

Land, Labor, and Capital: The
Institutional Foundations of
the Industrial Revolution

Why were the **Enclosures Acts**

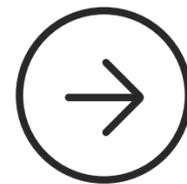
necessary for the *Industrial Revolution*

What is Enclosure Act

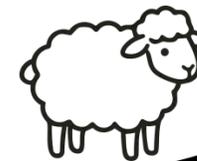


Enclosure Acts

Shared Rights



**Exclusive
Ownership**



Enclosure transformed customary land-use rights into exclusive ownership (Neeson, 1993).

Before Enclosure Acts

overlapping rights structure



landlord

Rights

- Legal ownership of the land
- Right to collect rent
- Authority to manage the estate

Obligations

- Maintain order in the manor
- Fulfill local administrative duties



tenant farmers

Rights

- Right to cultivate specific land
- Relative security of tenure

Obligations

- Pay rent
- Follow manorial rules



villagers

Rights

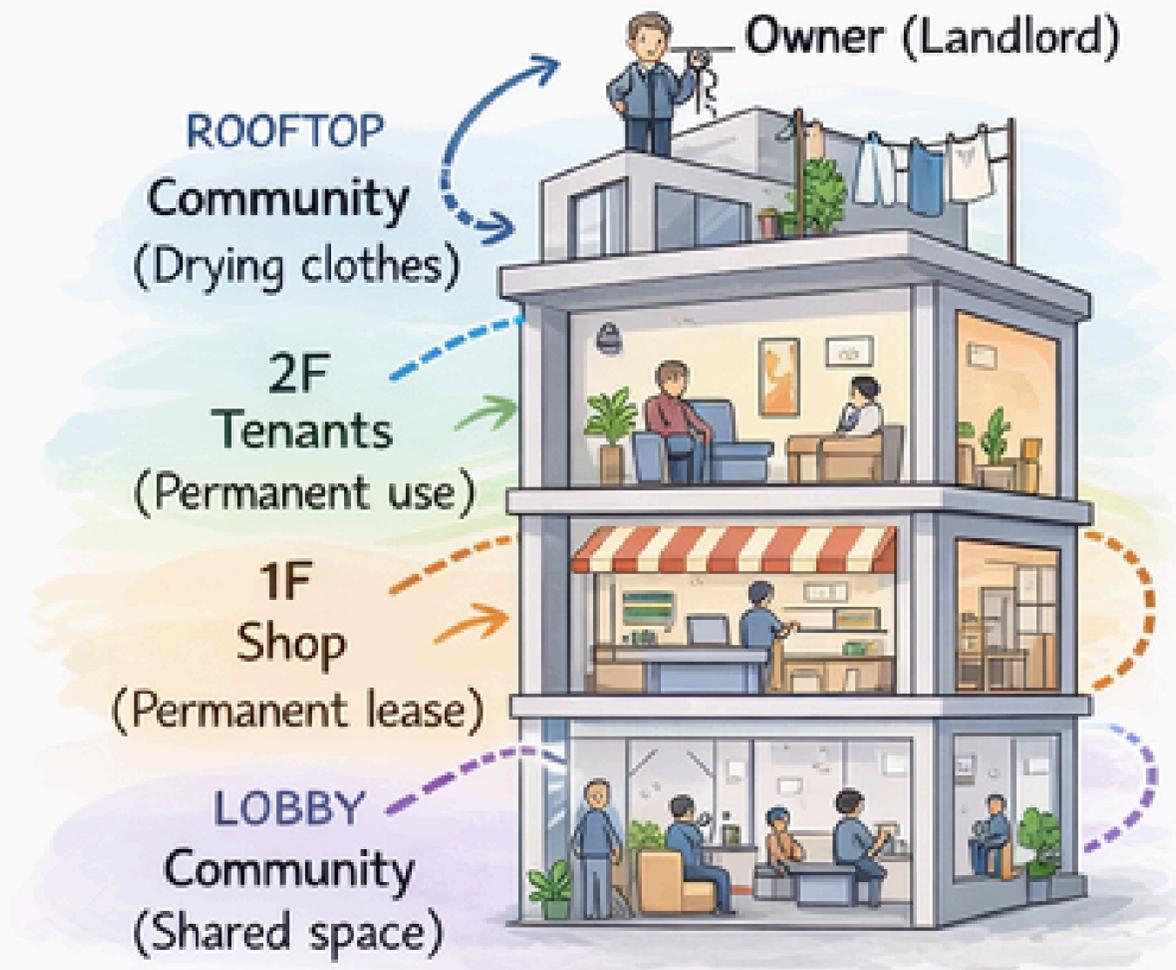
- Customary use of common land
(grazing, collecting wood)

