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(2019) *Entrepreneurship, Strategy, and Business Philanthropy: Cotton Textiles in the British Industrial Revolution*. *Business History Review*, 93 (3). pp. 503-527. ISSN 0007-6805

<https://doi.org/10.1017/S0007680519000692>

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**Entrepreneurship, Strategy and Business Philanthropy: Cotton Textiles in the British
Industrial Revolution**

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FOR CONSIDERATION FOR SPECIAL ISSUE ON ENTREPRENEURSHIP AND
PHILANTHROPY

Acknowledgments: We would like to thank the issue editors, three anonymous reviewers and also participants at the PDW held in Glasgow, June 2017, at the European Business History Association Vienna meeting, August 2017 and at a seminar held at Newcastle University Business School, November 2017, for helpful comments on earlier versions of this paper.

Word count: 9990 (excluding this page)

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JEL Classification: D64, K31, L30, N13, N33, N83

Keywords: British industrial revolution, cotton textile industry, business regulation, entrepreneurship, philanthropy and business ethics.

Entrepreneurship, Strategy and Business Philanthropy: Cotton Textiles in the British Industrial Revolution

Abstract

The paper analyses the relationship between entrepreneurial philanthropy and the competitive process. Competitive conditions interacted significantly with entrepreneurial responses to ethical problems posed by the rapid emergence of factory production following the British industrial revolution. Entrepreneurs' attitudes to regulation and the labor process are used to identify the major differences and similarities in competitive behavior. These variations are explored using nineteenth century case studies highlighting examples of philanthropy and competitive behavior. The analysis leads to a typology, which shows that entrepreneurial philanthropic behavior is conditioned by business strategy variables; specifically combinations of technological and labor resources controlled by individual entrepreneurs and their businesses.

Is there a relationship between entrepreneurial philanthropy and competitive advantage? At first sight, the answer to this question would seem to be no, or at least negate typical definitions of pure philanthropy, which naturally eschew donor self-interest. Accordingly, the wider philanthropy literature has regarded competitive success, and individual wealth accumulation, as precursors to charitable activities.¹ The transition from entrepreneurship to philanthropy is thus a function of wealth and stage of life.² These philanthropic investment decisions may be

¹ Zoltan J. Acs and Ronnie J. Phillips, "Entrepreneurship and Philanthropy in American Capitalism," *Small Business Economics* 19, (2002): 189-294.

² David B. Audretsch and Joshua R. Hinger, "From Entrepreneur to Philanthropist: Two Sides of the Same Coin?" in Marilyn L. Taylor, Robert J. Stromm and David O. Renz, *Handbook of Research on Entrepreneurs' Engagement with Philanthropy: Perspectives* (Cheltenham, 2014): 24-42.

consequentially designed to achieve wider objectives, beyond the entrepreneur's normal business horizon, including returns on social and environmental investments.³ Pure philanthropy implies voluntarism, a concept that has evolved from classical notions of individual charitable donations through nineteenth century socially and institutionally embedded humanitarian responses to poverty, effectively financializing charitable activity, uniting the social status offered by philanthropy with the financial and moral virtues of judicious investments.⁴ As part of this institutionalization, we argue, distinctively, that *entrepreneurial* philanthropy is inseparable from competitive processes in which entrepreneurs participate. Entrepreneurial philanthropy is thus defined as the creation of new social relations, in the form of opportunity and moral obligation, to meet an expressed need.⁵ In this formulation, the creation of opportunity is commensurate with

³ Matthew Bishop and Michael Green, *Philanthrocapitalism* (London, 2008). Examples include the Gates and Soros foundations.

⁴ Marty Sulek, "On the Classical and Modern Meanings of Philanthropy," in Michael Moody and Beth Breeze (eds.), *The Philanthropy Reader* (Abingdon, 2016): 31-36, 33-34. Rhodri Davies, *Public Good by Private Means* (London, 2016), equates the modern understanding of philanthropy with nineteenth century developments (27); Peter Shapely, *Charity and Power in Victorian Manchester* (Manchester, 2000); Josephine Maltby and Janette Rutterford (2016), "Investing in Charities in the Nineteenth century: The Financialization of Philanthropy," *Accounting History*, 21, no. 2/3 (2016): 263-280.

⁵ Building on common definitions of philanthropy (for example, for Schervish: A social relation arising from moral obligation to meet an expressed need [Susan A. Ostrander and Paul G. Schervish, "Giving and Getting: Philanthropy as a Social Relation," in Jon Van Til (ed.), *Critical issues in American Philanthropy* (San Francisco, 1990): 67-98, going beyond more general definitions: "Voluntary action for the public good," synonymous with charitable donations, (Sulek, "On the Classical and Modern Meanings of Philanthropy," 33-34.

widely endorsed theories of entrepreneurship,⁶ but implicit in such opportunities are corresponding obligations arising from the reordering of resources and claims upon them. Entrepreneurial philanthropy then, is motivated by an “interested disinterestedness,”⁷ distinct from pure philanthropy, or altruism without ulterior motives. Consistently business ethics accommodates the notion of doing well by doing good.⁸ Entrepreneurs pursue, and balance, returns on economic and social capital,⁹ but in our formulation they are motivated systemically by

⁶ For example, Stevenson’s definition as the pursuit of opportunity beyond resources currently controlled. Howard H. Stevenson, “A Perspective on Entrepreneurship,” Harvard Business School Working Paper #9-384-13, 1983.

⁷ Bourdieu, for example, disputes disinterested motivation, arguing that there will be concealed interests deriving from “the habitus or struggles in the social field.” Andrew Sayer, “Bourdieu, Smith and Disinterested Judgement,” *Sociological Review*, 47, no.3 (1999): 403-431, 404.

⁸ For example: Michael E. Porter and Classe Van der Linde, “Toward a New Conception of the Environment-Competitiveness Relationship,” *Journal of Economic Perspectives* 9, no.4 (1995): 97-118; Michael E. Porter and Mark Kramer, “Strategy and Society,” *Harvard Business Review*, 84, no.12 (2006): 78-92. Generic aspects of corporate strategic philanthropy creating competitive advantage include: reputation, market position, employee motivation and productivity, and cost reduction. Lee Parker, “Corporate Social Accountability through Action: Contemporary Insights from British Industrial Pioneers,” *Accounting, Organizations and Society*, 39 (2014): 632-659

⁹ Charles Harvey, Mairi Maclean, Jillian Gordon, and Eleanor Shaw, “Andrew Carnegie and the Foundations of Contemporary Entrepreneurial Philanthropy,” *Business History* 53, no.3, (2011): 425-450.

the competitive process and by Hobbesian individual egoism.¹⁰ Altruism might thus be linked to deferred self-interest, moral rewards associated with assuaging guilt, legitimacy and social status, an attempt to impose moral values on proximate communities through gift giving or on heterogeneous and anonymous communities through coercion (legislation),¹¹ when considered in the context of entrepreneurial philanthropy.

These assumptions allow us to consider the possible relationship between entrepreneurial philanthropy and competitive advantage, and specifically, the paper's main empirical question: What were the determinants of differential entrepreneurial attitudes to philanthropy? This is investigated below using a case of a highly competitive industry, early nineteenth century cotton textiles, at a time when voluntary philanthropy reached its pinnacle.¹²

Our focus on the competitive process develops Polanyi's notion of the "double movement", outlined in *The Great Transformation*, which characterizes tension in market economies as a movement on the one hand to dis-embed the economy from society, and, on the other, a countermovement promoting resistance and regulation.¹³ The double movement provides

¹⁰ Hobbes's view of human nature is that altruism is motivated by the good feeling experienced by the donor; Peter Singer, "The Rich Should Give," in Michael Moody and Beth Breeze (eds.) *The Philanthropy Reader* (Abingdon, 2016): 183-188, 184.

¹¹ Mairi Maclean, Charles Harvey, Jillian Gordon and Eleanor Shaw, "Identity, Storytelling and the Philanthropic Journey," *Human Relations*, 68, no.10 (2015): 1623-1652; René Bekkers and Pamala Wiepking, "A literature review of empirical studies of philanthropy: Eight mechanisms that drive charitable giving," *Nonprofit and Voluntary Sector Quarterly*, 40, no.5 (2011): 924-973. Kenneth Boulding, (1962), "Notes on a Theory of Philanthropy," In Frank G. Dickinson (Ed.), *Philanthropy and Public Policy* (Boston: NBER, 1962): 57-72.

