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Accounting and social conflict: Profit and regulated working time in the British Industrial Revolution☆

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ABSTRACT

We demonstrate that social movements can use accounting for progressive purposes, and that such outcomes can be promoted where they are aligned with the material interests of key fractions of capital. Such fractionalization is a function of technology and labour process, underpinned by adopted ideology. Alignment with social movement objectives overcomes the class belongingness of accounting that limits its progressive role in normal circumstances. We illustrate the role of accounting in achieving limitations to working hours and child labour, drawing on accounting evidence used to resist and support factory reform during the industrial revolution. We compare the evidence on costs and profits presented by both sides in parliamentary hearings and also with data revealed from the business accounts of the main protagonists. These comparisons show that assumptions about cost behaviour were used to exaggerate or mitigate the apparent effects of reduced working time on profits. Regressive fractions of capital were unable to resist change because they failed to consistently monopolize accounting information to impose a dominant narrative about the consequences of regulation.

1. Introduction

Recent critical accounting literature has offered differing interpretations of the class-bound nature of accounting information. Using a series of historical cases, Gallhofer and Haslam (2003, 2006, 2009) suggest an underlying neutrality of accounting information that can be appropriated to further the agendas of social movements. Catchpowle and Smyth (2016: p. 221) argue instead that accounting information is not neutral and has a particular 'class belongingness'. They also note

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(2016: p. 221) that although critical accountants have investigated bad corporate behaviour as a discourse in annual reports (Neimark, 1992) and highlighted how creative accounting, tax evasion, exploitation and similar behaviour by corporations has been assisted by the accountancy profession (Sikka, 2008; Tinker, 2005), 'limited attention has been placed directly on the way accounting information has been used by social movements in their struggle for a better world'. Indeed, accounting research has traditionally ignored issues like labour rights and social justice, and lack of access to accounting information has a long history of disadvantaging employees and unions in bargaining situations (Brown, 2000a; Brown & Dillard, 2015).

To add to this literature, we therefore consider a case where accounting was effectively harnessed by a progressive social movement: the campaign to regulate child labour and excessive working hours during the nineteenth century British Industrial Revolution, which found political expression in the factory reform movement and factory reform debates. Certain features of this case illustrate aspects of accounting hitherto unexplored. Most notably, a social movement that included in its leadership progressive business interests had access to, and was able to use, accounting information drawn from business records and practice to overcome the resistance of other business groups to regulation. This 'Trojan horse' function of accounting relies on an alignment of interests between working class organizations and sections of the elite. Such alignment may of course be temporary, but can result in permanent change. So, what motivates the progressive section of the elite to use accounting information in this fashion is a significant question. Focusing on arguments in contemporary pamphlets and parliamentary committees and debates, particularly concerned with cost of production in cotton textile factories, we argue that material interest and ideology determine lobbyists' behaviour and use of accounting.

In our interpretation, the development of productive capital creates an objective measure for the quantification of cost through accounting, but competing agents use accounting subjectively through interpretation, ideology and institutions, including the institutions of regulation. Such an approach builds on the base/superstructure interpretation of Catchpowle and Smyth (2016), but also implies the conclusion of Gallhofer and Haslam (2003, 2006, 2009): that social movements can subjectively appropriate accounting information as ostensible fact, to pursue their wider objectives. Unlike Gallhofer and Haslam, the paper argues that how factions within the elite used accounting, including representation of accounting information through the media, reflected their material interests. Catchpowle and Smyth (2016) argue that the established hegemony of the capitalist class limits the capacity of social movements to use accounting effectively within capitalist social relations, which is undoubtedly a general tendency. However, our point of departure is that competing interests within that hegemony can, in some circumstances, provide political levers accessible to social movements, enabling such interests to use accounting effectively.

The combination of factionalism within the hegemony, and the effective use of accounting to promote progressive change, raises the question of how these factors interrelate. For example if there is factionalism, but one faction, typically the regressive faction, monopolizes accounting information, developing any kind of counter-narrative using accounting is impossible. Alternatively, if there is factionalism, but both sides have access to accounting, counter-narratives are possible and can help underpin the case for progressive change. Contextualizing the role of accounting in social change can therefore be helpfully supported by the analysis of competition between factions, or fractions of capital. Writing at the time of the culmination of the factory reform campaign in early 1846, Marx noted: 'The bourgeoisie . . . develops only gradually, splits according to the division of labour into various fractions . . . separate individuals form a class only insofar as they have to carry on a common battle against another class; otherwise they are on hostile terms with each other as competitors' (Marx & Engels, 1970 [2004]: p. 82). The quotation is well known, and has prompted significant research on the nature of fractionalization (for example Clarke, 1978; Davies, 1977) and its consequences for the role of the accounting profession in periods of political transition (Catchpowle & Cooper, 1999).

A possibility that has thus far not received attention is that such fractionalization could occur within the same industry, with rival capitals utilizing their business level accounting data differently to promote competing agendas on regulation. Political differences between firms in the same industry occur frequently, for example oil firms favouring differing degrees of environmental protection legislation or the degree of support for divestment campaigns across financial and other institutions. Capital is rarely motivated by pure altruism and such variations, we argue, emerge from the social relations of production expressed as alternative competitive strategies. In productive industries, the labour process is an important component of social relations and can therefore influence business strategy.

The nineteenth century cotton industry and proposals for its regulation provide a useful illustration. At this time, different technologies were employed, such as continuous throstle spinning or intermittent mule spinning, leading to alternative labour processes and payment systems (Burawoy, 1984). Such variations meant that cotton capitalists were faced with different cost functions, creating the possibility of using accounting to support opposing viewpoints towards regulation. An important consequence of the use of accounting in this fashion was a substantial setback for the laissez faire ideology of some mill owners, who had argued against regulation.

The paper thus addresses how the formation of coalitions between fractions of capital and classes impacted on the use of accounting and the presentation of accounting numbers as supposed fact. In this sense, accounting information is implicated in a dialectic of (de)regulation, resulting in series of compromises between competing capitals. As a case of competition between capitals in the same industry, factory reform is a useful example of the workings of this dialectic. Although accounting was strongly implicated in the political battles over factory legislation, historians have thus far examined the factory question largely as a moral or ideological issue, without considering accounting evidence in detail. The paper analyses this evidence for the first time.