

## **Chapter 8**

### **Malta's New Labour in Government**

#### **Introduction**

When New Labour held the helms of government, it had the opportunity to create a historic bloc made up the alliances it had gelled together through its strategy prior to the 1996 elections. New Labour, failed, however, to create that historic bloc because it remained in power for less than two years. The reasons for the its downfall will hereby be analysed, within the context of New Labour's ideological and strategic characteristics.

#### **Overdetermination and Conjuncture**

##### **The Economy**

When the New Labour Government announced its first Budget a few months after assuming power in 1996, it revealed that there was another side of the coin as regards economic growth and higher standards of living. It had inherited a financial problem from the previous administration: public debt.

Lino Spiteri made this clear during his Budget speech, when he announced that Malta’s public debt and Government guarantees on other loans exceeded Lm900 million. Besides, for the first time in Maltese history, the Nationalist Government had left a deficit between Revenue and Expenditure, amounting to around Lm112 million. Spiteri added that that amount was almost three times as much as the amount projected by the Nationalist Government in the previous Budget. Therefore, “The real deficit is equivalent to 9.3 per cent of the Gross National Product and not 3.2 per cent as was stated” (Ministry for Economic Affairs and Finance, 1997a: 5-6).

Dominic Fenech states that the biggest economic difference between 1987 and 1996 was the fact that in 1987 the Nationalists inherited a healthy financial situation and low national debt. The 1996 New Labour Government, on the other hand, faced a high national debt. According to Dominic Fenech, tackling that debt was one of the biggest challenges facing the New Labour Government.

During the two years of the New Labour Government, the economic situation of the country slowed down in various aspects. The following tables give a brief outline of Gross Domestic Product, unemployment rates, and inflation in the two years of New Labour Government.

**GDP at Factor Cost and Unemployment (official figures)**

	<b>1986</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>
GDP (Lm million)	430.6	1052.9	1117.5	1193.6
Unemployment Rate (%)	6.9	4.4	5.0	5.1

(Briguglio, L. 1988: 190)

(Ministry for Economic Services, 1999: 211, 213)

### **Inflation: Consumer Prices (%)**

	<b>1996</b>	<b>1997</b>	<b>1998</b>
Advanced Economies	2.4	2.1	1.5
European Union	2.5	1.8	1.4
Developing Countries	14.1	9.2	10.3
Malta	2.5	3.1	3.0

(Ministry for Economic Services, 1999: 11)

### **Unemployment Rate (%)**

	<b>1996</b>	<b>1997</b>	<b>1998</b>
Advanced Economies	7.3	6.8	6.7
European Union	11.3	10.4	9.6
Euro Area	12.4	11.7	10.9
Malta	4.4	5.0	5.1

(Ministry for Economic Services, 1999: 12)

### **Gross Domestic Product at Constant Market Prices (annual % change)**

	<b>1996</b>	<b>1997</b>	<b>1998</b>
EUR 15	1.8	2.7	2.9
EUR 11 (EMU)	1.6	2.5	3.0
Malta	4.0	4.9	3.1

(Ministry for Economic Services, 1999: 43)

The above figures reveal that under New Labour, unemployment increased, as did Gross Domestic Product, although the growth rate of the latter slowed down in 1998. In both these cases, the Malta percentages were better than those of European Union and Advanced Economies, although the trend showed that while the Malta figures were generally deteriorating (save for GDP in 1997 and inflation – by a mere 0.1 per cent – in 1998) the opposite was happening in the economic areas in question. Malta's inflation rate kept increasing, contrary to what was happening in European Union countries and Advanced Economies. In fact Malta's inflation rate in 1998 – 3 per cent - was double that of the countries in question.

As regards Government finance, the budgetary deficit kept on increasing under the New Labour Government (<http://www.magnet.mt/economy/budget99/bspch02.htm>), partly due to the difficulties in reducing government expenditure which had gathered momentum in the previous years, and even due to the fact that Customs Excise Tax brought about less government revenue than Value Added Tax.

### **Class Structure**

New Labour had inherited the effects of the vast changes what had taken place in Malta's class-structure during the 1980s and the 1990s. During that period wherein Maltese society became more upwardly mobile, and the middle-class kept on increasing in numbers. In this regard, the situation between 1996 and 1998 was basically similar to the situation described in the 1995 national census, and analysed in the previous chapter.

## **Ideology**

Ideologically, the value-system of the Maltese people under New Labour was in many aspects identical to the one in the previous decade or so. Indeed, Anthony M. Abela - who carried out another European Values Survey in 1999 - states that at the end of the decade “Maltese society emerges as predominantly traditional and materialist. Maltese people mix traditional, materialist and postmaterialist values” (Abela, 2000: 217).

The materialist values regarding the family and work kept on being given priority by the Maltese people, followed by religion, leisure, friends and politics. Maintenance of high economic growth kept on being the number one priority for the respondents of Abela’s survey. However, Abela acknowledges that a better analysis of materialist and post-materialist values in Malta should give weight to inter-generational factors (Abela, 2000). In this regard, political commentator J.G. Vassallo states that contemporary Maltese society is characterised by “the coming of pluralism, the spread of education and the coming of a young generation thirsty for change and new experiences and achievements” (*Il-Gens*, 11<sup>th</sup> September 1998).

