

SOME ECONOMIC EFFECTS OF THE CRIMEAN WAR ON MALTA *

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The war in the Crimea (1854—1856) had important effects on Malta. Since the island had to support in various ways the Anglo-French and later Italian expeditionary forces in the Black Sea, Malta became virtually a rear base headquarters for the Allies. (1) It was the main military and supply depot, the major naval base and arsenal and a major hospital centre for wounded and diseased troops. The military and naval resources of Malta were indeed fully stretched during this war. Of course there were socio-economic effects on the Maltese islands which can be briefly surveyed during the two years of war.

The flourishing trade (2) and increased British military and naval expenditure were among factors which led to a rise in the island's money supply. This, along with the sudden growth of the local aggregate demand caused by the presence of the expeditionary forces seem to have been the main causes why inflation occurred. The high cost of living (especially of essential goods) which persisted throughout the war, weighed down so heavily on low income groups of society that the government had to take steps to prevent adverse effects. The economic effects of the Crimean War eventually led to a rise in the standard of living, as is manifested in the clear increase of post-war Maltese Revenue.

One source of increased income was the employment of Maltese in the Crimea. Several inhabitants were employed by the Commissariat, (3) police, and medical departments, and by the Dockyard for services in the Levant. A group of Maltese left with the Commissary officers in February 1854, some as temporary clerks and interpreters; (4) the Dockyard employed boatmen at

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1. The allies fighting the Russians in the Crimea included the French and British, later joined by the Piedmontese Government.
2. See *Malta and the Crimean War (1854-1856)*, Part Two, Chapter One.
3. The Commissariat was a British military branch catering mainly for military organisation.
4. P[ublic] R[ecords] O[ffice], London, W[ar] O[ffice] Records Class] 58, vol. 109

four shillings a day; (5) Maltese doctors were also engaged. (6) But the bulk of Maltese were occupied as muleteers for the transport of the armies in the Crimea. By October 1855 there were about 350 Maltese muleteers receiving 2s 6d a day. (7) Employment in the East offered small fortunes to those who risked being engaged. And many Maltese did.

On the other hand, the increase in the British military and naval expenditure during the war went partly to finance additional labour. The amount spent in 1854 was double that of 1853 and it doubled again in 1856. (8) It augmented local incomes mainly in two ways — more manpower was needed to labour around the harbour, whilst the troops spent lavishly in Malta stimulating business. Money was thus channelled into Malta since the Maltese responded to both factors by seeking employment with military and naval authorities and taking advantage of the expanded market.

That more work went on as a result of the war is evident from the manner in which in July 1855 Sir W. Reid (9) said it would be difficult to employ more Maltese muleteers because 'in this small island labour is both high and in great demand'. (10) Dockyard Creek was busy not only with ship-repairing and bunkering, but also with supplying the army. In 1855, wooden huts were constructed. (11) Ballast men were very busy, and many Maltese were engaged as guardians at the Port Department. (12) The enlargement of the dry dock also created work. The Ordnance storekeeper was hiring labourers for unloading cargoes; the labour demand increased so much that hired labourers became difficult to procure and the men demanded higher wages — at pressing times as in November 1854 they were paid 3s a day instead of the usual 2s. (13)

The presence of the expeditionary forces meantime stimulated certain

[Letters to Commissariat Officers stationed in Malta, 1844-1854], p.20, Trevelyan to General Wild, Malta, 20.2.1854.

5. PRO, WO62, vol.5 [Letters from Commissariat Headquarters at the Crimea, 1855-1856], n.70, p.24, Gen. Fielder to Trevelyan, 2.2.1855. Also see *Malta Times*, n.667, 27.11.1855.
6. See *Malta and the Crimean War (1854-1856)*, Part One, Chapter Four, regarding medical services rendered by Malta.
7. P[alace] A[rchives, Valletta] Desp[atches] vol. 7 [Governor to Secretary of State for the Colonies]; n. 64; p.117; Reid to S[ecretary] of S[tate for the Colonies], 17.7.1855. Also see *Malta Times*, n.660, 9.10.1855.
8. See *M[alta] B[lue] B[ook]s* for 1850 — 1860.
9. Governor of Malta during 1851-1858.
10. P.A. Desp. vol. 7, n.64, p.117, Reid to S. of S., 17.7.1855.
11. *Malta Times*, n. 624, 30.1.1855.
12. P.A. Pet[itions addressed to Sir W. Reid] vol. 23, n.2481 (B), 28.7.1855.
13. P.A. Desp. vol. 51 [S. of S. to Gov.], S. of S. to Reid, n.41, p.226, 21.5.1855; enclosed letter from Board of Ordnance, p.229, 4.5.1855.