Obligations

- Follow village customs

BEFORE ENCLOSURE

Multilayered Rights

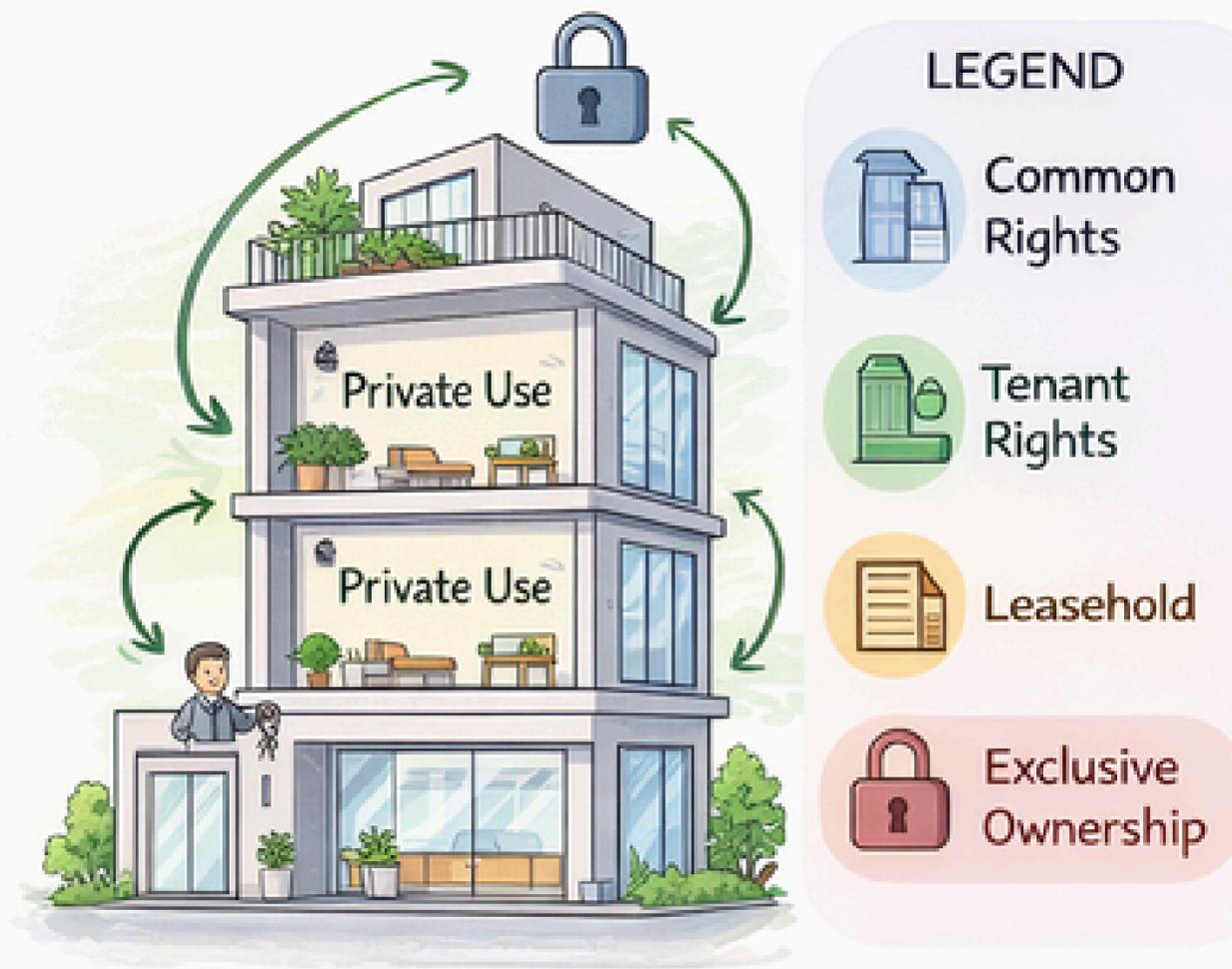


- Exclusive private ownership
- Overlapping common, tenant, and leasehold rights

 Restricted ownership = Limited control

AFTER ENCLOSURE

Exclusive Ownership



- Exclusive private ownership
- Unified, exclusive property rights

 Unified control allows reorganization of land use 

Enclosure Acts

**I cannot freely
restructure the
building**



**I can fully control
and reorganize the
property**

Why Did Parliament Support It?



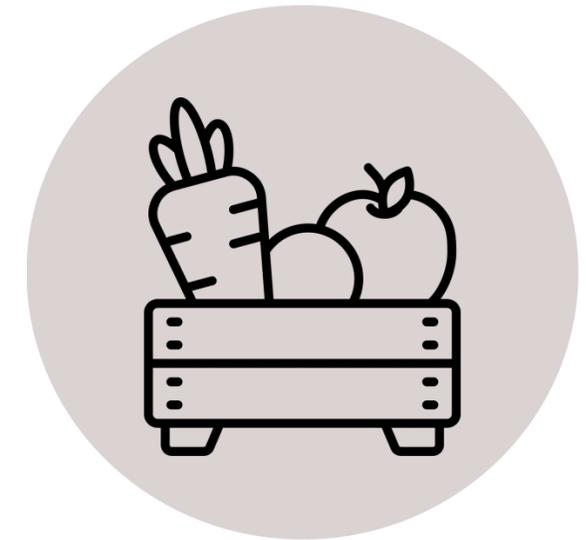
Overlapping rights reduced efficiency



Investment uncertainty



High coordination costs



Low production efficiency

Free Rider Problem

high individual cost → low profit after sharing

The Commons Dilemma

High-Quality Pasture Grass

Landowner
Invest in pasture grass
Do not invest

Villagers
Respect pasture
Graze livestock

Invest in pasture grass	+2, 0	-1, +2 Free Ride
Do not invest	(0, 0)	(0, 0)

Rational choice: Both rationally choose to free ride (0,0)

➡ Result: Incentive to invest disappears

Institutional Economics

Secure property rights create incentives for investment. (North)



**Parliament
Perspective**

- **British agriculture is lagging behind in efficiency.**
- **Commercial opportunities are increasing (wool market).**
- **There is a need to increase output.**