However, some changes were taking place, especially when one compares the dominant values in the late 1990s with those of the 1980s. Abela suggests that possibly due to the political and socio-economic achievements in the 1990s the Maltese were gradually giving greater importance to leisure and friends. Besides, the work ethic of the Maltese was being transformed in such a way that it was gradually also giving importance to the personal and social dimensions of work (The Sunday Times, 7<sup>th</sup> November 1999).

Abela observes too, that the political polarisation and the politicisation, which were the name of the game in the 1980s, mellowed down and given way to a calmer involvement in politics. As Abela puts it, “It seems that quite a few have a restored confidence in politics, and no longer avoid to discuss political issues for fear of tarnishing their relationship with their friends” (The Sunday Times, 14<sup>th</sup> November 1999). Coupled with this, Abela observes a trend taking place in the late 1990s wherein more Maltese people were adopting a political middle-of-the-road opposition, as well as a steady decline in the number of adherents of the “Old Left” political ideology. The sociologist adds that “The political shift towards the left manifest in the 1995 study was short-lived” (1999).

Political Scientist John C. Lane agrees with Abela’s findings regarding the decrease in polarisation and politicisation. Lane observes the loosening (to a certain extent) of traditional party loyalties as well as the decrease in ideological conflict between the political parties. Lane concludes that these phenomena and the corresponding modernisation of the economy could result in party re-alignments as well as “a renewed concern about the operations of the electoral system” (Lane, 2000: 218) – although change in the electoral system is acknowledged as being very difficult to occur.

## **Political Ideology and Strategy**

### **Economic Policy**

A few days after assuming power in 1996, Prime Minister Alfred Sant told *The Malta Independent* that his Government believed in an economy powered by the private sector, which

would create “a framework of social justice that has full scope, ensuring that policies which affect lower income people and middle income people fit together like a glove, providing the country with systems of solidarity” (The Malta Independent 3<sup>rd</sup> November 1996).

In New Labour’s first Budget, Lino Spiteri reiterated that the private sector should be the motor of the economy, while emphasising the importance of education, hard work and honesty (Ministry for Economic Affairs and Finance, 1997a: 111). Although that Budget had a downbeat tone and prepared the Maltese people for the *hofra* context, it was New Labour’s second Budget which was the more significant in terms of New Labour’s economic policy. In that second Budget that New Labour’s privatisation programme took off. As Dominic Fenech states, the revenue-raising measures of the 1998 Budget, such as the “virtual doubling of water and electricity rates” hit the lower income groups the worst (Fenech, D., 1999: 195).

Economist Anne Mintoff (the daughter of Dom Mintoff) analysed the two Budgets by the New Labour Government. In an article that appeared in *The Sunday Times* a few weeks before the 1998 general elections. Ms. Mintoff maintained that the 1997 Budget only provided benefits to a “dwindling group of elderly in receipt of pensions from UK services” (The Sunday Times, 9<sup>th</sup> August 1998). She also added that this Budget was not a redistributive one. In fact, she maintains, the 1997 Budget had stated that social measures were conditioned by the financial situation (1998).

Anne Mintoff proceeded to analyse Budget 1998, whereby she noted that within the modern management techniques of New Labour a more progressive and efficient taxation system did not feature. Besides, she added, the improvements in social security benefits “make quick reading” (1998). She also mentioned the fact that contrarily to the Malta Labour Party’s promises, with

the removal of VAT, inflation had increased. Thus, while income from employment increased at a slower rate under the New Labour Government, then “spending power for all working households has been eroded in general; and for lower income brackets in particular” (1998).

Therefore, New Labour emphasised the importance of the private sector and the free market, as opposed to Old Labour’s prioritisation of work and state intervention. Management techniques to reduce the deficit were prioritised over the redistribution of wealth, which had been pioneered by Old Labour especially by means of the welfare state.

### **Foreign Policy**

With regards to foreign policy, the New Labour Government came up with the slogan ‘*Dar Maltija fl-Ewropa*’<sup>1</sup>. This slogan symbolised the Party’s insistence that, relations with the EU were to be based on the economic, geographic, social and constitutional realities of Malta, and therefore were to strengthen Malta’s freedom and sovereignty, allowing Malta to control its own destiny (*KullHadd*, 24<sup>th</sup> May 1998).

On May 24<sup>th</sup>, 1998, a prominent pullout in the Labour newspaper *KullHadd* stated that Malta’s identity would be at stake if Malta joined the European Union, and the country would lose its sovereignty. The pullout stated that Malta would have to face problems connected with EU citizens’ right to work in Malta, receive social benefits, and purchase property, the eradication of Malta’s agricultural sector, increase in unemployment, and unsuitable policies on the Dockyards (1998).

