

MALTESE HISTORY

LO7 abcde

Malta's economic development, 1800–1912



Year 10

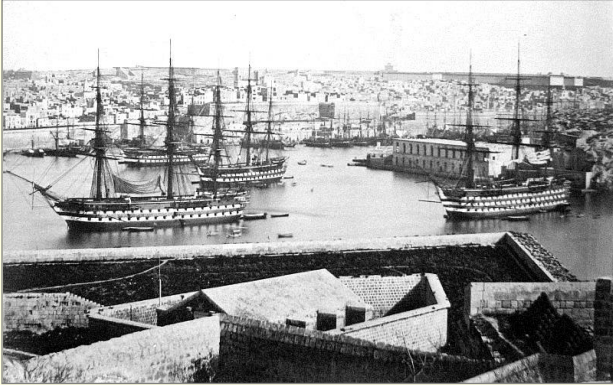
Third Edition – 2023

for History SEC 2025



Curriculum Centre Annex

LO7 a – Reasons for Malta's 'fortress economy' under the British



*Left: the Grand Harbour served as the headquarters of the British Mediterranean fleet from 1845 to 1940.
Right: British battleships in Grand Harbour in the early 1900s.*

By the time the British were supposed to evacuate the islands and hand them back to the Knights of St John (Treaty of Amiens with France in 1802), British government had come to realise how important Malta and its harbours could be in Mediterranean affairs. The Order's small shipyard provided a useful repair base for the British navy. Admiral Lord Horatio Nelson (1759-1805), changed his earlier views of the island as a naval station when in June 1803 he remarked 'I now consider Malta as a most important outwork to India, that it will give us great influence in the Levant and indeed all the southern parts of Italy...I hope we shall never give it up.'

In 1805, Admiral Lord George Keith (1746-1823) stated that: 'Malta has this advantage...that the whole harbour is covered by its wonderful fortifications, and that in the hands of Great Britain no enemy would presume to land upon it because the number of men required to besiege it could not be maintained by the island, and on the appearance of a superior fleet, that besieging army would find itself obliged to surrender... or starve. In Malta, all the arsenals, hospitals, storehouses, etc., are on a grand scale. The harbour has more room than Mahon and the entrance is considerably wider.'

These views were confirmed by the British Government when in 1814, the islands were confirmed by the Great Powers at the Congress of Vienna as a 'perpetual British Crown Colony'. In the 19th century events in the Mediterranean confirmed how important Malta was for British imperial interests, starting with the Greek War of Independence in 1821, the during the Crimean War of 1854-1856 and the opening of the Suez Canal in 1869. This importance became even more emphasized when in 1845 the Grand Harbour became the main headquarters of the British Mediterranean fleet. In 1940, the headquarters was transferred to Alexandria in Egypt because it became British navy ships were no longer secure during the Second World War.

Malta became so important for Britain that it was sought to make it one of the most well-defended islands in the Mediterranean, by stationing naval and military troops in Malta, by expanding and modernizing the dockyard and the harbours and by building more coastal fortifications. All these brought a constant increase in British military and naval spending in Malta which in the end helped the Maltese economy by providing new jobs for all classes of the Maltese population, from peasants, manual labourers, skilled craftsmen, civil service employees and entrepreneurs. In the long run, Malta's economy became so attached and dependent on the British Services in Malta that its economy came to be described as a 'fortress economy'.