¹² The pinnacle predated the onset of state provision in the 20th century. Davies, *Public Good by Private Means*.

¹³ Karl Polanyi, *The Great Transformation* (New York, 1944).

the basis not just for understanding the market society dynamic as a whole, but also for a spectrum of entrepreneurial approaches to philanthropy. The movement to expand the market economy, driven by the ideology of laissez faire, characterized the behavior of the typical entrepreneur.¹⁴ In one interpretation, historical variation reflected the organization of production and subsumption of labor.¹⁵ We address this literature by considering strategies involving philanthropy, which, in varying degree, specified the direction of the counter-movement, and which also pushed for various forms of employee protection promoting a more stable competitive environment. The evidence below illuminates the dynamic tension between these opposing entrepreneurial approaches, as governed by the competitive process.

During the early decades of the nineteenth century, mill owners were divided over employment practices, how they should be regulated and the related question of trade union recognition. Some, such as Robert Peel and Robert Owen, promoted regulation of working time and of female and child labor. Although child labor was in decline by the 1830s,¹⁶ campaigns to reduce the length of the working day intensified. Pressure for new legislation came from public opinion, heavily influenced by the publication of the memoirs of Robert Blincoe, an abused factory child,¹⁷ the operatives, represented by the Short Time Committees, and also from Tory

¹⁴ H. I. Dutton & John E. King, "Limits of paternalism: The Cotton Tyrants of North Lancashire, 1836–54," *Social History* 7, no.1 (1982): 59-74, 63-64, most mill owners maximized profits to the exclusion of all else, reflecting intense competition and cyclical industry dynamics.

¹⁵ Michael Burawoy, "Karl Marx and the Satanic Mills: Factory Politics under Early Capitalism in England, the United States, and Russia," *American Journal of Sociology* 90, no.2 (1984): 247-282.

¹⁶ Clark Nardinelli, "Child Labor and the Factory Acts," *Journal of Economic History* 40, no.4 (1980): 739-755.

¹⁷ The Blincoe memoirs were published in increments beginning in 1830. John Waller, *The Real Oliver Twist* (Cambridge, 2006).

radicals such as Richard Oastler, suspicious of rapid industrialization.¹⁸ In response, laissez faire mill owners argued that long hours were essential to profitable operation, and indeed their mills' survival, in the face of threats from overseas competition.¹⁹ The consequences were a series of parliamentary debates and commissions, and a progressive tightening of regulation through successive Factory Acts.²⁰ Following the limited legalization of trade unions in 1825, the laissez faire entrepreneurs demonstrated a similarly motivated opposition to trade union recognition, although other entrepreneurs were more favorably disposed.²¹ Alternative attitudes to regulation and collective bargaining thus created a range of philanthropic options for entrepreneurs.

¹⁸ Robert Gray, *The Factory Question and Industrial England, 1830-1860* (Cambridge, 1996), 7, 66.

¹⁹ For example, Edmund Ashworth, "Minutes of a conversation" in Nassau W. Senior, *Letters on the Factory Act* (London, 1837).

²⁰ Regulation began with the *Health and Morals of Apprentices Act 1802* (42 Geo III c.73) The *Cotton Mills and Factories Act 1819* (59 Geo. III, c.66) stated that no children under 9 were to be employed and limited the working day to 12 hours for children aged 9–16 followed by the *Labour in Cotton Mills Act, 1831* (1 & 2 Will. IV, c.39) limiting the working day to 12 hours for all those under 18, and night work to those aged 21 and over. To defeat a further 10 hours bill put forward by Michael Sadler, prominent manufacturers successfully lobbied for a new parliamentary Commission (*The Factories Inquiry Commission*) resulting in the *Factory Act, 1833* (3 & 4 Will. IV, c.103), commonly referred to as "Althorp's Act", which established a maximum working week of 48 hours for those aged 9 to 13, limited to eight hours a day; and for children between 13 and 18 it was limited to 12 hours daily. Following further debates, the ten hour day was enshrined in the *Factories Act 1847* (c 10 & 11 Vict c.29).

²¹ *Combinations of Workmen Act 1825* (6 Geo 4 c 129). H.I. Dutton and John E. King, *Ten Per cent and No Surrender: The Preston Strike, 1853-1854* (Cambridge, 1981), 81-85; Michael Huberman, *Escape from the Market: Negotiating Work in Lancashire* (Cambridge, U.K., 1996).

Using the example of factory regulation and employment relations to investigate the relationship between entrepreneurial philanthropy and competitive advantage in cotton textiles is useful for several reasons. First, entrepreneurial motives can be considered absent established regulatory structures. An important specific aspect of entrepreneurial philanthropy relates to employment conditions, including the application of ethical codes to vulnerable groups like women and children. In industries where exploitation is common, and unregulated, adoption of these codes is a matter of entrepreneurial discretion. Such circumstances prevailed in the early nineteenth century in the textile mills of the British industrial revolution.

A second reason for our early nineteenth century focus is that social problems caused by rapid and unregulated urbanization created a range of entrepreneurial opportunities to adopt secular, business related, philanthropic policies beyond the workplace.²² These policies had a secular nature, distinct from the religious nature of charity.²³ Cases of specific forms of entrepreneurial philanthropy have been well documented, including the economic rationales for paternalistic employment policies.²⁴ Even so, there has been no systematic exploration hitherto of the relationship between the philanthropic activities of textile entrepreneurs and the competitive process. Such an exploration is useful because social historians recognize the proliferation of philanthropy, juxtaposed against the rise of laissez faire in the field of economics in this period. In

²² On the rate and effects of urbanization, see: David Owen, *English Philanthropy, 1660-1960*, (Harvard, 1964).

²³ Hugh Cunningham and Joanna Innes, (eds.) (1998) *Charity, Philanthropy and Reform: From the 1690s to 1850* (London, 1998).

²⁴ Patrick Joyce, *Work, Society and Politics: The Culture of the Factory in later Victorian England* (New York, 1980). Dutton and King, "Limits of paternalism"; Michael Huberman, "The Economic Origins of Paternalism: Lancashire Cotton Spinning in the first half of the Nineteenth Century," *Social History* 12, no.2 (1987): 177-192.

the social history literature,²⁵ the initial spread and subsequent historical transformation of philanthropy was a function of changing moral values. For us, by contrast, the moral behavior of entrepreneurs, reflected transformations in the competitive process. The gap in the literature addressed by putting forward such an argument is important, in view of the substantial literatures on nineteenth century paternalism, utilitarianism and utopian socialism, and the associated prominence of individuals like Titus Salt, Jeremy Bentham and Robert Owen.²⁶ The paper builds on this research by considering specifically how the resource combination available to the entrepreneur, and hence the ability to compete, determined their ideological and ethical attitude towards their employees and their working conditions.

Notwithstanding the prominence of industrial philanthropists, the literature on the nineteenth century textile industry, in particular cotton textiles, has depicted a highly competitive atomized structure, in which labor exploitation was the norm, in the face of unrelenting international competition, underpinned by laissez faire ideology.²⁷ A third justification for our empirical focus is therefore that cotton exemplifies a highly competitive industry, in which

²⁵ For example: Frank K. Prochaska, "Philanthropy," in Francis M.L. Thompson (ed.) *The Cambridge Social History of Britain, 1750-1950* (Cambridge, 1990): 357-394; Gertrude Himmelfarb, *The De-Moralization of Society: From Victorian Virtues to Modern Values* (London, 1995).

²⁶ Owen, *English philanthropy*; John Harrison, *Robert Owen and the Owenites in Britain and America: The Quest for the New Moral World* (Abingdon, 2009); Estrella Trincado and Manuel Santos-Redondo, "Bentham and Owen on Entrepreneurship and Social Reform," *European Journal of the History of Economic Thought* 21, no.2 (2014): 252-277.