Similarly to the Old Labour arguments dealing with foreign policy but in a much less militant manner, New Labour continued to prioritise all things Maltese in its statements. The setting up of a Free Trade Area with the European Union and the “protection” of Malta and the Maltese were given more importance than any other issues dealing with the European Union.

### **Class Interests**

One of New Labour’s most important tasks was to maintain a balance between the different alliances it had formed. On the one hand New Labour had to carry out policies in the interests of the working class – especially the members of the General Workers Union – and on the other hand it had obligations towards its newly found political allies, the self-employed and the General Retailers and Traders Union-lobby.

From the early days of New Labour Government, class interests were sidelined in favour of citizens’ interests , the term ‘citizen’ which was so successful in the 1996 electoral campaign. Indeed, in his Budget speech Lino Spiteri made it very clear that class conflict was not the business of New Labour.

“In a democratic and open society, it is the citizen who is the ‘pivot’ of everything. As the determinant of the economic process. As a worker. As an owner. As a producer. As a consumer. As the person who needs and expects public services of good quality from the Government of the day, produced efficiently and providing value for money. After all, it is the citizen who pays for these services by way of taxes, in some form or another, and by shouldering the

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<sup>1</sup> Tr. from Maltese: ‘A Maltese House in Europe’

burden of the public debt. The Citizen continues to be the basis of society, irrespective of changes in government administration from time to time” (Ministry for Economic Affairs and Finance, 1997a: 1).

Dominic Fenech observes that New Labour was walking on a tight-rope as at the same time, as it “strove to expunge itself from old stigmas which had earlier turned the electorate away from it, while taking great care not to alienate the old core” (Fenech, D., 1999: 195). According to Fenech, once in government New Labour faced a strained balance between ideological continuity and revision.

As regards the self-employed, Immanuel Mifsud gives importance to the fact that the New Labour Government was the first-ever Maltese Government to have a cabinet member responsible for the self-employed. Therefore, while Old Labour had representatives of the General Workers’ Union within its cabinet, New Labour had a cabinet member voicing the interests of the new allies of the Party. (Mifsud, I., 1997: 145). Cabinet meetings were also attended by Labour Deputy Leader and General Workers’ Union legal advisor George Abela during the period when he served as consultant to Alfred Sant.

The introduction of Customs Excise Tax (CET), was of benefit to the self-employed within the services sector and tourist operators in the fact the tax rate was reduced to 5 per cent. On the other hand, while New Labour promised to hold discussions with the General Retailers and Traders Union on the use of cash registers which produced fiscal receipts, no discussions were ever held (*Partit Nazzjonalista*, 2000: 4). The cash register issue was particularly significant with regards to declaration of income from sales and taxation. Besides, refunds for business costs – which were previously provided under VAT - were not provided under the CET regime.

New Labour's relationship with the working class depended on the trade unions in question. As to the *Union Haddiema Maqghudin* and the Confederation of Malta Trade Unions, the relationship was not a very good one. Indeed, after a year of New Labour Government, Alfred Buhagiar of the Confederation of Malta Trade Unions told the *Malta Independent* that under the New Labour Government the level on employment decreased. Gaetano Tanti of the *Union Haddiema Maqghudin* told the same newspaper that New Labour was imposing excessive burdens on the workers without giving them adequate compensation (The Malta Independent, 26<sup>th</sup> October 1997). New Labour's relationship with the *Union Haddiema Maqghudin* deteriorated following Budget 1998. Industrial action and demonstrations were carried out by the union to protest against the austere measures imposed by Sant's Government.

With regards to the General Workers' Union, the decision by means of which government assumed control of the Dockyards, not only went against an electoral promise by Sant, but also against the historic reform carried out by Old Labour. It was also significant that while New Labour tried to give the impression that Malta would be flooded with foreign workers on joining the European Union, at the same time it wanted to import cheap Chinese and Polish workers to work at Malta Shipbuilding. As a response to this, the 1997-99 Biennial Conference of the Dockyards (Metal) Section of the General Workers Union passed a motion that declared that preference should be given to Maltese workers.

New Labour in opposition had managed to form an inclusive class-alliance using a strategy which contrasted sharply with the strategy of Old Labour. But once New Labour was in government, managing the alliance did not turn out to be so smooth.

## Party Interests

Besides having problems with to the class issue, New Labour was also facing problems dealing with the Party grassroots. New Labour had had a successful trump-card when it declared that once in government it would work with all citizens, no matter their political orientation. It would also do away with the old '*min mhux maghna kontra taghna*<sup>2</sup>' slogan.

The violent and criminal elements which had been so synonymous with Old Labour and which appeared to have been exorcised by the New Labour in opposition did not crop up under the New Labour Government. This was one major difference from the Old Labour Government.

Coupled with this was New Labour's insistence that people be treated as 'citizens' and not as Labourites or Nationalists. From his first address to the nation as Prime Minister, Alfred Sant made it clear that his Government would be the Government for all the Maltese and Gozitans and not just for Labourites.

Renee Laiviera, the Chairperson of the Commission for the Advancement of Women commented favourably about this policy. As she put it, "Citizens are no longer being assessed according to their political beliefs. Rather, persons are being given credit for what they are as individuals" (The Malta Independent, 26<sup>th</sup> October 1997).