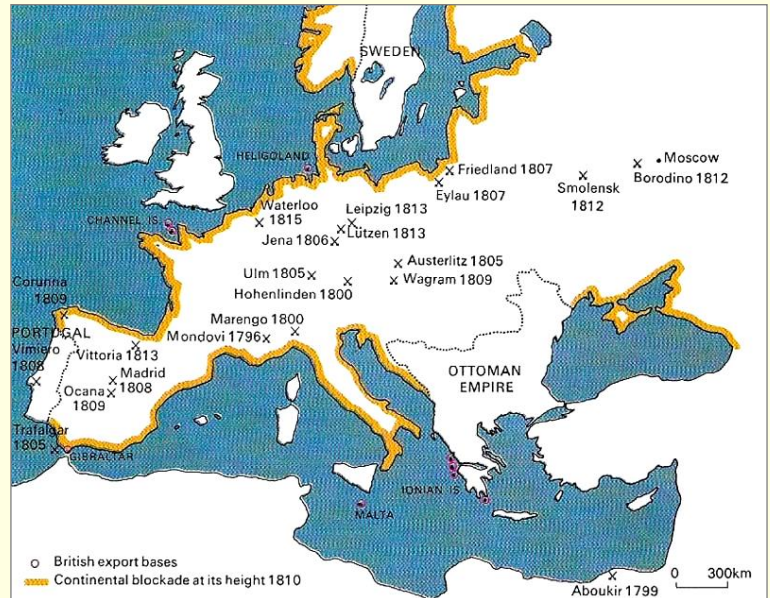
During the 19th century, the Maltese economy experienced periods of booms and recessions, depending on local or foreign events or developments. The table below shows how these economic ups and downs effected the Maltese population.

LO7 c – Malta’s economy during the Continental Blockade, 1806–1812

During the first decade of British rule, the number of British ships entering the harbour rose from 291 in 1801 to 3,000 in 1812. This sharp increase coincided with the years of the Continental Blockade which Napoleon had imposed against Britain. To counteract this blockade, British merchants based in Malta used contraband trade to smuggle goods into those parts of Europe controlled by the French. The result was that Malta enjoyed a commercial boom resulting in more jobs, better wages for the workers and more profits for the business community.

The boom years between 1806-1812 led to the setting up of the first commercial banks in Malta, the *Anglo-Maltese Bank* in 1809, and the *Banco di Malta* in 1812. Maltese started to engage in trade as well, especially now that corsairing was declared illegal (in 1807) by the British. While in 1803 there were 165 Maltese registered ships, in 1811 there were 840.

Map showing Europe’s coastline (shaded in yellow) where Napoleon’s Continental Blockade was enforced. Also notice Malta’s strategic location in the centre of the Mediterranean, from where British merchants smuggled goods into Europe.



Grand Harbour served as a centre for contraband trade during the Continental Blockade.



An ex-Voto painting depicting plague-stricken patients at the Lazzaretto.

Unfortunately, with the collapse of the Continental Blockade in 1812, this brief economic boom came to a sudden end when the number of ships entering the harbour declined to normal pre-blockade level. British merchants re-established their old bases in Italy and Malta’s harbour lost most of its commercial activities. Moreover, the plague which hit Malta in 1813-1814 brought local and foreign commerce to a standstill. Strict quarantine regulations remained in force for nearly a decade after the plague had ended which meant that foreign vessels bypassed Malta’s harbour. To make matters worse, customs duties on all foreign goods entering Malta’s harbour imposed by the government to increase its revenue discouraged the use of the harbour as a centre for transit trade. Malta’s isolation resulted in a decline in local and foreign commerce and a rise in unemployment, a trend which persisted until the outbreak of the Crimean War in 1854.

LO7 ac –Malta’s fortress economy and the Continental Blockade

1. Write **true** or **false** in the blank column for these statements. (5)

a	During the Continental Blockade there was nearly full employment in Malta.	
B	Malta’s ‘fortress economy’ resulted in a sharp rise in unemployment in Malta.	
C	The plague of 1813 caused an economic recession in Malta.	
D	The Continental Blockade caused an economic boom in Malta.	
E	The plague of 1813 nearly stopped all trade between Malta and other countries.	

2. How did the British use Malta’s main harbours during the war against France and Napoleon?
_____ (1)

3. Identify **two** benefits which the Continental Blockade brought to the Maltese economy.

_____ (2)

4. Maltese foreign trade declined considerably between 1813 and 1850. Mention **two** reasons for this decline.

_____ (2)

5. (a) When exactly during the 19th century did the British Government start giving money grants to help Malta balance its annual budget?
_____ (1)

(b) Suggest a reason for this change of policy by the British colonial authorities.