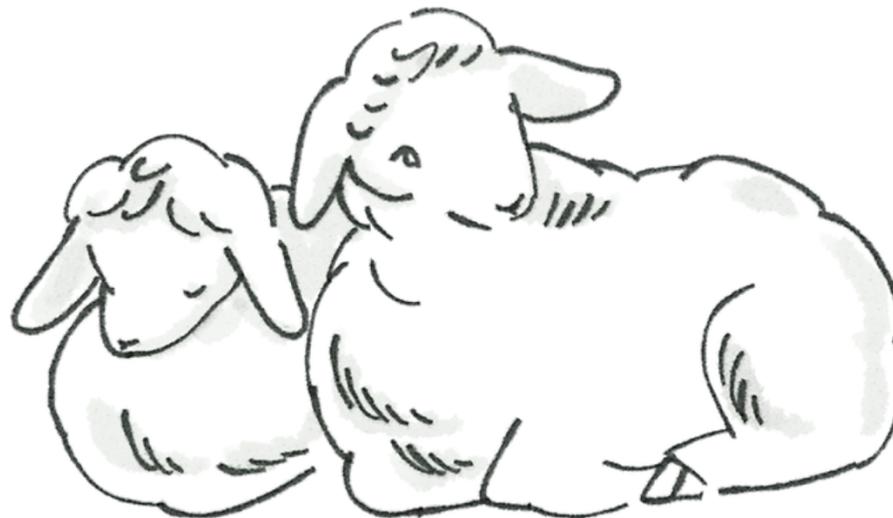


Land as Capital Asset

Land becomes capital

traditional agricultural resource ➡ capital with calculable returns

systematic agricultural reform ➡ land productivity ↑

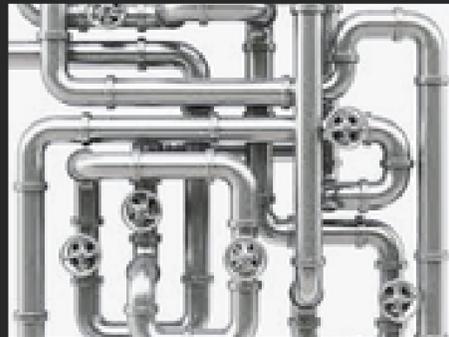


What Changed After Enclosure?



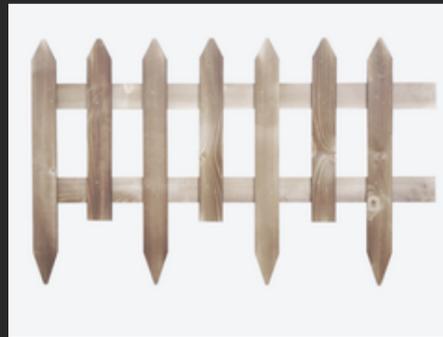
Agricultural Productivity

Enclosure contributed to agricultural productivity growth (Allen, 2009)



Drainage systems

improving wet or poorly drained land to increase usable farmland



Fencing and pasture

controlling grazing and managing livestock more efficiently



Selective breeding

improving livestock breeds to increase meat and wool production



Crop rotation systems

restoring soil nutrients and reducing the need for fallow land



productivity
blooming

Labor Supply for Industry

Agricultural restructuring released labor for industrial employment (Overton, 1996).



rural-to-
urban
migration

Factories

textile industry

- Cotton mills
- Spinning machine and weaving machine factories

Mines

- coal mines
- iron mines

Construction & Urban Work

- dock workers
- construction workers

Capital Accumulation



**Agricultural
Productivity**

**Capital
Accumulation**

**Industrial
Expansion**

Profits

Investment



**industrial
capital**

Social Consequences

Enclosure contributed to the formation of the English working class (Thompson, 1963).



Impact
on daily
life

Urban Poverty

- rapid urbanization
- slums
- overcrowded housing

Public Health Problems

- poor sanitation
- inadequate sewage systems
- cholera and tuberculosis

Crime and Social Disorder

- rising urban crime
- Metropolitan Police Act (1829)

Primitive Accumulation

- Land concentration
- Peasants lost access to means of production
- Creation of a propertyless labor force



Formation of the Proletariat

- Rural peasants displaced from land
- Forced to sell labor in factories



Exploitation of Labor

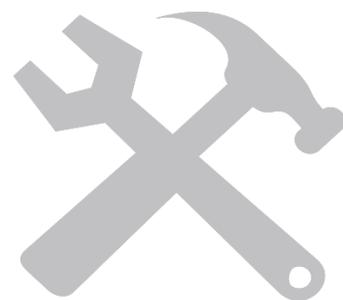
- Workers produce more value than they receive in wages
- Surplus value captured by capitalists