local business. Maltese bumboatmen — men who provided for 'selling on board of men-o-war and other ships sundry articles and eatables with the exception of wines and spirits' (14) — were much occupied as a result of increased shipping. In 1854 there were over 300 Maltese Bumboatmen; (15) during 1854-56 this trade seems to have attracted even more Maltese: by July 1855 so many licences had been procured that no more permits were issued. (16) 'It is hard a poor man should be prevented to exercise his trade to support a numerous family...' lamented one of those refused. But until 1856 licences were still refused in spite of the numerous petitions. (17) Both the boosting of such a business and the work needed at the harbours were among the reasons why more people settled around the harbour area. (18)

At the same time local businessmen entered continuously into contracts for supplying the expeditionary forces. Simultaneously the Governor organised occasional bulk-buying when local stores ran out: in 1854 over 100 mules were bought at £4. 10s each; (19) 24 large Maltese boats were also purchased; (20) and the Admiralty bought coal from local merchants. In December Sir W. Reid also purchased tools, plants and timber to assist the hutting of the soldiers. (21) That same month Admiral Stuart ordered 12,000 dozens of oranges from the principal merchants of Valletta. (22) Shipbuilding was also encouraged by the British authorities. (23)

The presence of large numbers of army and navy men in Malta did wonders for the retail business. W.H. Russell, (24) who was in Malta during March 1854, illustrates how the local market was affected by the presence of the armies and navy:

'Saddlers, tinmen, outfitters, tailors, shoemakers, cutlers, all followers of the most useful and practical arts, are in great request, and their charges have crept up until they have attained the dimensions of the west-end scale. Boatmen and all amphibious harpies who prey on the traveller in

14. P.A. Pet. vol.13, n.2958(M), 14.12.1853.

15. *M.B.B.* 1854, p.93.

16. P.A. Pet. vol. 23, n.5440 (B), 26.7.1855.

17. P.A. Pet. vol. 27 n.6615 (C), 17.6.1856.

18. In August 1854 Sir W. Reid reported that 50,000 people had congregated around the harbours of Valletta. See P.A. Milit[ary] Desp[atches to Minister for War] vol. 7, n.23, p.56, Gov. to Min[ister] for W[ar], 19.8.1854.

19. PRO, WO62, vol. 4, n.307, p.221, Gen. Fielder to Trevelyan, 2.9.1854.

20. *Malta Times*, n.600, 15.8.1854.

21. *Ibid.*, n.617, 12.12.1854.

22. *Ibid.*, n.618, 19.12.1854

23. Amongst the Maltese ships built during war were the *Alma* (627 tons.) and the *Zantiore* (259 tons). See *Malta Times*, n.627, 20.2.1855.

24. W.H. Russell was the *London Times* Correspondent, travelling with the Army.

seaports, reap a copper and silver harvest of great weight, and will, it is to be feared, acquire an exaggerated notion of the values of their labour...' (25)

The consumer market was especially stimulated: 'the vendors of oranges, dates, olives, apples, and street luxuries of all kinds, enjoy a full share of public favour'. Russell describes the daily routine of the soldier: having trained for a whole morning on a hot pitch by the sea, he would indulge in buying five oranges for one penny from 'the swarthy half-naked' Maltese who always attends on firing parties. Duty over, he would rush across the harbour to Valletta for 'a cool dark cafe' spending pennies on tots of alcohol until he gets drunk. 'I can live like a duke here,' a popular saying went round the mess. 'I can smoke my cigar, drink my glass of wine, and what could a duke want more?' Cigars were hand manufactured by Maltese 'sitting in the streets and compounding cigarettes of the leaves of plants, straw and saliva'. (26) That the wine and spirit shops were becoming more popular is evident from the sudden demand for permits for this business.