However, the policy to retain some non-Labourites in various positions within the public sector did not go down well with many Labourites who expected to be given first preference by their Government. In this regard Mario Vella wrote a significant article in *The Malta Independent* on

the first anniversary of New Labour's electoral victory. Vella puts forward a sarcastic, albeit optimistic, apology for the methods used by New Labour, wherein he contrasts national interests with party interests.

“Perhaps we have been too much of a Government and too little of a Party. Perhaps we have thrown too few parties and the few that we threw were not lavish enough. Perhaps we have been too much managers and too little political. Perhaps we concentrated excessively on counting public *liri* and have neglected the counting of potential votes. Perhaps we are doing more book-keeping than polling..... Perhaps we should have mesmerised ourselves into believing that money is truly not a problem and an economy could run on wishful thinking alone.....Perhaps we have sinned against party-political common sense by turning away the card-carrying supporter who knocked on our door demanding a government job as messenger or watchman. Perhaps we ought to have been cast into the abyssal depths tied by our neck to a grinding stone, for not having replaced all chairpersons of public authorities and corporations appointed by the previous Government thereby scandalising friend and foe alike...Perhaps we have sinned for attempting to break with this country's hallowed and hollow traditional belief that someone out there owes us a living, be it the Queen or Brussels. Forgive me for not recalling more grievous possible faults. But for the ones I have listed, oh Lord, do not forgive us, for we believe we know what it is that we are doing” (The Malta Independent, 26<sup>th</sup> October 1997).

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<sup>2</sup> Tr. from Maltese: ‘those not with us are against us’

Given that this piece of writing came from the President of the Malta Labour Party himself, it was evident that New Labour was conscious that its supporters expected more favours from the Government. Nevertheless, it seemed to prefer the rational, modern image that placed nation over party.

### **Power of the Leader**

The amount of controversial decisions taken in two years of New Labour Government, required a strong leadership structure. As stated previously, this was present in Sant's approach that was equipped with his Party machine and public relations strategy.

Alfred Sant's Party machine was heavily criticised by Dom Mintoff who considered it controlled by Alfred Sant (Nationalist Party Information Office, 1999: 68). Indeed, Mintoff often referred to the Party machine during his marathon speeches in Parliament, stating that Alfred Sant – helped by Evarist Bartolo especially in the Party media machine – controlled it, together with the Cabinet, the Labour parliamentary group, as well as the daily newspaper of the General Workers Union, *l-Orizzont*<sup>3</sup> (1999: 77-78).

The New Labour Party machine acted in such a way that dissident Labour views were not reported on the Party media apparatus. Before the general elections it was Mintoff's mass meetings which had been completely ignored. Under the New Labour Government the same treatment was given to dissident voices in the Government's crisis. For example, when former Foreign Affairs Minister Alex Sceberras Trigona wrote to the General Secretary of the Malta Labour Party, Jimmy Magro, informing him that he would not be contesting the general elections

and stating that only one voice was being heard within the Party's General Conference and on Super 1, the letter never appeared in any of Labour's media (*Il-Mument*, 7<sup>th</sup> March 1999).

Edward J. Clemmer labels Sant's leadership style as domineering, hierarchical and absolutist. He suggests that Sant's paternalistic vision could perhaps have been modelled on Dom Mintoff's. Clemmer observes that a Freudian analysis of the leadership of the Malta Labour Party "would suggest that, if Mintoff was the dreaded primal father, then Sant was his replacement as the patricidal youngest son. In this case, the spellbinding drama was enacted in Parliament between Sant and Mintoff, and heard by most of us on the radio, before the collapse of Sant's Government in 1998" (Clemmer, 2000: 7-8). Clemmer adds that the resignations of Lino Spiteri and George Abela, the Dom Mintoff issue and the departure of MLP delegates at the 1998 pre-electoral General Conference are all strong evidence of Sant's control of New Labour (Clemmer, 2000: 8-9).

The modern and professional approach that had been used by Sant in Labour's electoral strategy leading up to the 1996 victory was therefore accompanied by the domineering tradition brought about by Dom Mintoff. The difference between them was stylistic. One was charismatic, tough and rhetorical, the other was modern, managerial and equipped with a professional Party machine.

### **New Labour's Ideology**

New Labour in government had to deal with the "delicate balance between ideological community and revision" (Fenech, D., 1999: 195) which was aptly referred to by Dominic

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<sup>3</sup> Tr. from Maltese: "The Horizon"

Fenech. On the one hand, New Labour had to be loyal to its ideological roots in order to maintain support of its old core, but on the other hand New Labour had to abide by its ideological changes in order to avoid alienating its newly found allies.

Mario Vella observes that New Labour tackled this contradiction by adopting a pragmatist approach, which, according to him helped strengthen the de-ideologisation of Maltese politics. Vella affirms that this approach was brought about by means of New Labour's systematic decrease of the "yawning gap between what one really does when in government and what one says about what one is doing" (The Malta Independent, 21<sup>st</sup> August 2000). Vella concludes that this approach is much more pragmatic than the one adopted by Old Labour, "when political rhetoric and practical policies were sometimes as distant from each other as the contradictory personalities of a schizophrenic" (2000).