²⁷ Stephen Broadberry and Andrew Marrison, "External Economies of Scale in the Lancashire Cotton Industry, 1900–1950," *Economic History Review* 55, no.1 (2002): 51-77; Neil J. Smelser, *Social Change in the Industrial Revolution: An application of Theory to the British Cotton Industry* (Abingdon, 2013).

voluntary adoption of philanthropic employment practices would pose a significant financial risk if unrelated to rational business behavior.

A final justification is that by re-evaluating these competitive processes, and the range of business strategies, we offer new insights into the history of cotton as a leading sector of the British industrial revolution. Literature to date has grouped supporters and opponents of factory regulation according to political and religious affiliation.²⁸ Charitable acts thus legitimated the social status of elites, as governed by religious and social backgrounds,²⁹ particularly where factory communities provided a model for the entrepreneur's social and moral vision, reinforced by pre-industrial, aristocratic, modes of paternalism were also influential, promoting protectionism, social responsibility and government regulation as counters to the rise of laissez faire.³⁰ Economic motives for philanthropy towards employees, in the form of paternalism, have been debated extensively. Joyce suggests that paternalism was more common in larger mills containing family groups, but Huberman points out that coordinated agreements between groups of employers and their employees on short time working during downturns supplanted these arrangements, thereby promoting a stable workforce, particularly in cities where employee turnover was higher compared with more isolated rural districts. For Dutton and King, paternalism was an expensive distraction for most employers, who found it difficult to guarantee

²⁸ Howard P. Marvel "Factory Regulation: A Reinterpretation of Early English Experience," *Journal of Law and Economics* 20, no.2 (1977): 379-402; Clark Nardinelli, "The Successful Prosecution of the Factory Acts: A Suggested Explanation." *Economic History Review* 38, no.3 (1985): 428-430.

²⁹ Peter Shapely, "Urban Charity, Class Relations and Social Cohesion: Charitable Responses to the Cotton Famine," *Urban History*, 28, no.1 (2001): 46-64

³⁰ Kim Lawes, *Paternalism and Politics: The Revival of Paternalism in Early Nineteenth-Century Britain* (Basingstoke, 2000).

employment in such a highly cyclical industry.³¹ Another suggestion is that geographical location of entrepreneurs' factories determined their paternalism, as was their often related choice between steam power and water power. In the latter case, the remote location of factories created pressure for employers to provide housing and in some cases shops and schools in the form of factory communities.³² Whereas this literature addresses certain motives for philanthropic behavior manifesting as paternalism, further examination of firm level determinants, focusing on competitive behavior of individual entrepreneurs, and their attitude not just to paternalism but also to regulation and trade union recognition, offers a new and cross cutting perspective. In this sense, paternalism can be seen as a specific form of philanthropy, of entrepreneurial moral leadership emerging as a function of employer monopoly control,³³ but with other forms of philanthropy being more necessary options where such control is less complete, and competitive responses to labor market conditions are required.

Building on these justifications, we return to our empirical question, introduced earlier, of what determines differential entrepreneurial attitudes to philanthropy. Specifically, the paper examines the material conditions of the competing businesses, reflecting how they recruited and retained labor, and the adoption of technical innovation, particularly in spinning and weaving processes as motivators of differing styles of philanthropic behavior. Using archival and contemporary documents, the paper investigates entrepreneurs' motives for philanthropy with particular reference to their treatment of employees. The prime focus of the evidence is the period between c.1815 and 1860, when conflicts between entrepreneurs intensified over issues of

³¹ Joyce, *Work*; Huberman, "The Economic Origins." Dutton, and King, "The Limits of Paternalism."

³² Marvel, "Factory Regulation"; Nardinelli, "The Successful Prosecution."

³³ Adapting Burawoy's definition, which distils much of the literature on paternalism (Burawoy, "Karl Marx and the Satanic Mills", 262.

workers' rights.³⁴ Case study selection is governed by two criteria: First, the prominence of individual entrepreneurs in the prior literature; and second, survival of evidential sources, including contemporary pamphlets, publications, parliamentary committees and debates, and business records. For present purposes, we contrast philanthropic engagement styles with each other and with *laissez faire*, which acts as a base case characterized by the exploitative, non-philanthropic "hard headed, hard-nosed Victorian employer, who regarded his workers as instruments of production."³⁵ Grouping remaining entrepreneurs' contrasting approaches according to attitude to regulation, the most hostile were the paternalists, who believed that their philanthropy rendered regulatory intervention unnecessary. For other entrepreneurs, the movement for the regulation of cotton textile mills complemented their attitudes to philanthropy, which could only be sustained if other less scrupulous competitors were forced to adopt them through regulation. A final group also supported regulation, but went beyond this, calling for the institutionalization of progressive employment practices. These groups coexisted between 1815 and 1860, with greater emphasis on paternalism in the earlier years and more on institutionalization in the latter, but for the most part represented strategic alternatives for entrepreneurs. Each group is discussed in turn in the following sections. A further section draws together the contrasts and commonalities in the form of a conceptual typology of entrepreneurial behavior in competitive industries, drawing out possibilities of application in other contexts. A final section concludes.

Paternalistic anti regulation philanthropists

The paternalistic variant of nineteenth century philanthropy featured voluntary measures adopted by entrepreneurs, which they then used to justify opposition to factory regulation. Leading

³⁴ The study excludes disrupted conditions that prevailed before 1815, during the Napoleonic and 1812 Wars, and after 1861 with the outbreak of the US Civil War.

³⁵ Himmelfarb, *The De-Moralization*, 143.

advocates included at first Sir George Philips of the firm Philips & Lee, and subsequently, in the early 1830s, Holland Hoole of the successor firm, Lambert Hoole & Jackson,³⁶ along with Robert Hyde Greg, the Ashworth brothers, and successive owners of the Ashton, Coats, and Horrockses Miller businesses.

All were prominent in the campaign against factory regulation, but, at the same time, adopted philanthropic policies to benefit their otherwise unprotected workforce. At Philips & Lee, George A. Lee introduced one of the first contributory sickness funds, which successfully protected workers' living standards in the depression of 1815-1816.³⁷ Accordingly, Philips noted that good employers, like his own firm, provided adequate security for their employees.³⁸ His successor, Holland Hoole, enforced contributions to the sickness fund and attendance at Sunday school.³⁹ He regarded such measures, and his scrupulous adherence to existing regulations,⁴⁰ as

³⁶ *London Gazette*, 1831, p.581. Philips was the principal opponent of the 1819 Act, for example: British Parliamentary Papers (B.P.P) *Hansard* "Cotton Factories Bill" 37, 19 February 1818, c.561-562.

³⁷ David Brown, "From 'Cotton Lord' to Landed Aristocrat: the Rise of Sir George Philips Bart., 1766–1847," *Historical Research*, 69 (1996): 62–82, 67. Thomas Ashton operated a similar sickness and funeral fund, Henry Ashworth, *Letter to the Right Hon. Lord Ashley* (Manchester, 1833), 12. Sick clubs aside, philanthropic initiatives on hospitals and other social care infrastructure were minimal before 1860, mill owners preferring to directly employ factory surgeons (John Pickstone, *Medicine and Industrial Society: A History of Hospital Development in Manchester and Its Region, 1752-1946* [Manchester, 1985]: 5, 75, 142), suggesting that such entrepreneurial philanthropy depended strongly on control and the directness of its workplace impact.

³⁸ B.P.P. *Hansard*, *Cotton Factories Bill*, vol. 37, 23 Feb, 1818. 585.

³⁹ Sadler Committee [B.P.P. *Select Committee on Bill for Regulation of Factories: Report, Minutes of Evidence* 706, 1831-1832, (ev Aberdeen qq.9648-9651, 447)]

sufficient reason thenceforward for a laissez faire attitude from the government, and organized a petition against Sadler's proposed restriction on working time in the Ten Hours Bill of 1832, suggesting that philanthropic arguments in favor of reform were misplaced.⁴¹ To counter the need for further regulation, other entrepreneurs offered appeals to the "good sense and humanity of the masters" and a system of self-policing existing regulations using mill wardens.⁴²

Although keen to highlight their own virtues, entrepreneurs were critical of philanthropic arguments for reducing working time. Schemes involving shorter hours were useless, these entrepreneurs argued, because "production is solely determined by the speed of the machine, so that reducing hours reduces wages in proportion." The proprietor would, for the same reason, also suffer a diminution in profit.⁴³ "The greater the capital investment," Hoole concluded, "the greater the pressure for its continuous employment."⁴⁴ In the face of this dynamic, competing entrepreneurs reliant on older machines in smaller factories were compelled to work even longer hours.⁴⁵

⁴⁰ B.P.P.: *Select Committee on Bill for Regulation of Factories* (ev Aberdeen qq.9549, 441).