_____ (2)

6. Explain **one** reason why Malta was an important and strategic colony in the British Empire.

_____ (2)

7. Briefly explain what you mean by the term ‘fortress economy’.

_____ (2)

8. Mention **three** advantages which a ‘fortress economy’ brought to Malta.

_____ (3)

(Total: 20 marks)

LO7 b – Decline of the cotton industry in the 19th century



Agriculture in general was considered backward in the 19th century because of the lack of machinery and fertilizers. These were too expensive for local farmers with small strips of arable fields. Terraced fields in some parts of the islands made it impossible for farmers to use the primitive cumbersome machinery invented by the Industrial Revolution. During most of the 19th century, Malta was mainly an agricultural country sustaining some 26,000 persons (or 20% of the Maltese population). Often rainwater was in short supply which in years of droughts made agricultural output low.

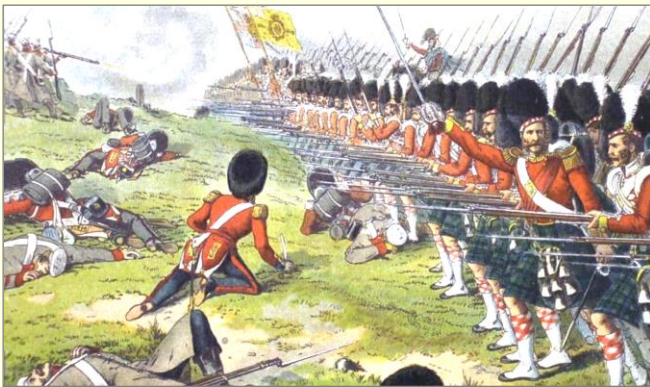
The cotton crop when mature and ready to be harvested.

One of the most profitable crops for farmers was the cultivation and exportation of cotton. Malta's chief cotton market, Catalonia in Spain, was closed in 1800 because at that time Spain was an ally of France in the war against Britain. From then onwards this foreign cotton market never recovered. But there were other reasons which caused a decline in cotton exports. Maltese cotton farmers and manufacturers had no machinery to increase production. Maltese hand-made cotton fabric was more coarse than machine-made cotton. Machine-made cotton fabric produced in Egypt and the United States was cheaper and softer in quality and had thus a greater demand. This meant that from 1830 the export of Maltese cotton was declining rapidly. This decline stopped for some years during the **American Civil War (1861-65)** when that country stopped producing and exporting cotton to Europe. But after 1865 the Maltese cotton industry never recovered again. From the 1870s, many farmers who previously supported their families through the cotton industry had to adapt to other types of employment. Hundreds of farmers migrated with their families to the harbour area in search of employment in the harbour industries or with the British Services. On the other hand, those farmers who stayed in the villages started cultivating the potato crop instead which was becoming very much sought by the British Services and the Maltese.

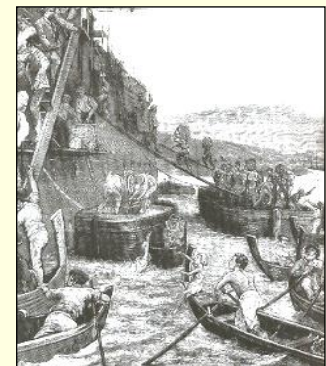
LO7 d – Effects of the Crimean War on Malta's economy

The Crimean War was fought between Britain and France against Russia in defence of the Ottoman Empire. During this war, thousands of sick or injured British soldiers were brought to Malta and kept in military and naval hospitals. For this reason, for the first time, Malta came to be referred to as 'The Nurse of the Mediterranean'. Moreover, thousands of British and French troops were stationed in Malta on their way to Crimea. The main harbours were used as a base for the British and French fleet and as a military and naval store for ammunition and equipment necessary for the fighting in Crimea.

The Crimean War had considerable and lasting socio-economic effects on Malta. Both during and after the war the British started spending more heavily in their military and naval establishments. More British troops stationed in Malta meant a larger demand for local and foreign goods. The British Government started buying supplies for the army from private firms in greater quantities. All these factors helped to stimulate local business with the result that wages and prices went up. It was the first 'golden age' for the retail business when new consumer products were introduced for the first time in Malta. A British official stationed in Malta at that time remarked that 'money is circulating in profusion...and it is so plentiful that people though they grumble at the high prices of provisions, feel no real inconvenience for them.'



Left: British troops fighting against the Russians during the Crimean War.



Right: Maltese boatmen in Grand Harbour thrived during the Crimean War.