In August 1855 the Superintendent of Police cut down licences on these shops because their number was 'already too large'. (27) Meantime permissions were prohibited to proprietors who had experienced disturbances in their shops. (28) In June 1857 the Governor reckoned that 'upwards of 60,000 gallons of spirits are imported... the navy and army are the principal consumers'. (29)

'Money is circulating in profusion', added Russell; 'it is so plentiful, that people, though they grumble at the high prices of provisions, feel no real inconvenience for them...'. Vendors tended to ask for more money than the normal prices of their products. (30)

Whilst incomes of additional workers at the port and certain local retailers were stimulated, Russian prizes sold in Malta could have, on the other hand, brought more money into the island.

When captured Russian vessels started to arrive in Malta, it was rumoured that during the Napoleonic wars the prize vessels and cargoes sold here had released about half a million pounds sterling into circulation and many local

25. W.H. Russell, *The War*, (London, 1855), p.11 for 24.3.1854.

26. *Ibid.*

27. P.A. Pet. vol. 22, n.5269 (C), 3.8.1855.

28. P.A. Pet. vol. 25, n.6064 (C), 10.1.1856.

29. P.A. Desp. vol. 8 [Govr. to S. of S.], n.89, p.156, Reid to S. of S., 20.6.1857.

30. Russell, *op.cit.*, p.13 for 31.3.1854.

merchants had become shipowners. (31) By June 1854 there were six such prizes anchored at Msida Creek — Russian, Greek and Ionian brigs laden with linseed, meal, salt, oil and warlike stores. (32) Ten more being on their way to Malta, in July the Vice-Admiralty Court with Dr Paolo Dingli as Judge, was set up to organise their sale. (33) The ships were eventually brought under the hammer, selling for increasing sums: whilst *Klissova* (Greek brig) was sold for £785 to Messrs. Scicluna and Sons, and in April 1855, (34) two months later, the *Ajox Joannes Prodromos* with its cargo was bought by Mr Biagio Tagliaferro for £2,325 — a bid which changed the mind of its late owner, who had attended the sale hoping to buy it back. (35) All the other prizes were eventually sold. Whilst auctions of war prizes seemed to symbolise the growing wealth of local businessmen, in August the *Malta Times* was impressed when a Maltese entrepreneur bought a steam tug for commercial purposes: 'it is exceedingly gratifying to see a spirit of energy and enterprise at last aroused in Malta, as it is from such sources by such men that the real interests of the island and people will be promoted'. (36)

The growth in the circulation of money in Malta is reflected particularly in the nature of the Maltese currency. In the 1850's the amount of British paper money being 'very trifling', (37) sterling currency circulated mainly in coins. In February Sir W. Reid asked for more copper money needed for change: 'owing to the fleet, and Malta having become a place of transit for a great number of travellers... much copper money may in this manner have been taken away'. (38) The problem having been aggravated during war, the copper coins were delivered to Malta in November 1856. (39) To ease fiscal transactions in Malta, on 13th August 1855, British gold and silver coins were declared sole legal tender. (40) Meantime during the war, silver coinage was accumulating. The £35,000 which had been in use in 1851, had by 1856 grown to £39,000. After the war Sir W. Reid wrote that this was 'in some degree... owing to the passage of the Crimean army'. (41) The soldiers back from war

31. *Malta Times*, n.592, 30.6.1854.

32. *Malta Mail*, n.626, 30.6.1854.

33. P.A. Milit. Desp. vol. 7, n.19, p.53, Gov. to Min. for W., 23.7.1854

34. *Malta Times*, N.633, 24.4.1855.

35. *Ibid.*, n.642, 5.6.1855.

36. *Ibid.*, n.657, 18.9.1855.

37. *M.B.B.* 1854, p.283;

38. P.A. Des. vol.7, n.12, p.346, Gov. to S. of S., 23.2.1854.

39. P.A. Desp. vol.8, n.109, p.88, Gov. to S. of S., 6.11.1856. See also n. 34, p.39, same to same, 7.4.1856.

40. PRO, C[olonial] O[ffice, Records Class] 158 [Original Correspondence], vol. 178 [Desp. from Governor to CO], n.118, Reid to CO, 6.10.1855.