⁴¹ Holland Hoole, *A Letter to the Right Honourable Lord Althorp M.P., Chancellor of the Exchequer, in Defence of the Cotton Factories of Lancashire*, (Manchester, 1832), 4.

⁴² Anon., *Letter to the Right Honourable Lord Ashley*, 31-32, and Anon., "Remarks on the Objections which have been Urged," in Kenneth Carpenter (ed.) *The Factory Act of 1819*, (New York, 1972), 3.

⁴³ Anon., "An Inquiry into the Principle and Tendency of the Bill now Pending in Parliament, for Imposing Certain Restrictions on Cotton Factories," in Carpenter, *The Factory Act*, 31, 44.

⁴⁴ Hoole, *Letter to Althorp*, 4. See also: Anon., *Remarks on the Propriety and Necessity of making the Factory Bill of more General Application*, (London, 1833), 15-16.

⁴⁵ B.P.P. *Select Committee on Manufactures, Commerce and Shipping: Report and Minutes of Evidence* 19 (1833), ev. Milne: q.11097, 658; qq.11055-11057, 656).

Entrepreneurs adopted paternalistic strategies in response to labor shortages, problems attracting certain types of workers, and defections to other firms or industries. In some cases this reflected geographical location, where waterpower dependence meant that mills were in remote rural locations. Firms more distant from Manchester (the center of the Lancashire cotton trade) were under greater pressure to suppress wages to meet higher distribution and market access costs.⁴⁶ The Greg mill at Styal and the Ashworth mill at New Eagley typified such establishments, where philanthropic investment to benefit employees was focused on houses and schools.⁴⁷ Such sunk investments, and associated risk, led Greg and Ashworth to seek maximum financial return, in similar fashion to the *laissez faire* factory owners.⁴⁸

In other cases, including larger towns, a single employer became dominant making employee defection more difficult. These dominant employers (for example Horrockses in Preston, Ashtons in Hyde, and Coats and Clark: the two dominant Paisley textile businesses) adopted *laissez faire* attitudes to regulation and paternalistic attitudes to entrepreneurship.⁴⁹ Here, philanthropic investments were in public amenities like parks and libraries. Examples included

⁴⁶ Edward C. Tuffnell, *Character, Object and Effects of Trade Unions* (London, 1834), 15.

⁴⁷ Mary B. Rose, *The Gregs of Quarry Bank Mill: The Rise and Decline of a Family Firm, 1750-1914* (Cambridge, 1986); Rhodes Boyson, *The Ashworth Cotton Enterprise* (Oxford, 1970).

⁴⁸ For example the *Factories Inquiry Commission* [B.P.P. *Royal Com. on Employment of Children in Factories. First Report, Minutes of Evidence, App; Reports of District Coms 450* (1833), ev. Hoole, 846-849] The role of sunk costs underpinned the Senior's famous "last hour" argument Nassau Senior and Leonard Horner, *Letters on the Factory Act*, (London, 1837), 7.

⁴⁹ The paternalistic attitude of the Coats dynasty was also influenced by their early exposure to the US, where paternalistic attitudes were common in the cotton industry: Anthony Cooke, *The Rise and Fall of the Scottish Cotton Industry, 1778-1914* (Manchester, 2010). Alec Cairncross and J.B.K. Hunter, "The Early Growth of Messrs J and P Coats, 1830-83," *Business History* 29, no.2, (1987): 157-177.

local institutions: the Mechanics Institute at Hyde and a technical college at Paisley, and employee sports facilities in both towns.⁵⁰ Like Hoole, Greg and the Ashworths, Ashton opposed regulation of working hours, citing the need to protect employment from the threat of foreign competition.⁵¹ Coats and Clark also made substantial investments in employee welfare and public projects. They too opposed factory legislation, and like Philips, Greg, Ashton and Ashworth, emphasized good practice in their own mills. They opposed regulation of working time, but recognized some laws were necessary to constrain unscrupulous employers who mistreated their workers.⁵² Like many other philanthropists, they also opposed trade unions.⁵³

Pro regulation ‘common purpose’ philanthropists

⁵⁰ Valerie Reilly, “Coats and Clark. The Binding Thread of Paisley’s History,” *Renfrewshire Local History Forum Journal*, 15, (2009): 1-12. *Manchester Times*, 6th July 1861; Jane Bedford “Ashton, Thomas, 1818-1898,” *Oxford Dictionary of National Biography*. (Oxford, 2004) <http://www.oxforddnb.com/view/article/50518>, accessed 16 Nov 2017.

⁵¹ B.P.P., *Factories Inquiries Commission* 450 D1, (1833). ev. Ashton, 855-856; ev. Greg, 782-783, ev. Hoole, 731-732. Hoole demonstrated that the loss in wages across the whole industry would be “at least £1,000,000 per annum” on a loss of output “at the disposal of our foreign competitors” of 40,000,000lbs (732).

⁵² B.P.P., *Factories Inquiry Commission [Royal Com. on Employment of Children in Factories Supplementary Reports, Part I. and II.* 167 (1834)], ev. James Coats, 199(t).

⁵³ Malc Cowle, *Dirty Politics - Hard Times: A Trilogy of Chartism* (Colorado, 2010); Huberman, *Escape from the Market*, 90. In 1831, Thomas Ashton was murdered, allegedly because of his opposition to cotton trade unions. *Leeds Intelligencer*, 13th January 1831; *The Manchester Guardian*, 15th January 1831.

The leaders of the campaign for factory reform, Ashley, Oastler, Owen and Sadler, were routinely described as philanthropists by contemporary media.⁵⁴ Examples of entrepreneurs supporting the campaign besides Owen included John Fielden of Todmorden, William Kenworthy of Blackburn, and other mill owners across Lancashire.⁵⁵ Like the paternalists, pro regulation philanthropist entrepreneurs also made investments in employee welfare. However, this group of entrepreneurs went further, and their campaign for regulation of the whole factory system was linked to arguments about economic stability, and supported by enterprise level experiments on productivity consequences of shorter hours.

Robert Owen demonstrates how entrepreneurial philanthropy encompasses features of paternalism, but also goes beyond it by engaging with the wider competitive environment. Like the paternalists, Owen provided houses and schools at New Lanark. However, his wider objective was linked to the competitive advantages of regulation, founded on the principles of utilitarianism.⁵⁶ Minter Morgan, under the pseudonym of “Philanthropos,” reproduced Owen’s views faithfully, noting his complaints of “unequal competition” as a consequence of mechanization and of overproduction.⁵⁷

⁵⁴ "Noble conduct of Lord Ashley." *Age*, 23 Aug. 1840; "The Oastler memorial at Bradford." *Morning Post*, 18 May 1869; "Robert Owen, Esq." *Morning Post*, 29 Sept. 1821; *Illustrated London News*, 11 June 1842: 70.

⁵⁵ In his 1844 speech, in addition to Fielden and other M.P.s, Ashley cited numerous mill owners as supporters of the Ten Hours Bill: Mr Kay, Mr William Walker, Mr Hamer (Bury), Mr Cooper (Preston), Mr Tysoe (Salford), Hargreaves (Accrington) B.P.P. *Hansard* "Hours of Labour in Factories" 74, 10 May 1844. c.911.

⁵⁶ Bentham was a significant investor and sleeping partner in New Lanark; Trincado and Santos-Redondo, "Bentham and Owen".

⁵⁷ John Minter Morgan, *Remarks on the Practicability of Mr. Robert Owen's Plan to Improve the Condition of the Lower Classes* (London, 1819).