The rise in prices affected many staple food items, such as bread, fish, butter, cheese, sugar, rice, tobacco, meat, coffee and tea. Unfortunately, not all the Maltese benefited from these years of prosperity. Those who benefited most were the business community, the retailers in the harbour towns, the harbour labourers and the village farmers. Those who benefited least were the rural labourers who were seasonally employed and the government employees who received fixed wages. A foreign traveller who visited Malta in 1861 left the following remark in his memoirs: 'Before the Russian War, Malta was one of the cheapest places in the world, but now things are considerably dearer than in France or England.' The Crimean War made Malta a more prosperous and at the same time a more expensive place to live in. It also confirmed how important it was as a military and naval base. From that time onwards, the Imperial Government started giving an average £450,000 a year as grants to help the Governor balance Malta's budget.



LO7 bd – Decline of the cotton industry and the effects of the Crimean War

1. From the text, find **three** drawbacks for the Maltese farmers in the 19th century.

(3)

2. From the text, find **three** reasons for the decline of the Maltese cotton industry in the 19th century.

(3)

3. What did the cotton farmers do when the cotton industry declined sharply after 1865?

(2)

4. Briefly explain why and how Malta was involved in the Crimean War.

(4)

5. Mention **one** positive and **one** negative effect of the Crimean War on the Maltese economy.

(a) Positive effect: _____ (1)

(b) Negative effect: _____ (1)

6. Did the Crimean War bring about a boom or a recession in Malta's economy? Briefly explain your answer.

(3)

7. State why the following groups of Maltese people were positively affected by the Crimean War.

(a) Merchants and businessmen: _____

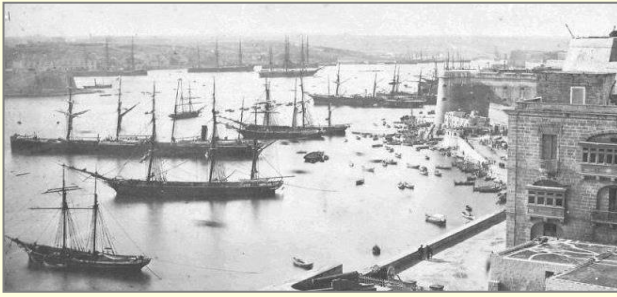
(b) Unskilled men employed in the harbour: _____

(a) Farmers and peasants: _____

(3)

(Total: 20 marks)

LO7 b – Extension works in the Dockyard and the Grand Harbour



Left: The commercial harbour at Crucifix Hill in 1875. Right: Portu Novu at the Menqa (Marsa) in 1874.

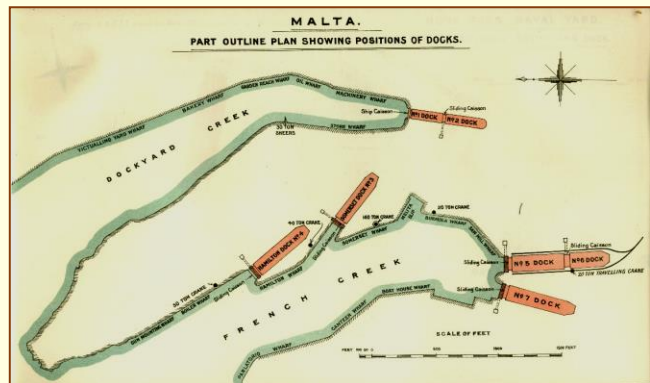
The experience of the Crimean War (1854-56) showed that in time of war, Malta's harbours and dockyard had to be prepared to receive more ships at the same time. This meant that the capacity of the Grand Harbour and the Dockyard had to be improved. In the 1860s the first ironclad warships were being constructed by the French and British. Since ironclad warships needed a larger dock to fit in, the Admiralty constructed the Somerset Dock (Dock No.3), inaugurated in 1871. In the meantime, the Colonial Government deepened Marsa Creek. This innermost part of the harbour known by the people as 'Portu Novu' or 'Il-Menqa' was reserved for merchant and cargo ships. When the Suez Canal was opened in 1869 'Portu Novu' also became a coal bunkering station. The table below shows further improvements made in Grand Harbour and Dockyard up to 1914.