The Chairperson of *Alternativa Demokratika* at the time, Wenzu Mintoff, heavily criticised the issue of pragmatism by the New Labour Government, considering it to be short-sighted and taking the place of the Party's leftist ideology. Wenzu Mintoff states in *The Malta Independent* that an example of this shift was New Labour's decision to introduce more taxes and public expenditure cuts instead of attacking Malta's black economy (The Malta Independent, 26<sup>th</sup> October 1997).

Co-founder of the Greek Socialist Party, Professor Vassilis Filias, strongly criticised New Labour a few days before the 1998 general elections. Declaring that socialism implies the creation of acceptable living conditions of the masses, plus creation of jobs as well as minimising the gap between the higher and lower strata, he told *The Malta Independent* that New Labour had

abandoned its socialist roots and instead, similarly to Britain's New Labour, adopted American-style tactics (The Malta Independent, 1<sup>st</sup> September 1998).

Therefore it can be said that New Labour's ideology was not socialist, as it did not prioritise the re-distribution of wealth. The 'pragmatic' tag tied to it by Mario Vella is very much in line with Alfred Sant's declared views on modern politics, which, similarly to the British New Labour ideological standpoint, would counter-balance the market with the interests of the citizens. On the other hand, New Labour in Malta maintained the nationalistic rhetoric of Malta's Old Labour, albeit in a less militant tone.

## **Hegemony and State Power**

As shown above, the Old Labour state apparatus was characterised by economic and ideological state apparatuses which were heavily dominated by the state as well as a repressive state apparatus which was associated with acts of violence, intimidation, political favouritism and exclusion. On the other hand, in opposition, the New Labour counter-hegemonic winning strategy projected an image wherein the state apparatuses would be inclusive, allow economic and ideological freedom, and do away with violence and political patronage. New Labour in government more or less followed this route in a number of aspects.

## **State Power and State Apparatuses**

New Labour's economic policies were to be found within the framework of the market-oriented strategy adopted by the previous Government. However, similarly to Old Labour, Sant's

Government maintained its bias in favour of enhancing the local manufacturing sector, although in a less aggressive way than during Old Labour rule. The changes brought about by CET could be considered to be a case in point, due to the fact that small industries producing for the local market, apart from benefiting from levies on certain imported products, were enjoying preferential treatment. This was due to the fact that their raw material imports were being purchased free of tax. As Lino Spiteri put it “The CET system taxes value added locally less than it does equivalent imports” (The Times, 17<sup>th</sup> December 1997).

Dominic Fenech states that the central challenge of the Labour Government was to inject life in the slowing economy and to tackle the unsustainable structural deficit and high public debt. Fenech observes that the Government was both unwilling and unable to keep on fuelling the economy by means of public spending, and thus gave maximum space to private enterprise. At the same time, was a sector which New Labour was trying to gain support from. Indeed, such a policy was defined by Fenech as being “uncharacteristic” of a Labour Government, even more so when the 1998 Budget was introduced (Fenech, D.: 1999: 195).

With regards to the ideological state apparatus under New Labour, the days of state monopoly over television and radio were a thing of the past. This had been done away with under the Nationalists, when they embarked on a programme of pluralisation.

The repressive state apparatus under New Labour was also very different from the under Old Labour. The days of political violence had come to an end under the Nationalists, and this characteristic was maintained by Sant’s Government – for example protests and direct action were treated in a professional and calm manner by the police. To illustrate this, the police kept

their cool during the students' protests against the new stipends regime. This contrasts sharply with the behaviour of the police against students and environmentalists during the 1970s.

As I had observed in *State/Power: Hiltonopoly* (1998), economic growth was the major issue for the Maltese state apparatus, whatever the government. The Hilton issue exemplifies this analysis, wherein different governments acted in an identical manner in tackling the problem confronting them. In fact I had concluded that in the Hilton issue

“The State and land developers form part of a power bloc through which both stand to gain from the exploitation of land. The State gains through the generation of economic growth. Land developers legitimate the exploitation of land through the State Apparatus” (Briguglio, M., 1998: 85).

It can be said that the state apparatuses under New Labour had much more in common with those under the post 1980s' Nationalist Governments than those under Old Labour.

### **Historic Bloc**

Unlike both Old Labour and the Nationalist Party during the 1980s and the 1990s, New Labour was incapable of forming a historic bloc. Suffice it to say that Sant remained Prime Minister for only twenty-two months, a post-war record.

As shown elsewhere, New Labour faced both internal and external conflicts. But the conflict with Mintoff was the determining factor, due to the fact that Mintoff held the Government hostage

because of its one-seat majority. Sant did not manage to solve the conflict, and this resulted in premature general elections.