41. P.A. Desp. vol.8, n.101, p.84, Gov. to S. of S., 6.10.1856.

were spending lavishly in Malta. But even before that, the constant spending of thousands of soldiers in Malta had boosted local business. (42)

The state of war had therefore increased the local money supply by channelling money into Malta through many mediums. Simultaneously the sudden addition of thousands of men to the local population increased the aggregate demand. (43) Both these factors seem to have been the main causes which brought about inflation. The money supply theory holds that when more money is in circulation without a simultaneous increase in the national output, prices would tend to rise. On the other hand, the demand pull theory contends that changes in price levels are due to a disequilibria in markets caused by changes in aggregate demand: a rise in demand of a product raises its value when its supply does not increase accordingly. (44) It therefore seems to hold that both the increased money supply and the excess in the aggregate demand laid the foundations for an inflation which persisted throughout 1854-56, only to abate when its causes stopped or were checked.

The price lists given in the Blue Books indicate that the rise in prices affected especially commodities of necessity; fluctuations vary wildly between one product and another but on the whole every article during the war became dearer, and the last months of 1855 seem to have been the worst in this respect. (45)

The most important items to consider are those of necessities. The price of wheat rose gradually from 8s 11d to 10s 5d per imperial bushel; wheaten bread from an average of 1 2/3s to 2d per pound immediately war broke out. It decreased to 1 5/6d in April 1855, but rose again to 2 1/4d in October and remained as dear till the war ended. Fresh butter per pound rose from 2d to 2s; cheese, sugar, rice and tobacco all rose by 1d and meat from an average of 4s to 5s 6d, rocketing to 7s 6d per pound as war intensified. The price of coffee rose gradually from 6d to 10d and that of tea from 2s to 3s per pound. Goats, swine and sheep also became more expensive. The only items which were immune to inflation were salt, wheaten flour and salted butter; wine, brandy and beer became essentially cheaper with the latter dropping from 7s to 1s 4d per gallon. (46)

42. See above.

43. An average addition of about 4,000 soldiers had to be locally catered for (See Returns of Troops in Malta PRO, WO 17, vols. 2159-2164), excluding the number of wives who passed through Malta following them, and other parties visiting or residing in Malta as a result of the war.

44. R.G. Lipsey, *An Introduction to Positive Economics* (London, 1973), p.697.

45. See Price Lists given in *M.B.B.*, 1854-1857.

46. *Ibid.*

So long as individual incomes rose sufficiently to meet the increased level in the cost of living, inflation was no problem. Trouble then occurred mainly on two levels.

Local contractors could not fulfil contracts because they were fixed on money terms. Giovanni Zammit of Rabat, Gozo, who was one of the contractors for supplying provisions of the Government Charitable Institutions at Gozo, in April 1854 asked for compensation for losses he was sustaining on account of the 'high market prices of articles of consumption'. (47) Other contractors preferred to pay the penalty for not fulfilling contracts.

On the other hand, according to the Auditor General (48) who observed the effects of inflation, 'although the continued dearness of provisions has tended to diminish the introduction of consumable articles, subject to import duty, the extended local traffic derived from the passage of troops and stores to and from the seat of war, and from other operations connected with this state of affairs, has so far enriched the place, as to have enabled the inhabitants, taken as a body, to purchase as large a quantity of those consumable articles as they had the means of procuring in cheap times with lesser earnings'. (49) But whilst this could be said of the Maltese 'taken as a body', not all groups of society benefitted from inflation.

Those whose income was unaffected by war circumstances could not keep up with the rising prices. Inflation accordingly played havoc on some of the poorer classes with scanty incomes. (50) The next group which was similarly hard hit was the civil servants whose income remained stationary. On one hand, certain groups made sufficient profits to compensate for inflated prices: whilst some harbour wages nearly doubled, the trade of local businessmen was stimulated, agriculture and unskilled wages jumped by approximately half, and the earnings of spinning women were double that of the mid-1830's. (51) The merchant class was also getting richer. (52) But wages of civil servants did not rise, so that for a time the former were all gaining at the expense of the latter. Naturally, the situation called for a rise in their pay to restore its previous value.