Developments in the Dockyard	
1844	No. 1 Dock completed 1848
1857	Dockyard school set up
1862	Inner Dock No. 2 completed
1864	Iron sheer legs at the Macina
1871	Somerset Dock No. 3 completed
1892	Hamilton Dock No.4 completed
1903	<i>Ghajn Dwieli</i> tunnel completed
1903	Hamilton Dock No 4 enlarged

Developments in Grand Harbour	
1832	Bighi Naval Hospital completed
1844	Corradino coal stores completed
1874	<i>Portu Novu</i> at Marsa completed
1894	Power station at Crucifix Hill inaugurated
1903	Breakwater foundation stone laid
1906	Steam ferry service inaugurated
1909	Breakwater completed
1909	Corradino oil tanks completed



Left: Somerset Dock No. 3 during construction.



Right: Construction of new dry docks between 1844 and 1903.

Construction of the Breakwater, 1903–1909

By the 1890s the use of the Grand Harbour as an international coal bunkering station was in decline. This occurred because steamships had become more efficient, and they could now bypass Malta's harbour on their route to the Black Sea or the Suez Canal. This resulted in an economic recession, a rise in unemployment, decline of government revenue and increase in poverty among the lower classes. Wages went down and people bought less goods. The result was that Government revenue from customs duties fell too. The Colonial Government tried to reduce its impact by constructing the Breakwater at the tip of Grand Harbour. This project solved the unemployment problem for some years. The only other practical way to reduce unemployment was to encourage the Maltese to emigrate. During its construction foreign workers had to be contracted from other parts of the Mediterranean, namely from Gibraltar and Sicily. The construction of the solved the unemployment problem for some years. But upon its completion in 1909, wages started to go down with the result that people bought less goods. This in turn led to a sharp decline in government revenue which relied mostly on custom duties imposed on imported goods.



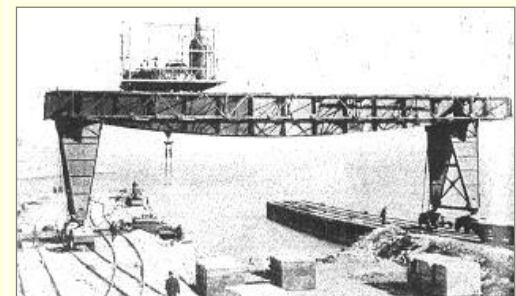
Left: The Breakwater upon its completion in 1909.

Right: Some of the Maltese and foreign workers employed during its construction.



Left: The Breakwater during construction in 1906.

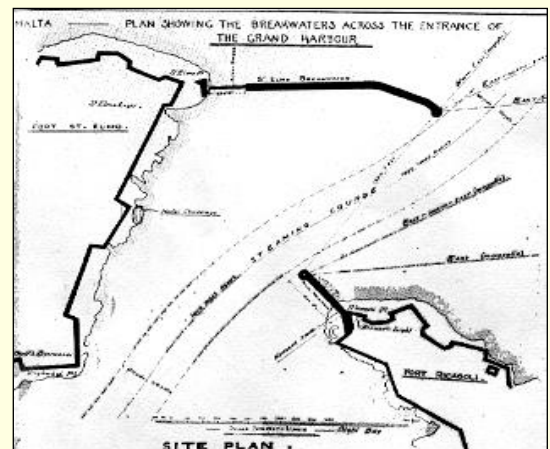
Right: Giant iron sheer legs at Mistra Bay from where blocks from quarried and transported on barges to Grand Harbour.



The Royal Commission of 1911

In 1911-1912 another Royal Commission was sent to Malta to investigate what was causing an economic setback and to suggest solutions to it. In their report, the Commissioners criticized the prevailing system of taxation. It stated that the main burden of the taxes fell upon the working class, because the largest share of the government's revenue came from the unpopular 'bread tax'. They suggested a reduction of the 'bread tax' by half and the introduction of new taxes on property, entertainment and wills. In this way, the working class would be spared some of the tax burden since the new taxes would fall upon the middle and upper classes.