Owen instigated high labor standards in his own factories. He was “continually occupied in training the people” and his twin objectives were “to improve the condition of the people, and advance at the same time the works and the machinery as a manufacturing establishment.” The “silent monitor” a color coding system visibly applied to each worker and kept on record, was an important mechanism used to achieve efficiency improvements.⁵⁸ At New Lanark, Owen established the rule that after a five percent return on capital had been paid to the owners, all other profits should be applied to the “religious, educational and moral improvement of the workers and of the community at large.”⁵⁹ Owen’s schemes featured “villages of unity”, combining manufacture and agriculture, which would allow labor displaced by trade depressions to be employed in mechanized agricultural projects, which, following deductions for rent and interest on capital, could contribute any surplus to the “speedy abolition of the poor rate.”⁶⁰ Owen thus sought stabilization of profit, retention of workers and the possibility of reducing working hours. Education, in the form machine management training, would thereby create “pleasant or light employment, rather than fatigue and labour.”⁶¹ Owen’s successes at New Lanark gave him national profile and influence. Henry Houldsworth, a local Glasgow competitor, described Owen as “a dangerous man” who “by pretended philanthropy...has great influence.”⁶² Owen believed system-wide, national, solutions were required, proposing remedies for unemployment and poverty and lobbied government to this end.⁶³ He also believed that successful experiments would

⁵⁸ Robert Owen, *The Life of Robert Owen* (1857, reprinted London 1920): 111.

⁵⁹ Henry Fox Bourne, *English Merchants*, (London, 1886), 405.

⁶⁰ Morgan, *Remarks*, 25.

⁶¹ Morgan, *Remarks*, p.26.

⁶² Robert Owen, *The Life of Robert Owen*: 164.

⁶³ For example his scheme presented in the Report to the Committee of the Association for the Relief of the Manufacturing and Labouring Poor; Robert T. Grimm, *Notable American Philanthropists: Biographies of Giving and Volunteering* (Westport, CT, 2002), 230.

encourage emulation. Owen attacked religious groups for selective application of charity, which he argued, was denied to those outside the faith group, suggesting instead a universal application. Houldsworth and other rival mill owners were concerned by Owen's influence, and attempted to undermine him through a contrived scandal.⁶⁴

Owen's experiments attracted substantial attention and by 1830, based on similar arguments about the benefits, several mill owners had joined the political movement for factory reform. Arkwright and Strutt's mills, supporters noted, typically worked shorter hours without impinging on the "advantage and satisfaction of their proprietors."⁶⁵ Swainson, a Preston master spinner, endeavored to persuade other employers to collectively reduce hours, but instead they resolved on longer hours, leading him to conclude that parliamentary intervention was required.⁶⁶ In 1833, there was an important meeting at the Manchester Exchange of manufacturers and other opponents of the factory system and long hours. Following the hasty passage of Althorp's bill, pro regulation mill owners made further attempts at organization in the form of the National

⁶⁴ Robert Owen, *The Life of Robert Owen*: 140-141, 289. Sidmouth, the Secretary of State, dismissed the complaint against Owen, an alleged treasonous speech, as frivolous (165-166). Sir George Philips likewise attempted to undermine Owen, questioning his religious beliefs in the House of Commons Committee on Peel's Factory Bill, a line of questioning judged to be irrelevant, and expunged as a consequence (167).

⁶⁵ "Answers to Certain Objections made to Sir Robert Peel's Bill", in Carpenter, *The Factory Act*, 22-23.

⁶⁶ "Answers to Certain Objections made to Sir Robert Peel's Bill", in Carpenter, *The Factory Act*, 12-13. Swainson was at this time the third largest employer in Preston: Dutton and King, *Ten Per cent and No Surrender*, 11.

Regeneration Society, based on further demands for shorter hours, instruction on productivity improvements, and practical cottage skills and literacy.⁶⁷

A distinctive feature of philanthropy favored by supporters of factory reform, which went beyond paternalism and promoted regulation, was an attempt to demonstrate, through experiment, that reducing working time produced wider benefits potentially for all firms. Owen first reported the success of such experiments to parliament in 1816. He stressed that reducing mill working hours by one hour a day to 10 3/4 hours left prime cost unaltered, increasing production cost by no more than one farthing per yard, while boosting school attendance.⁶⁸ Supporters of factory reform argued that such productivity gains followed from investments in fixed capital, such that shorter hours were associated with greater prosperity.⁶⁹ Further experiments confirmed these arguments, most notably at the establishments of Robert Gardner and Horrocks & Jackson.⁷⁰ Gardner noted the educational and social benefits of shorter time, which with satisfactory mill management, could produce as much in ten hours as in twelve before. He noted that it was incumbent on other leading firms to do the same (referring to Horrocks & Jackson).⁷¹ Gardner's experimental results were used as evidence by Ashley, who cited similar figures in parliament in

⁶⁷ "Progress of the Ten hour Bill," *The British Labourer's Protector and Factory Child's Friend*, 22 Feb 1833, 183. "National Regeneration Society," *Cobbett's Political Register*, 14 December 1833, 654, 659-660.

⁶⁸ B.P.P. *Select Committee on the State of Children Employed in the Manufactories of the United Kingdom: Report and Minutes of Evidence*, 397 (1816), ev. Owen, p.252.

⁶⁹ B.P.P., *Select Committee on Bill for Regulation of Factories*, ev. Charles Aberdeen (qq.7414, 7417-7418, 332).

⁷⁰ *Preston Chronicle*, 27 April, 1844. Gardner's experiment commenced in April 1844, with no reduction in the *rate* of wages. It coincided with a petition presented to Lord Ashley by Sir George Strickland, the M.P. for Preston, in support of the Ten Hours' Bill.

⁷¹ *Preston Chronicle*, 26 April, 1845.

January 1846, along with evidence from other mills: Knowles (Bolton); Scottish weaving mill; Bradford worsted mill.⁷² In a speech on a Ten Hours Bill in 1844 he drew on evidence from experiments that showed shorter time and further restrictions on child labor would have minimal effects on the prime cost of production.⁷³

Along with productivity, there were further economic arguments in favor of regulation, reflecting the competitive positions of the mill owners involved. Fielden, who had made significant investment in power looms, believed long hours led to overproduction and associated problems of “excessive and injurious competition”.⁷⁴ In common with many philanthropists, Manchester mill proprietor David Holt articulated abnegation of self-interest for the benefit of his employees, being the guardian of their “interests and comforts”. He cited fear of anarchy as a consequence of not responding in such fashion. Like Fielden, his core economic argument was that districts had been ruined by rapacious masters working long hours and driving down wages, leading to “further diminution of prices and margins”, leaving mill owners to fall prey to speculators and money dealers.⁷⁵ Holt was close to bankruptcy at the time of writing and this threat may have motivated arguments about the overproduction problem.⁷⁶ Joseph Gillow, a cotton spinner of thirty years’ experience, argued for a four day week to reduce the demand and

⁷² B.P.P., *Hansard*, “The Ten Hours Factory Bill,” 83, 29 Jan 1846, cc.380, 383.

⁷³ B.P.P., *Hansard*, “Hours of Labour in Factories,” 73, 18th March, 1844, c.1236.

⁷⁴ B.P.P., *Select Committee on Hand-Loom Weavers’ Petitions: Report and Minutes of Evidence*, 556 (1834), qq.8060 8063, 633-634. John Fielden to William Fitton, in “*National Regeneration*”, reprinted in Kenneth Carpenter (ed.) *The Factory Act of 1833* (New York, 1972) 10,14.

⁷⁵ David Holt to John Fielden, in “*National Regeneration*”, reprinted in Kenneth Carpenter (ed.) *The Factory Act of 1833* (New York, 1972), 31-33; See also B.P.P., *Select Committee on Manufactures*, ev. Smith, q.9096, p.551.

