 1919-1939* (Unpublished B.A. Honours dissertation, Department of History, University of Malta, 2003), 4-11, 33, 60.

<sup>164</sup> Frendo, 361.

adopt a different approach. Paranoia gripped the colonial administration and security on Malta became a priority more than ever before. One reaction to this was to adopt a benevolent policy to legitimize imperial rule. Suddenly, industrial development was seen as necessary and protectionism was considered useful to create local employment opportunities. Thus, pure laissez-faire no longer dominated the British policy on Malta while on the other hand imperial trade interests could not readily be given priority over local interests.

However, apart from some piecemeal ventures which depended on British private investment, this new protective policy did not lead to wider industrial development. With the benefit of hindsight the timing of British policy was not right due to the looming war which had disastrous effects on Malta. The scale and scope of the new British policy and the new enterprises were too limited and too late to transform the local economic structure. But behind these short-term explanations lay deep rooted factors which reinforced the form of Maltese underdevelopment. Among the most important of these were the dependent nature of the Maltese economy itself and conservative local mentalities, shying from investment and fearing modernization. The only industries that grew were those connected to naval and military expenditure, meaning that they were exposed to shocks brought about by unexpected or scheduled departures of the Mediterranean fleet.

The above is only one side of the story, since there were novel features and new positive trends that are too strong to be ignored. The need for economic diversification was highlighted and institutions like the Chamber of Commerce opened up to ideas of industrial development. The State's protectionist stance - although not very successful for reasons explained above - showed that with government aid local capitalists were interested to invest, even if sharing the initial investment with British companies. Finally, despite conservative mentalities and traditions, Malta was not entirely closed to external trends and modern economic ideas. European economic development after the Second World War cannot be understood without understanding the hindrances to growth before the war.<sup>165</sup> Just the same, Maltese economic development in the second half of the twentieth century cannot be understood unless we understand the vicissitudes that happened prior to World War II.

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<sup>165</sup> Feinstein, et. al., 12.