They also suggested that the government should help the Maltese to emigrate by paying part of the cost of the trip. The Imperial Government ought to increase money grants for public works projects. Most of these suggestions, however, had to be postponed due to the outbreak of the First World War in 1914.



Site plan showing the two sections of the Breakwater. It was built in such a way as to provide Royal Navy ships anchored in the harbour protection against stormy waves and torpedo attacks.

LO7 e – The opening of the Suez Canal and its effect on Malta

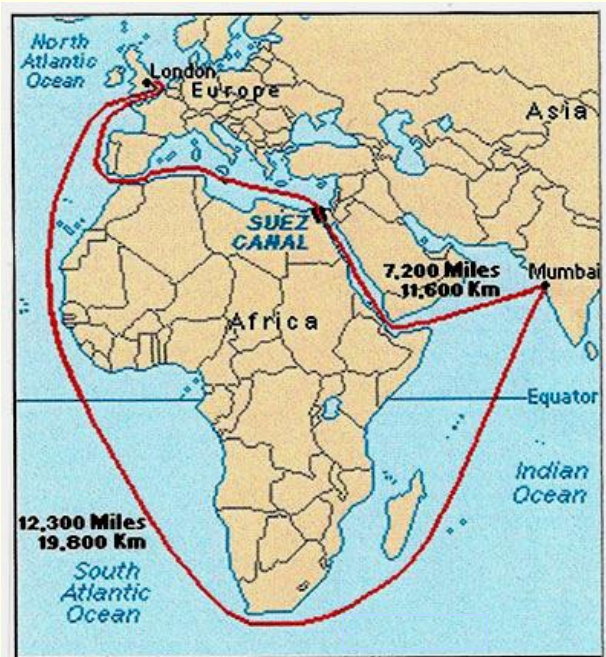
The opening of the Suez Canal in 1869 in Egypt brought about another economic boom in Malta. Its opening coincided with the construction of Somerset Dock No.3 and 'Portu Novu' at Marsa Creek. This meant that larger ships of the British navy could now be repaired at the dockyard and more commercial ships could make use of the Grand Harbour. The Black Sea grain trade helped Malta's harbour develop into a coal bunkering station for international shipping. Amidst all this, the wages and living standards of Maltese were gradually improving. More and more people went to live and work near the harbour towns. Those who did not find work emigrated to other Mediterranean lands instead.



*Left: The construction of the Suez Canal took place between 1859 and 1869.
Right: The Suez Canal was opened to international shipping on 17 November 1869.*

The Crimean War had increased the strategic military and naval value of the Malta base, while the Suez Canal increased its strategic commercial value as a port for bunkering and transit trade. This dual importance of Malta led the British Imperial Government to reassess Malta's existing defences and to undertake extensive defensive works in the form of coastal forts and batteries, upgrade the existing forts with the latest technology in artillery and the construction of the Victoria Lines. During these years, the Admiralty remarked that 'Malta is more important for us now and our whole strength must be concentrated there.'

The jobs created in Malta's harbours encouraged many Maltese to move from the small and remote villages in search of employment. This migration brought about a building boom on both sides of the main harbours, which after a few decades develop residential towns, such as Paola, Kalkara, Marsa, Ħamrun (on the Grand Harbour Side), Pietà, Msida and Sliema (on the Marsamxett Side).



Furthermore, the Suez Canal reduced the shipping distance between Britain and India by 40%. Moreover, ships could now avoid sailing around the dangerous Cape of Good Hope at the tip of South Africa.

LO7 bde – Extension works in the Dockyard and the Grand Harbour, 1844–1909

1. Identify one positive and one negative effect of the Crimean War on Malta's economy.

(2)

2. In what way were Malta's main harbours used by the British authorities during the Crimean War? Mention **two** examples.

(2)

3. Mention **two** developments that took place outside Malta in the 1850s and 1860s that necessitated the enlargement of the Grand Harbour and the dockyard?

(2)

4. Why was this enlargement necessary both for the harbour and the dockyard?

(2)

5. Identify a construction project undertaken during this period:

(a) in the dockyard: _____ (1)

(b) in the Grand Harbour: _____ (1)

6. Briefly explain the importance of each of the projects mentioned in 3 (a) and (b).

(a) _____ (2)

(b) _____ (2)

7. (a) How did the opening of the Suez Canal increase the importance of Malta's strategic location in the Mediterranean?