Of particular significance was New Labour's relationship with its traditional ally, the General Workers' Union. Contrarily to the *Union Haddiema Maqghudin*, the General Workers Union did not protest against the 1998 Budget. But, as already shown previously, the General Workers Union did not remain silent. The 'scientific study' that it carried out on the impacts of the Budget estimated a 2.4 per cent impact on the cost of living. The General Workers Union also declared that the measures had to be reviewed immediately to avoid "social pain and economic unease" (The Sunday Times, 9<sup>th</sup> August 1998). Another significant aspect in the relationship between the General Workers Union and the New Labour's Government was that by April 1998 – when George Abela resigned as consultant to Alfred Sant – the Union's (informal) representation at cabinet meetings was brought to an end.

### **Crisis of Hegemony**

New Labour's failure to create a historic bloc meant that the Sant Government failed to be hegemonic. The reasons for its crisis were very different from those that led to the downfall of Old Labour, though.

### **Electoral Characteristics**

One factor that helped bring about the crisis in the New Labour Government was the electoral system. As shown earlier in this thesis, Malta's system of proportional representation by single

transferable vote does not always result in a number of seats that correspond to the proportion of votes obtained. When this anomaly was amended in 1987, it was agreed that should a party obtain over 50 per cent of the votes, it would be entitled to appoint enough additional Members of Parliament to make up a majority of one. Further amendments were carried out before the 1996 elections, by means of which a party with a relative majority of votes would be entitled to govern, provided that only two parties obtained seats. In practice this meant that New Labour, which won a majority of votes but three seats fewer than the Nationalists in the 1996 elections, was secured a one-seat majority.

The one-seat majority is considered by Dominic Fenech to be one of the main reasons that brought about early elections in 1998 (Fenech, D., 1999: 194). Fenech observes that Mintoff's behaviour stood out due to the fact that Malta's political culture is usually based on "compromise and negotiation within the Government ranks" (1999). Therefore, this historian observes that when Mintoff started questioning the Government's decisions, it looked like trouble.

Fenech's analysis makes even more sense when one considers that, according to Dom Mintoff himself, he contested the 1996 elections on certain conditions. As he put it during a parliamentary intervention on 10<sup>th</sup> November 1997,

"One of the conditions was that I do not agree with the policies of the electoral programme. The second condition was that I would have the liberty to speak as I deem fit on these issues and to be free to hold meetings in my district. The third condition was something that had nothing to do with these reasons – it was not a

condition for a post or favour from the Government – but it had to do with the Party internally” (Nationalist Party Information Office, 1999: 11).

Another factor leading to New Labour’s crisis, and also connected with the electoral system, was that, at least according to recent elections, the electorate itself was behaving in a more flexible manner than in previous years. Fenech observes that the electorate had become less forgiving (Fenech, D., 1999: 193). J.G. Vassallo argues along the same lines, stating that the issue of floating voters was a major reason for New Labour’s downfall (*Il-Gens*, 11<sup>th</sup> September 1998).

Thus, New Labour faced a situation of democratic blackmail, from Dom Mintoff on one side and from the increasingly uneasy and unforgiving electorate on the other.

### **Class Contradictions**

Another reason that largely influenced New Labour’s downfall was the Party’s departure from its traditional working class roots. Whereas Old Labour considered itself to be the Party of the working class, thereby largely ignoring the fact that the middle class was expanding, New Labour gave too much importance to the middle class. Fenech argues that the most visible example in this regard was the water and electricity bills issue. He acknowledges that Sant’s Government could have solved this and similar issues if it had stayed in government for a full five-year term, but on the other hand he strongly holds that, at least in the short run, New Labour’s policies contradicted the Party’s principles (The Malta Independent, 25<sup>th</sup> September 2000) Besides, the Malta Labour Party and the General Workers’ Union, while being very supportive of each other, did not enjoy the very close relationship that was in place under Old Labour.

On the other hand, various self-employed did not get exactly what they had bargained for before the 1996 general elections. As stated previously, cash registers that issued fiscal receipts remained in place, and the CET regime did not provide refunds for business costs. On top of this the self-employed also faced the tough budgetary measures of 1998.

The New Labour Government, which had aimed to be inclusive and representative of all citizens, failed to attain this objective. It also faced too many economic contradictions.

### **Economic Contradictions**

The austere economic measures under Sant's Government were unpopular with the public and even left their impact on the national economy. In this regard, following New Labour's first Budget, Lino Briguglio said that the introduction of new taxes would probably have a negative effect on economic expansion (The Malta Independent, 26<sup>th</sup> October 1997).

Besides, when CET replaced VAT, it became evident that CET was not any better than its predecessor. Besides the fact that VAT had a system of refunds associated with it whereas CET did not, the effective CET rate on imported products sometimes reached 21 per cent – a much higher percentage than the 15 per cent VAT rate. Besides, although sectors such as locally oriented manufacturing and the service industry were supposed to benefit under CET, in reality the cost of living increased. Apart from the statistical representations quoted above, other exercises could show the rise in prices. A shopping basket which Alfred Sant had presented as an anti-VAT media-stunt before the 1996 general elections cost Lm10 then, but the exercise was repeated (not by New Labour) under Sant's Government, and the basket cost Lm12 (*Partit Nazzjonalista*, 2000: 6).