In May 1855 the Governor recommended a higher wage for the Royal

47 P.A. Pet. vol. 15, n.3457 (Z), 28.4.1854.

48. Mr. Thornton.

49. PRO, CO 158, col. 178, n.45, Reid to CO, 19.5.1856. Enclosed Auditor's report to accompany M.B.B. 1856.

50. *Ibid.*

51. Ch.A.Price, *Malta and the Maltese; A Study in Nineteenth Century Migration* (Melbourne, 1954), p.215

52. P.A. Milit. Desp. vol.8, n.18, p.46, Gov. to Min. for W., 26.11.1857.

Malta Fencible soldier from 8d to 10d a day, 'the prices of everything at Malta having greatly increased along with the increase of steam-shipping and travelling'. (53) The following month the subject of the necessity for higher pay for civil servants was brought up in council by Mons. Casolani (when the 1856 budget was being discussed) who insisted that 'the implication for minor situations were made in consequence of the misery of the people.' (54) During that and the following sittings, the salaries of the majority of civil servants were raised. (55) The Secretary of State, pressed the Governor to stop the process of raising earnings 'as soon as the present pressure from the cause (inflation) shall have ceased'. (56) But in 1856 more salaries were raised and after the war the 'Crimean prices' persisted. (57) In January, the Maltese representatives suggested government should economise 'for the augmentation of salaries and the avoiding of useless works'. (58) In June, Dr Naudi suggested a revision of all salaries. (59) Those who were excluded from the rise complained they needed relief. (60) Salaries were accordingly raised 'to equalise as far as possible the lower situations in the employment of the local government'. (61) Le Marchant (62) in 1858 commented on the general discontent among civil servants during the war because of the rising cost of living:

'The general opinion each day grew stronger, and acquired great weight, that a most lavish extravagance pervaded all public departments; that the superior officers alone enjoyed the advantages of this system, whilst the evil pressed so severely on all juniors as literally to deprive their families of the comforts, if not of the necessities of life, that they had previously considered their government salaries would confer.' (63)

In this manner the prejudicial effects of inflation were largely checked by the Governor. After the war the cost of living tended to remain higher than it was during pre-1854 Malta. (64) Writing in 1861, W. Tallack claimed:

'Before the Russian war, Malta was one of the cheapest places in the

53. P.A. Milit. Desp. vol.7., n.42, p.100, Gov. to Min. for W., 22.5.1855.

54. PRO, CO 161 [Debates of the Council of Government, Malta.], vol. 25, sitting no. 10 4.6.1855.

55. *Ibid.*

56. P.A. Desp. vol. 53, S. of S. to Reid, n.115, p.247, 10.9.1856.

57. *Malta Times*, n.705, 19.8.1856.

58. PRO, CO 161, vol. 26, sitting no. 18, 12.1.1856.

59. *Ibid.*, sitting no. 29, 18.6.1856.

60. P.A. Pet. vol. 30, n.7213 (A.G. + L.), 5.12.1856.

61. P.A. Desp. vol. 8, n.101, p.157, Reid to S. of S., 3.6.1857.

62. Gaspard Le Marchant succeeded Sir W. Reid as Governor of Malta in April 1858. See P.A. Desp. vol. 8, n. 60, p.282, Le Marchant to S. of S., 30.4.1858.

63. P.A. Private Letters [unnumbered volumes], p.97, Le Marchant to S. of S., 10.9.1858.

64. Price, *op.cit.*, p.133.

world; but now things are considerably dearer than in either France or England, with the single exception of fruit, and this is not nearly so cheap as at Gibraltar.' (65)

It seems that in spite of this rise in the cost of living the Crimean War had created in Malta a sufficient increase in the incomes of certain groups of society, to face the rise in prices and bring about a rising in the standard of living. The comparative increase of the local revenue after peace was restored is a manifestation of this. More important still, responsible local authorities largely confirm this by attributing the rise in post-war Maltese revenue partly to an increase in the local purchasing power. (66) Their observations hold that after the war Malta was more prosperous.