(2)

(b) How did the opening of the Suez Canal bring about a significant demographic change in the Malta after 1870?

(2)

8. Give **two** reasons for the constructed of the Breakwater

(2)

(Total = 20 marks)

LO7 abcde - Malta's economic development, 1800–1912

Source Question

Carefully read the following text sources and then answer all the questions.

'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...who prey on the traveller in seaports, reap a cooper and silver harvest of great weight, and will, it is to be feared, acquire an exaggerated notion of the values of their labour.'

Source A. W.H. Russell, *The War*, London, 1855, p.11. The author was on a visit in Malta during March 1854.

'This expenditure [on the Breakwater] has led to immediate prosperity, to an increase of activity, wealth and population but the basis of this prosperity is artificial and precarious. A sudden withdrawal of the British Fleet and garrison would reduce a large section of the population to idleness and starvation.'

Source B. *Report of the Royal Commission on Finances, Economic Position and Judicial Procedure of Malta*, May 1912.

'There is no tax on income, houses or land...There are no legacy or succession duties...no data exist for estimating...the realized wealth of the inhabitants of Malta.'

Source C. *Report of the Royal Commission on Finances, Economic Position and Judicial Procedure of Malta*, May 1912.

1. Underline the two categories of workers referred to in Source A.
professional people; peasants; skilled labourers; craftsmen; white collar workers. (2)
2. Name 'the war' that was taking place when the author of Source A was visiting the island.
_____ (1)
3. (a) Briefly describe the activity done by the 'boatmen' mentioned in Source A.

_____ (2)
- (b) Explain why the author stated that these boatmen 'reap a cooper and silver harvest of great weight'.

_____ (2)

4. Explain what the author means when he states that these boatmen 'acquire an exaggerated notion of the values of their labour.'

(2)

5. Give the dates when the Breakwater was under construction. _____ (1)

6. Mention **two** reasons why the Breakwater improved the condition of the Grand Harbour.

(2)

7. Why a 'sudden withdrawal of the British Fleet and garrison would reduce a large section of the population to idleness and starvation'? (Source B line 2-3)

(2)

8. From the evidence provided in Source C, do you think that Malta had a fair and just society when the source was written? Explain your answer.

(2)

9. Give the exact name of the document from which Sources B and C were taken.

(1)

10. Mention **three** measures which the Royal Commission of 1911-1912 proposed to the government.

(3)

(Total: 20 marks)

LO7 abcde - Malta's economic development, 1800–1912

Carefully read these essay titles and then choose one to answer.

PAPER Level 2-3

1. (a) Mention **four** significant events or developments that impacted Malta's economy between 1800 and 1912. (8)
(b) Briefly explain the effect of each of them. (12)
2. (a) How did the British authorities use Malta during the Crimean War? (8)
(b) Discuss the positive and negative effects of this war on Malta. (12)
3. 'Military and naval activity and war in the Mediterranean always resulted in prosperity for the Islands.'
(a) Mention **four** examples from 19th century Maltese history when this statement is true. (8)
(b) Briefly explain how these four examples brought prosperity in Malta. (12)
4. Explain what you mean by the following in the context of Malta's economic history:
(a) the Continental Blockade; (b) the cotton industry; (c) the Suez Canal; (d) the Breakwater. (8)
(b) Discuss the impact which these developments had on the livelihood of the Maltese. (12)

PAPER Level 1-2

1. (a) Briefly explain these terms in the context of Malta's economy in the 19th and early 20th century:
(i) boom; (ii) recession; (iii) coal bunkering station; (iv) breakwater. (8)
(b) Explain how the Maltese economy was affected by:
(i) the Continental System; (ii) the Crimean War. (12)
2. Various factors made Malta rich or poor in the 19th century.
(a) Identify four of these factors. (8)
(b) Briefly describe the economic and social impact of each factor mentioned in (a). (12)
3. (a) Identify four construction projects undertaken by the British to enlarge the Grand Harbour and the Dockyard between 1850 and 1914. (8)
(b) Briefly describe each of these projects, while highlighting their importance to the Maltese Economy. (12)