Criticism to CET came from different sectors representing different social classes and categories, such as the *Union Haddiema Maqghudin* and the Chamber of Commerce (The Malta Independent, 26<sup>th</sup> October 1997). Writing in *The Times* on September 18<sup>th</sup>, 1997, Lino Spiteri said that the new tax was not any more efficient than VAT, and he even expressed his doubts as to whether it would improve fiscal morality (The Times, 18<sup>th</sup> September 1997).

The austere 1998 budgetary measures surely left their mark. This was even more significant when one considers that prior to the 1996 elections Sant had promised to tackle the cost of living, to lower water and electricity rates, to lower the price of medicines, and to maintain the University stipend system. All of these economic policies had now gone astray (*Partit Nazzjonalista*, 2000: 4).

Following New Labour's electoral defeat, J.G. Vassallo commenting on these measures, stated that New Labour did not give anything back to the citizen for carrying out such austere measures (*Il-Gens*, 11<sup>th</sup> September 1998). Anthony M. Abela ties this to the fact that the dominant value system in Malta is materialist and traditionalist. Due to this social fact, Abela says that "the promises which affected one's pockets, such as water and electricity bills, taxes, work, strengthening of the family and similar ones are important" (1998).

In a society prioritising economic growth and other materialist values, it was evident that belt-tightening economic measures would be highly unpopular.

## Party Contradictions

New Labour during its hegemonic crisis had reached a situation not only precarious due to broken promises and class and economic contradictions. New Labour's own internal problems also aggravated the situation.

As stated previously, Sant's commitment to stop vindictive transfers within the Civil Service and to treat people as equal citizens irrespective of their political beliefs, did not go down well with various Labourites who expected to be given preference over non-Labourites. In this regard J.G. Vassallo states that a large number of Labourites expected to be given more attention by the Party because they felt they had been badly treated by the previous administration and wanted some form of redress (*Il-Gens*, 11<sup>th</sup> September 1998).

New Labour's Joseph Muscat earmarked this problem in a Malta Labour Party book that was published a few days before the 1998 elections. Muscat observed that the work carried out by the Tribunal for the Investigation of Injustices was being perceived by Labourites as working slowly, adding that various Labourites needed time to get used to the cultural change expected by New Labour (Muscat, J., 1998: 10, 43).

Coupled with the problem of 'citizens' versus 'Labourites' was the fact that despite all the electoral propaganda on 'barons' during 1995 and 1996, the enquiries held by New Labour in government did not bring about any tangible results. No one was arraigned in court and no one was found guilty (*Partit Nazzjonalista*, 2000: 4). To add insult to injury (to the hardcore Labourites) certain so-called 'barons' retained their posts or collaborated with New Labour. The confirmation of Marin Hili as Chairman of the Freeport was the culmination of this phenomenon.

Writing on the subject a few weeks before the 1998 elections, Anne Mintoff asked, “What were we promised about the barons? Instead haven’t they been promoted?” (The Sunday Times, 9<sup>th</sup> August 1998).

Another major internal problem, the Dom Mintoff clash, which ultimately led to the downfall of New Labour was grossly mismanaged by Sant. As early as 1993 Mintoff had made it clear in a number of articles in *The Malta Independent* that he did not agree with the new direction of the Malta Labour Party, criticising its academic, bureaucratic and technocratic leanings. He even compared the new direction to “ringworms [that] are eating up...[Labour’s] moral substance (The Malta Independent 3<sup>rd</sup> October 1993) Mintoff’s judgement of the new leadership could not have been more negative. In his words,

“it will not be long before the verdict of history will show how these new paper gladiators will have made less impact on Maltese socialism than a flea on an elephant’s back” (The Malta Independent, 19<sup>th</sup> September 1993).

Mintoff’s differences with New Labour were also evident during his 1996 mass meetings. As stated before, the Old Labour symbology and discourse were revived by Mintoff during these meetings. Symptomatically, these were not reported by the New Labour media machine.

Mintoff’s clashes with Sant’s Government were on two levels - on the ideological and on the personal. The old politician made it clear many times during his parliamentary speeches that he utterly disagreed with New Labour’s economic and foreign policies.

However the clashes between Sant and Mintoff reached their climax when Alfred Sant labelled Dom Mintoff a traitor. This took place in Gavino Gulia square at the heart of Bormla, an essential part of Mintoff's constituency. Visibly hurt by this label, Mintoff declared that he would be ready to take the crisis to safe waters once Sant withdrew his accusation of treason (*Il-Mument*, 13<sup>th</sup> June 1999). But Sant did not retreat from his position. This meant that compromise could never have been reached with Mintoff. This can be seen as a gross miscalculation on Sant's part, especially when one considers that Mintoff had already split the Malta Labour Party once during the Boffa years.