⁷⁶ *London Gazette*, 31 May 1833, p.1074.

hence the price of raw cotton – a measure that would also curtail those manufacturers undermining the industry by extending and overstocking their mills on borrowed capital.⁷⁷

Those who had made the heaviest investment in new technology were most vulnerable to these pressures. Joshua Milne of Oldham, giving evidence in 1833, was another entrepreneur who had invested in the new power looms. He continued to pay almost full wages, even though his mills were working short time, to prevent undernourishment and dissatisfaction generally.⁷⁸ Fielden operated in an area where there was surplus labor, arising from the displacement of handloom weavers. Fielden hoped these workers could be absorbed into his new automated factories, without the threat of machine breaking. He criticized the Ashworths for not following a similar approach to the distressed handloom weavers.⁷⁹

As these debates intensified, so too did objections from laissez faire entrepreneurs. A leading advocate, entrepreneur and M.P. John Bright, pointed out that Ashley had not mentioned the increase in speed of the mill and that breaks had been reduced to accommodate the general reduction in time.⁸⁰ In Preston, Horrockses Miller increasingly abandoned their earlier paternalistic style as more displaced agricultural labor became available and the business expanded. They, and another leading Preston firm, Napier and Goodair, were now labeled cotton

⁷⁷ “The cause of the wages dispute,” *Preston Chronicle*, 10 December, 1853.

⁷⁸ B.P.P. *Select Committee on Manufactures*, ev. Milne q.10975. Milne reported widespread distress in his district (q.11151, 663).

⁷⁹ Linda Croft, *John Fielden's Todmorden: Popular Culture and Radical Politics in a Cotton Town c. 1817-1850* (Todmorden, 1994). Boyson, *The Ashworth Cotton Enterprise*, 197-198.

⁸⁰ B.P.P., *Hansard*, “The Ten Hours Factory Bill,” 83, 29 Jan 1846, c.408. Operatives refuted these claims in their evidence. “The Ten Hours Bill,” *The Northern Star*, 14 February, 1846.

tyrants.⁸¹ In rural locations especially, like the Gregs and Ashworths, or in towns like Preston dominated by one large employer like Horrockses, employers were in a good position to retaliate against restrictions of output by employees, increasing rents and prices for housing and company shops.⁸² Horrockses, like Gardner and others, also conducted a short time working experiment. However, its timing, conduct and results, which showed losses in production and productivity, aroused at least one journalist's suspicion.⁸³

Where entrepreneurs favored regulation, their philanthropy in support of employee welfare took on a different character from that of the paternalists. Typically, it included free banquets or seaside trips linked to productivity improvements announced after successful short time experiments. Although pro regulation philanthropists found common cause with the Ten Hours movement, they nonetheless opposed trade unions. They emphasized productivity, factory discipline and collaboration, with Gardner and others using employee fines to these ends. Along with Goodair, Gardner undermined trade union organization by recruiting strikebreakers, and interpreted unionization efforts as disloyalty and ingratitude towards their earlier paternalistic endeavors.⁸⁴ Fielden responded to reasonable demands from his workers, but again insisted on

⁸¹ Horrockses and other large Preston firms benefited from abundant labour from the Fylde rural hinterland. Huberman, *Escape*, 54. The transition is similar to that observed by Burawoy at Lowell, Massachusetts after 1860, "Karl Marx and the Satanic Mills", 264-266.

⁸² Huberman, *Escape*, 60.

⁸³ *Liverpool Standard*, "The Eleven Hours Factory Experiment", 14 April, 1846. The experiment immediately followed Ashley's use of Gardner's results in support of the Ten Hours Bill in January 1846.

⁸⁴ Dutton and King, "Limits of Paternalism," 64-65, 68-69.

discipline, regarding unions as a threat to trade and the “mutual confidence between employer and employed.”⁸⁵

Institutionalized philanthropy

A further group of philanthropists not only supported short time working, like the pro regulation philanthropists, but were also prepared to go further and recognize trade unions. Indeed, they favored a system of institutionalized collective bargaining, involving standardization of prices and wage rates for different classes and qualities of productive inputs and outputs. Their strategy was a natural extension of the competitive process, allowing strategic opportunities arising from innovation to be exploited and threats to be minimized. Like the paternalists, they invested directly in employee welfare, although the character and purpose of these investments had unique characteristics.

Before 1840, the institutionalization of collective bargaining faced significant barriers. The anti and pro regulation philanthropists, as we have seen, were divided on the question of restricting working time, but united in their opposition to trade unions. Philanthropists opposed to regulation also demonstrated antipathy, ideologically at least, to the idea of collaboration between mill owners. The pro regulation side, by contrast, naturally favored such collaboration, as opponents of the “factory system”, to force through legislation and also to achieve potential agreements on restricting overproduction.⁸⁶

⁸⁵ Brian R. Law, *Fieldens of Todmorden: A Nineteenth Century Business Dynasty*, (Littleborough, 1995), 140-141.

⁸⁶ Ashley’s condemnation of the factory system, as opposed to individual masters, see B.P.P. *Hansard* “Ten Hours Factory Bill,” 10 May 1844, c.900. See also Holt, *National Regeneration: The masters themselves, through an association of well-disposed masters should unite and form a committee (32) to be the “medium through which the improved condition of the people should come” (33).*

Differences in technology, however, contributed some practical obstacles to collaboration for all entrepreneurs. Writing in 1834, Tuffnell doubted the possibility of masters ever combining to pay wages on a uniform scale, due to the possession of machinery of differing efficiency and the difficulties faced by firms with large fixed capitals, and associated fixed costs, in joining organized lock outs or in holding out against strikes.⁸⁷ Tuffnell also noted that strikes were usually conducted by those in receipt of the highest wages and occurred at times of brisk trade, so that they were better able to exploit the potential benefit to rival firms, increasing pressure on employers to concede.⁸⁸ Firms introducing new machinery preferred to reach their own deals to share productivity gains, for example Sharples and Co. of Victoria Mills, Preston.⁸⁹ Masters of rival firms using older machines instigated workers to strike against firms using the new mules, arguing that the same rate per piece should be paid.⁹⁰

The destructive nature of these tactics created incentives for entrepreneurs to negotiate common wage lists at local and regional level. Competitive dynamics arising from differential deployment of capital also created a potential unity of interest between high fixed capital employers and unions. In some districts, proposals to put out price lists fixing higher wages received almost universal approbation (for example at Burnley in 1826). Such alliances were potentially at the expense of smaller entrepreneurs using older machinery and relying on an unregulated market, and in the Burnley case, only a small number of recusant employers were sufficient to undermine the proposed collaboration.⁹¹

⁸⁷ Tuffnell, *Character, Object and Effects of Trade Unions*, 98,103. A lock out of all Glasgow mills was threatened by Masters following a dispute at Houldsworth's mill, B.P.P. *First Report from Select Committee on Artizans and Machinery* 51 (1824), ev. Smith, 639.

⁸⁸ Tuffnell, *Character, Object and Effects of Trade Unions*, 16-17, 89.

⁸⁹ "The Preston strike and lock-out," *Preston Chronicle*, 14 January, 1854.

⁹⁰ Tuffnell, *Character, Object and Effects of Trade Unions*, 100.

⁹¹ B.P.P., *Select Committee on Hand-loom weavers*, ev. Fielden, q.8043, 631.

An example of an entrepreneur ready to engage with the trade unions was William Henry Hornby, cotton master and leader of the Blackburn Tories. William Kenworthy, his business partner, assisted him. They represented mill-owning entrepreneurs favoring regulated working time, including the Ten Hours proposals. Kenworthy also pointed out that strikes had the compensating effect of increasing prices obtained; in similar vein shorter hours restricted supply and maintained market prices.⁹² In Blackburn, Kenworthy was a lone voice in the early 1840s,⁹³ but by 1850 he observed that that all large and influential spinners known to him now favored the 1847 Ten Hours Act and opposed new proposals to allow child relay shifts within its interpretation.⁹⁴

Support for unions followed logically from the collective action that by the early 1850s galvanized around support for regulated hours. Innovators like Kenworthy, who had consequently invested in new technology, naturally feared technological unemployment and machine breaking,⁹⁵ but also recognized that competitive advantage through investment in new capital equipment could be secured if wages were removed altogether from competition as an outcome of collective bargaining. Such support for union organization was unilateral and went against rival

⁹² William Kenworthy, *Inventions and Hours of Labour: A Letter to Master Cotton Spinners, Manufacturers, and Millowners in General*, (Blackburn, 1842), 13, 15-16. A similar argument was made by Gillow in Preston ten years later: "The cause of the wages dispute," *Preston Chronicle*, 10 December, 1853.

