



# Neoliberalism in Ħamrun



CLINT FLORES

Rudimentary lectures of economic theory introduce pupils to autocratic economic models compared to the capitalist system

Those fortunate enough would later learn about Friedrich Von Hayek and John Maynard Keynes, with the former arguing that any intervention by the state would stifle the market economy with the latter counterarguing that market failures must be corrected through an interventionist approach. Von Hayek supported the notion of libertarianism and linked government intervention to serfdom. Later, Milton Friedman built on Hayek's economic theory and connected freedom to capitalism. Whether an economist supports the Keynesian or Hayekian economic theory, it is a matter of choice akin to religious beliefs. Certainly, I pertain to Keynes' school of economic thought and strongly reject the relationship between government intervention and serfdom.

In recent years, Malta adopted a neo-liberal eco-

nomic model when it came to the private sector, embracing the capitalist system and the holders of capital. Whether this approach was sensible to induce private sector confidence to in turn create jobs, it is a matter of public opinion. However, statistics show that Malta experienced an economic boom in the years preceding the pandemic. Consequently, the country needed additional labour supply to sustain economic growth, which was mainly fuelled by local consumption, construction and FDI. As a result, thousands of workers were imported from third countries. Government competed for some of the imported workers, who were assigned to the state's elderly care homes, as well as hospitals and other medical care related activities. Undoubtedly, the state is present to provide for merit goods and services *inter alia* free hospital care and

education, otherwise the Gini Coefficient would be skewed towards high inequality of income.

Furthermore, different economic operators in the construction and retail industries experienced undue problems to attract workers and this could be related to several factors including the wages paid. Equally, requests at Identity Malta by different economic operators, to process documents for third country nationals, grew exponentially. The increase in economic expansion, as well as the associated surge in the population growth, created ancillary pressures to our limited territory, especially on the country's infrastructure and in the housing rental market. This resulted in a spike in the residential rent prices, at times to uncontainable levels. Absurdly, some residential adverts were pricing rooms for rent at €400 per month. The

causality of the increase in the price of the rent prices was and is still unclear. This led to a situation where the commercial rent prices moved in tandem with that of the residential rent prices and as a result the costs of private enterprises increased.

Eventually, the state intervened to correct what we economists call market failure and introduced a new regulation. The regulation required every property-owner to register the rental contract with the Housing Authority and to clearly list the number of tenants living in the building. The requirements came in time to curb abuses, as the unfettered rental market was fuelling price and other non-price related exploitations. Clearly, many of the third country nationals search for accommodation in the areas of Blata l-Bajda, Msida, Marsa and Ħamrun.

In fact, the town of Ħamrun is quite popular with third country nationals. The last time I visited the town, was on the occasion of the renowned St Gaetan annual gathering. After an absence of almost eight years, during that week I tried to spend most of the evenings with the local community. While I was wandering through St Joseph High Street, I noticed the spawning of a significant number of shops, pertaining mostly to foreigners hailing from the MENA and Horn of Africa regions. In part, it reminded me of a particular area close to Ixelles in Brussels.

On one of the evenings, at around midnight, I was walking down St Joseph Street towards Blata l-Bajda, and few of these essential stores were still open for the public. I entered one of them to purchase some fruit and to also test the person's reaction behind the counter. The man, of African origins, spoke perfect Maltese and he gently asked me whether I am a foreigner. A colleague of his was beside him counting the cash of the day. It honestly reminded me of the essential shops that you find open late at night around the Grand Place in Brussels.

The opening of a store to cater for the essential needs of the Ħamrun community is fundamentally respectable. However, I was muttering to myself about the lack of labour supply in Malta. Lately, the Chamber of Commerce proposed the rapid process of Visa applications for the entry of third country nationals in Malta, because the commercial industry is experiencing a shortage in the supply of labour. What struck me most though, was the contrast between what the employers are demanding and the disproportionate growth in the number of essential stores on the ground. I was asking myself whether the country needs all these stores, as those behind the counter may perhaps be absorbed by the private industry in more productive employment.

The latest economic forecasts show that growth and low unemployment will be sustained in the coming years. However, if the shortage of labour supply is not addressed in the short-to medium-term economic growth can be stifled. Hence, I truly believe that we must utilise all those that are able and willing to work in Malta and perhaps upskill workers before supplying additional store licenses to third country nationals.

To conclude, neoliberalism is certainly occurring in the town of Ħamrun and the advocates of Hayek may wish to move within the area to possibly research about the night economy. However, I sincerely hope that the stores are indeed catering for the essential needs of the Ħamrun community and are not used to circumvent the residential rent law.

*Clint Flores is an economist*