In 1854 the revenue, which exceeded that of 1853 by only £466. 14s. 7d, (67) fell below expectation. This failure was attributed by the Auditor General largely to the customs return, which fell shorter than the previous year's by £5,476. For this the Auditor blamed 'the continued dearness of corn, which has transferred much of the consumption from wheat subject to the higher rate of import duty, to barley on which the lower rate is levied; and has also reduced the consumption of wine among the labouring classes, with the consequent loss of import duty on the article'. (68) Of the total £5,476 decrease on the total customs receipts, £5,117 were caused by the reduction on wheat and £3,007 by that on inferior wine. (69) The Auditor's opinion was supported by Sir W. Reid's: the Maltese revenue, he explained, derived two-thirds of its input from duties on imports, 'one of whose thirds consisting in the duties on grain'. But in spite of the revenue's fluctuations caused by the war, in 1854 it showed 'a decided tendency to rise...with increasing population and trade'. (70)

In contrast with the return of 1854, the receipts of 1855 'answered every reasonable expectation' and involved 'a material improvement, or rather, a recovery'. According to the Auditor, 'the chief source of improvement is the customer, wherein, although the continued dearness of provisions has tended to diminish the introduction of consumable articles subject to import duty, the extended local traffic derived from the passage of troops and stores to

65. W. Tallack, *Malta under the Phoenicians, Knights and English* (London, 1861), p.98.

66. Every year the Auditor General submitted a report on the state of Malta's finances, which accompanied the Blue Book. For reference, see note 68 below.

67. *M.B.B.* 1854, p.24. Also see *M.B.B.* 1850-1860.

68. PRO, CO 158, vol. 173, n.65, Reid to CO, 3.5.1855, enclosed Report of Revenue by Auditor General.

69. *M.B.B.* 1854, p.397.

70. P.A. Desp. vol. 7, n.80, p.458, Reid to S. of S., 30.8.1855.

and from the seat of war, and from other operations connected with this state of affairs, has so far enriched the place as to have enabled the inhabitants, taken as a body, to purchase a large quantity of those consumable articles as they had the means of procuring in cheap times with lesser earnings.' (71) The importation of dutable goods was sustained by 'the large affluence of consumers occasioned by war, and by the profits derived by the labouring classes from the same source'. This in turn increased the tonnage dues on merchant vessels. (72) Another evidence that profits were made during the war is in the fact that whilst in 1854 the Governor had procured abatements on rents due to the bad harvest of 1853, for the reason of profits these abatements were not reissued in 1855. (73)

After the war it was expected that revenue would fall back to its pre-war size. But facts proved otherwise. (74) The revenue of 1856 had a clear increase of £14,429 which was partly attributed to the presence of the army and navy back from war, as well as to the 'improved condition of the labouring classes'. (75) The following year the increase was even bigger indicating 'a high degree of internal prosperity which, as it is influenced by extraordinary causes, promises to be lasting'. (76) Eventually, Ordnance IV of 1858 empowered the Governor to invest the sum of £40,000 lying inactive in the local Treasury, in the public securities of Great Britain (77) — a further indication of accumulated money in Malta.

In this manner economic change during 1854-56 had both immediate and far-reaching effects. For two years the island was faced with inflation directly due to the state of war. The government had to check possible inflationary effects which might jeopardise an important branch of the local economy — civil wages. Eventually war ended but the experience of a sudden stimulation in the local economy due to it, according to the contemporary local Auditor General led to an increase in the general purchasing power of the population. The Crimean War, had boosted the Maltese economy, inflating what was once a comparatively low standard of living. When one associates Malta during the Crimean War with a profusion of money, one is not entirely mistaken. Only this should not be done without first understanding its implications and considering the price paid for the prosperity.

- 71. PRO, CO 158, vol. 178, n.45, Reid to CO, 19.5.1856, enclosed Report on Revenue by Auditor General.
- 72. *M.B.B.* 1855, p.24.
- 73. *Ibid.*
- 74. PRO, CO 158; vol. 184, n.31 Le Marchant to CO, 8.3.1858.
- 75. PRO, CO 158, col. 181, n. 54, Reid to CO, 18.4.1857.
- 76. PRO, CO 158, vol. 184, n.31, Reid to CO, 8.3.1858.
- 77 *Ibid.*, n.38 same to same, 4.3.1858.