⁹³ Brian Lewis, *The Middlemost and the Milltowns: Bourgeois Culture and Politics in Early Industrial England* (Stanford, 2002), 301. Kenworthy claimed in 1844 that many Blackburn mill owners had softened their stance, receiving support from Robert Hargreaves of nearby Accrington, 302-303.

⁹⁴ A letter from Kenworthy read out to a meeting at which Hornby and other masters were present, also strongly opposed these proposals (*Preston Chronicle*, 23 March, 1850).

⁹⁵ Kenworthy, *Inventions*.

Whig employers. In July 1853 Hornby & Co., Blackburn's largest employer, announced an experimental 5% advance in wages, offering a further 5% if other mills followed suit. The offer coincided with a large operatives' meeting in support of a five week-old strike in Stockport for a 10% advance.⁹⁶ Resistance to these demands centered on nearby Preston and, as noted above, led by employers like Horrockses Miller and Gardner. By contrast, Hornby and Kenworthy's generous settlements undermined their rivals' position and the employers' association as a whole.

The Blackburn settlement that followed was a watershed moment in the history of industrial relations. The effect was to "take wages out of competition between the Masters,"⁹⁷ in other words creating a level playing field in terms of labor cost, but advantaging more capital-intensive businesses. In Blackburn, other employers now conceded the ten per cent advance and subsequently adopted standard wage rates in the form of the Blackburn list.⁹⁸ These rates had common features with wage lists that emerged locally from the early nineteenth century,⁹⁹ but there were also major differences. Variations were allowed according to product quality and manufacturing conditions, while the unions had responsibility for reporting non-compliant employers. In nearby Preston, attempts to resolve the bitter strike of 1853-1854 were frustrated by

⁹⁶ *Blackburn Standard*, 27 July, 1853.

⁹⁷ Arthur McIvor, *Organised Capital: Employers' Associations and Industrial Relations in Northern England, 1880-1939* (Cambridge, 2002), 48.

⁹⁸ Dutton & King, "Limits of paternalism" 70-71.

⁹⁹ For example, Bolton began this practice as early as 1810 (Huberman, *Escape*, 6). A new list was agreed in 1823 following a strike: Raymond G. Kirby and Albert E. Musson, *The Voice of the People: John Doherty, 1798-1854: Trade Unionist, Radical and Factory Reformer* (Manchester, 1975), 100). John Welsford Cowell, as part of his investigation for the *Factories Inquiry Commission*, 167, collected extensive evidence from Manchester lists.

lack of data on wage differentials for comparable work in Blackburn.¹⁰⁰ After the strike's defeat in May 1854, the practice of using Blackburn style lists spread to other districts.¹⁰¹ Through this mechanism, Hornby's voluntary wage offer became the industry norm.

Hornby and Kenworthy matched their generosity in wage settlements with other philanthropic acts. The Blackburn Commercial Association had been established in 1847 involving Kenworthy and Hornby. Its objects included seeking new sources of cotton supply and "the welfare of the community at large."¹⁰² During the commercial crisis that year, rather than dismiss workers, Hornby & Co. adopted a three day week for its 1400 hands.¹⁰³ In 1853, Hornby and Kenworthy treated 1500 people, mostly their Brookhouse Mill employees, to a seaside trip with spending money and a ball in the evening. Their philanthropic actions generated support from their operatives and throughout Blackburn, where there was a large demonstration of support for Hornby at a procession and banquet held in his honor. At this event, Hornby condemned his local Liberal rival Montague Feilden's opposition to a new Combination Act. Hornby was presented with an engraved shield commemorating "his generous support of useful and charitable institutions" as a "faithful, and constant friend of the working classes."¹⁰⁴ These philanthropic acts were in part motivated by Hornby's political ambitions. Dutton and King note that as

¹⁰⁰ For example: "The Preston Strike and Lockout," "The Strike. Blackburn and Preston Prices," "Blackburn Prices," *Preston Chronicle*, 24 December, 1853, 7 January, 1854, 14 Jan 1854.

¹⁰¹ John Mason, (1987). "Spinners and Minders," in Alan Fowler and Terry Wyke (eds.), *The Barefoot Aristocrats: A History of the Amalgamated Association of Operative Cotton Spinners*, (Littleborough, 1987), 48, 52. After the strike, Preston firms negotiated a piece rate list (Huberman, *Escape*, 139)

¹⁰² *Blackburn Standard*, 8 Sept. 1847.

¹⁰³ *Blackburn Standard*, 6 Oct. 1847.

¹⁰⁴ "Grand Conservative demonstration," *Blackburn Standard*, 14 September, 1853.

Conservative candidate for election in Blackburn he was in competition for operatives' votes with Feilden, who was also a rival cotton manufacturer.¹⁰⁵

However, Hornby's business strategy had an equally important influence on his philanthropic actions. The advance of wages and the seaside trip both post-dated the election of March 1853. During that campaign, Hornby dismissed potential charges of political opportunism. Addressing his operatives and then a public meeting, he pointed out his consistent backing for the short time movement even when other employers had opposed it or only paid it lip service for electioneering purposes. He stressed his support for the working classes including during the recent (1847) commercial crisis. Such support was made possible by investment in the best machinery, which was "a boon to the working classes", and for good reasons he was labeled the "poor man's friend." In the same newspaper edition reporting these comments, an accompanying editorial emphasized that he had used improvements originating at his Brookhouse mill to benefit the town, assisting the establishment of competing mills, providing fifty years of uninterrupted bounty.¹⁰⁶

In summary, Hornby and Kenworthy's philanthropy extended beyond the paternalists and even their pro regulation allies in the Ten Hours movement. The Coats family's civic donations were for the express purpose of stabilizing industrial relations,¹⁰⁷ facilitating their opposition to unions. In contrast to pro regulation but anti-union employers like Gardner and Feilden, Hornby's donations to his workers were part of a wider investment program, based on innovation and which, with the institutionalization of list-based bargaining, promoted industrial stability.

Philanthropic entrepreneurship and the competitive process

¹⁰⁵ Dutton and King, *Ten Per Cent*, 92.

¹⁰⁶ *Blackburn Standard*, 9 March 1853.

¹⁰⁷ Cooke, *The Rise and Fall*.

The contrasting styles of entrepreneurial philanthropy discussed in previous sections are summarized in figure 1. Core philanthropic vision and values form a horizontal continuum, which results in possibilities ranging from the treatment of employees as dehumanized production units to fully engaged business partners. As the above cases have shown, the core vision is aligned so that a competitive strategy implying the degree of engagement can be articulated. Where the entrepreneur rejects employee rights or their involvement as business stakeholders, there is pure *laissez faire*, and entrepreneurs are implicated in the pull to dis-embed economic activity from social constraints. Alternatives recognize the socially embedded nature of business activity cumulatively, as the philanthropic core vision strengthens. By degree, this is manifested by support for voluntary welfare investments, support for regulation of employment and collaboration with employee organizations.

The result is an entrepreneurial typology of four contrasting styles. First, the *laissez faire* entrepreneur is based on ideological opposition to regulation underpinned by profit maximization and the avoidance of embedded social costs. The second type, the “paternalistic philanthropist”, recognizes the value of some social investment, which may also yield an economic return in the form of reduced labor turnover. The third type stresses collaboration with the workforce to achieve greater productivity and might be described therefore as a “common purpose philanthropist.” Finally, at the highest level of engagement the “institutionalizing philanthropist” collaborates with employee representatives to formalize relationships, for example through collective bargaining arrangements.

Examples of each type also occurred contemporaneously in other industries. In wool and worsted, entrepreneurs provided social infrastructure, and in substantial minority supported calls for working time reductions. Elsewhere, notably mining and engineering, wage lists were widely

adopted.¹⁰⁸ Even so, a systematic and contextualized comparison of the kind developed in our paper would require substantial further research.