New Labour's other internal clashes left their imprint, too. Upon resigning from his post as Minister Lino Spiteri declared that he would remain loyal to Labour (*The Sunday Times*, 30<sup>th</sup> March 1997), but the Party was already looking shaky. George Abela – who according to Dominic Fenech had fallen out with Alfred Sant over the new water and electricity rates (Fenech, D., 1999: 196) - resigned from the post of Deputy Leader in the most delicate of times, when he disagreed on the holding of early elections. The loss of Alex Sceberras Trigona added weight to the precarious situation facing New Labour.

Dominic Fenech states that the loss of such important exponents had a two-fold effect. On the one hand it alienated some core-Labourite figures and supporters, and on the other hand it did away with the moderate and centrist image it had presented in the 1996 elections. With regard to core-Labourites, in the 1998 general elections the Party suffered its greatest electoral losses in traditionally Labour strongholds such as the second district (Fenech, D., 1999: 196).

## Counter-Hegemony

Given the ideological and strategic errors by the New Labour Government, the Nationalist Party had a field day to setting up a counter-hegemonic strategy. This was even more so due to the facts that, firstly, New Labour was not hegemonic, and secondly, as observed by Fenech, the electorate had become less forgiving yet it remained entrenched within a two-party system. Fenech's argument is based on the fact that *Alternattiva Demokratika* fared worse in 1998 than in 1992 and 1996. He observes that people tend to switch vote to Labour or Nationalist rather than vote for the third Party (Fenech, D., 1999: 193).

According to Fenech the Nationalist strategy for the 1998 general elections was based on three main premises. First, the Party recycled its 1996 theme that depicted Labour's leadership as being untrustworthy, basing its arguments on Sant's broken promises and internal squabbles within his Party. Second, the Nationalists presented themselves as more socially conscious than New Labour, especially when they promised to do away with various unpopular measures (such as the surge in water and electricity bills). Last but not least, the Nationalists promised to keep on following the road taken prior to 1996, meaning that VAT would be reintroduced and Malta would once again strive for EU membership (Fenech, D., 1999: 196). The Nationalists also reminded the electorate that life in Malta under the previous Nationalist Government had been stable.

## **Conclusion**

The overdetermining characteristics of the Maltese socio-economic structure that were faced by New Labour were in various aspects different from those of Old Labour.

During the 1990s there was a market liberalisation process including the removal of import controls on various products. The economy kept on growing amidst much higher consumption rates and lower unemployment. However the public debt burden had grown to unprecedented proportions. Under New Labour the economy did not perform well: unemployment and the cost of living went up, and the various austerity measures negatively affected both the working and middle classes.

Ideologically, Malta's political divide was no longer as deep as in the days of Old Labour, and the impact of floating voters became significant during general elections. The Maltese remained as materialistic as ever, giving priority to economic growth, work and the family. But postmaterialism was on the increase. The 1990s also saw an expansion of the middle classes, wherein white-collar jobs ranging from the clerical to the professional accounted for almost half of the Maltese occupational structure.

New Labour had reformed itself in order to attract the middle classes – with special emphasis on the self-employed - as well as other categories such as hunters and trappers. The Party was now made up of a professional Party machine which moved away from its workerist image, employed professionals, owned its own television and radio stations and considered it important to market its political product by means of modern public-relations techniques.

New Labour's leader Alfred Sant did not possess the charismatic qualities of Dom Mintoff. Nevertheless he was capable of holding his grip on the Party by means of his managerial approach. And although his approach was milder, he could be just as authoritarian as Mintoff, managing to get rid of the violent and unruly image of Old Labour as well as of what he perceived undesirable elements. This approach was successful in Alfred Sant's relations with Dom Mintoff, who had dominated the Party for nearly half a century and who had become the Party's anti-hero by then.

In the economic sphere New Labour's policy emphasised the pivotal role of the private sector within a market economy, as well as the need for across-the-board austere measures with the aim of solving the deficit problem. The economic and ideological leanings of New Labour in government were in many ways similar to those of the Nationalists in government between 1987 and 1996. Old Labour repression became a thing of the past. Besides, New Labour discontinued the Old Labour policy of assigning preference to Labourites.

As regards foreign policy, New Labour remained nationalistic and emphasised its anti-EU membership stance. But Alfred Sant also proposed a Free-Trade Area with the block that would progressively liberalise the economy and conform to the EU taxation framework.

Although New Labour adopted an inclusive policy with regard to different social classes and categories, the austere measures it put into practice once in government resulted in the Party's failure to form a historic bloc with either the working classes or the middle classes. Besides, New Labour's relations with the General Workers' Union was not as close as Old Labour's relations

had been. And moreover, the economic austerity measures conflicted directly with the materialistic aspirations of the Maltese people.

Apart from the economic austerity measures, the reasons for New Labour's downfall included internal conflicts and contradictions, not least of which being the Dom Mintoff issue; the departure of influential elements and the backlash from its own supporters arising from the lack of political patronage. Besides, the Nationalist counter-hegemonic opposition was successful in portraying itself as more credible and socially conscious than New Labour, promising a return to the stable situation between 1987 and 1996.

The concluding chapter will compare and contrast the major characteristics of Old Labour and New Labour, in order to identify the ideological and strategic shifts from one to the other, as well as the aspects in which the latter evolved from the former.