With similar caveats, our typology is potentially generalizable in other contexts. For example, the methods of the paternalist philanthropist have been reincarnated in the “Theory Z” and “Clan Corporation” and their focus on promoting employee loyalty through socialization and reducing transaction costs associated with monitoring.¹⁰⁹ These approaches show how paternalism’s negative image in western culture today, derived from what are now perceived as unenlightened practices in textiles and other industries: company town monopolies, authoritarianism, exploitation, can be moderated by the importation of cultural practices from Japan and elsewhere. Like the common purpose philanthropist, innovating firms can pay higher wages by sharing the rents from the enhanced productivity,¹¹⁰ which can in turn enhance labor productivity through employees’ perception of fairness. If, as Akerlof and Yellen suggest, adjustments to employee wages and benefits reflect the prevalence of equity in social exchange,¹¹¹

¹⁰⁸ Robert Gray, *The Factory Question and Industrial England, 1830-1860* (Cambridge, 2002), 221, 191-192. Keith Burgess, *The Origins of British Industrial Relations: The Nineteenth Century Experience* (London, 1975).

¹⁰⁹ Wilkins, Alan L., and William G. Ouchi. "Efficient cultures: Exploring the Relationship between Culture and Organizational Performance." *Administrative Science Quarterly* 28, no.3 (1983): 468-481. Ouchi, William G., and Raymond L. Price. "Hierarchies, Clans, and Theory Z: A new perspective on organization development." *Organizational Dynamics* 21, no. 4 (1993): 62-70.

¹¹⁰ John Van Reenen, "The Creation and Capture of Rents: Wages and Innovation in a Panel of UK companies," *The Quarterly Journal of Economics*, 111, no. 1 (1996): 195-226.

¹¹¹ George A. Akerlof, & Janet L. Yellen, “The Fair Wage-effort Hypothesis and Unemployment,” *The Quarterly Journal of Economics*, 105, no.2, (1990): 255-283. John S. Adams, “Toward an understanding of inequity,” *Journal of Abnormal and Social Psychology*, 67, no.5 (1963): 422-436;

then entrepreneurs have a corresponding rational motive for adopting philanthropic policies in the workplace. Moreover, an entrepreneur with an efficiency advantage can force competitors into costly adoption of similar procedures by lobbying for laws restricting cheaper alternatives. Cases include firms with sunk investments in green technology advocating tighter environmental regulations for more polluting competitors, or capital intensive firms advocating better labor protection laws to undermine competing firms, which are using sweatshop arrangements.¹¹² Like the common purpose philanthropists, some of today's entrepreneurs regret the instability, inequality and threat to social order posed by their more exploitative competitors.¹¹³ Employer groups supporting regulation against modern slavery, in clothing and food supply chains, confronting less scrupulous competitors, have made similar arguments to some of the cotton mill owners discussed above for the fair treatment of workers. These arguments have promoted calls for regulation that reduces instability, promotes transparency and creates a level competitive playing field.¹¹⁴ By lobbying for, and achieving high levels of regulation and institutionalization of employment practices, entrepreneurs are, at first sight, curtailing their own opportunities for entrepreneurship. However, as industries mature, entrepreneurial opportunity becomes embedded

¹¹² Baumol and Stromm suggest amending the rules of the game to enforce social responsibilities of entrepreneurs, so that they are also financially worthwhile: William J. Baumol and Strom, Robert J. Stromm (2014). "Entrepreneurship and Philanthropy: Protecting the Public Interest." In Marilyn L. Taylor, Robert J. Stromm and David O. Renz (eds) (2014). *Handbook of Research on Entrepreneurs' Engagement with Philanthropy: Perspectives*. Cheltenham, 2014): 11-23.

¹¹³ Patriotic Millionaires, *Renegotiating Power and Money in America*, <https://patrioticmillionaires.org/book/powerandmoney.pdf> [accessed 4 December, 2017].

¹¹⁴ B.P.P., *Modern Slavery Bill, Written Evidence*, (2014-2015): 83, q.5; 105-108, qq.2, 23, 30.

in networks of institutional norms, in which organizations can nonetheless exploit differing resource endowments, positioning and alignments.¹¹⁵

The typology also allows us to modify traditional definitions of philanthropy and entrepreneurship and develop a new hybrid, explaining business leaders' behavior at the intersection of the two, supporting our definition of philanthropic entrepreneurship as the creation of new social relations, in the form of opportunity and moral obligation, to meet an expressed need. These obligations have both a business dimension, for example to the providers of financial resources that facilitate the entrepreneurial activity, and a moral dimension, for example to the providers of public goods, such as educational and environmental resources, that facilitate the entrepreneurial process.

The reformulated social relations that follow from these pairings of opportunity and obligation, meet an expressed need, whether through innovation in the business dimension or through redistribution of the proceeds of innovation in the moral dimension. Our definition builds on common approaches in theories of entrepreneurship and of philanthropy, but has the specific advantage of relating both to competitive business behavior. Business objectives and moral obligation are jointly theorized and expressed need can be mitigated through combinations of wage payments and supplements to wage payments through forms of social provision, discounts to consumers and other stakeholders etc. The moral character of the individual entrepreneur, guided by religious beliefs, also likely impacted the philanthropic outcome in terms of its specific focus, for example the importance attached to Sunday schools as opposed to civic institutions. Such considerations might offer a refinement of the model, perhaps as a focus of further research. Nonetheless rooting our definition in the competitive process avoids the problem of philanthropy

¹¹⁵ Royston Greenwood and Roy Suddaby. "Institutional entrepreneurship in mature fields: The big five accounting firms," *Academy of Management Journal* 49, no. 1 (2006): 27-48.

as a “slippery idea” featuring a diversity and confusion of actors,¹¹⁶ but which, as figure 1 demonstrates, can nevertheless be more firmly conceptualized by its deployment in common business decision making contexts.

Conclusions

The paper has examined philanthropic motives of cotton factory owners during the British industrial revolution, focusing on the relationship between philanthropic behavior and firm specific competitive advantage. The evidence reviewed above has considered three alternatives to laissez faire entrepreneurship. In each case, entrepreneurs shift by degree from the economist’s base case of treating employees as autonomous units of production, where economic activity is, in Polanyi’s sense, dis-embedded from society. All other strategies involve employee engagement, but do not necessarily abstract from the competitive process of profit maximization. Owen was a possible exception, using a five percent rate of return as necessary to maintain capital, but with surplus beyond that used to maintain employment. In all the other cases, profit remained as much a motive for philanthropy as its consequence.

Paternalistic philanthropists like Greg, Ashworth, Ashton and Coats provided their employees with welfare assets, but sunk costs associated with such investments motivated them to run their mills for longer hours, stretching the physical capabilities of their often very young operatives. Common purpose philanthropists like Fielden and Gardner were innovators, but also feared instability associated with displaced workers and flooded markets, and aimed for steady

¹¹⁶ Siobhan Daly, “Philanthropy as an Essentially Contested Concept,” *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations*, 23, no.3 (2012): 535-557; “slippery idea”, see: Robert L. Payton, (1987), “Philanthropy as a Concept,” <http://134.68.190.22/output/pdf/0081.pdf>, accessed 16 November, 2017, 10; “diversity and confusion,” see: Peter Frumkin, *Strategic Giving: The Art and Science of Philanthropy* (Chicago, 2008), 26.

profits while controlling associated risks. For similar reasons they valued and cultivated the loyalty of their employees to avoid the disruption caused by high turnover rates. Institutionalizing philanthropists like Hornby and Kenworthy shared many of these aims, but went even further, recognizing the value of trade unions as providing stability, while making it difficult for less capital intensive employers to undercut them using cheap labor.

All three alternative strategies to *laissez faire* offered different approaches to re-embedding economic activity within society. Factory community facilities provided the context for social cohesion; regulated working time provided some limitation on the exploitation of labor, including children; institutionalization of industrial relations created a system of agreed wage rates as a substitute for market competition for many textile firms. What is striking is that all three strategies were promoted by entrepreneurs in their different competitive behaviors. At a historical watershed, as the age of *laissez faire* dawned, so too did voluntarily adopted measures to deal with its social consequences. This dual function of entrepreneurship, to simultaneously dis-embed economic activity from its social constraints while re-embedding them in new social institutions, can only be understood if considered in relation to philanthropy as part of a competitive dynamic.

Figure 1: A typology of Entrepreneurial Philanthropy