capitalists

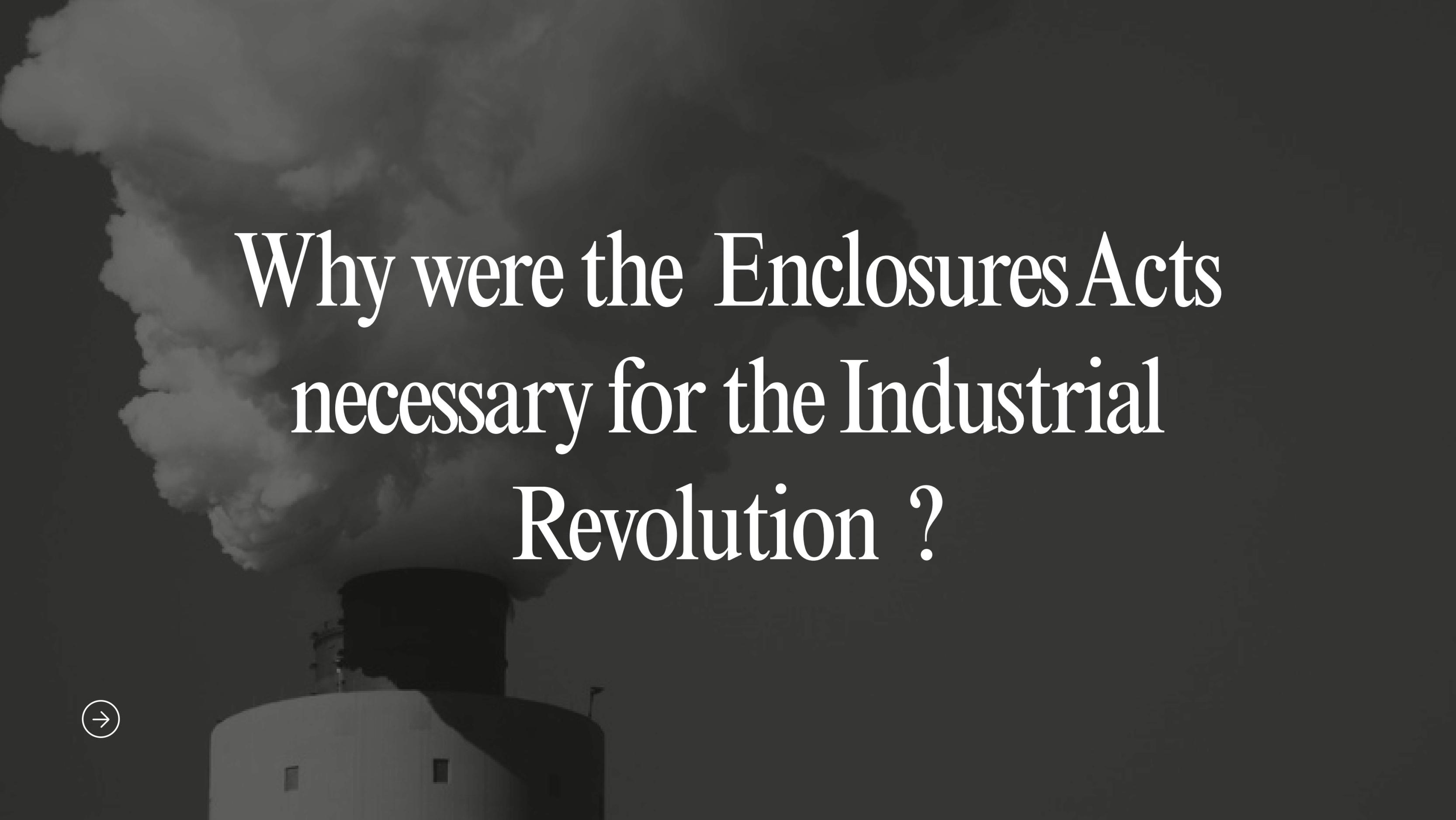


workers

Marx



Critique

A dark, atmospheric photograph of a factory at night. A large plume of white smoke or steam rises from a chimney on the left side of the frame, filling the upper half of the image. The sky is dark, and the factory buildings are silhouetted against the light from the smoke. The overall mood is industrial and historical.

Why were the Enclosures Acts necessary for the Industrial Revolution ?





productivity ↑
labor supply ↑
capital accumulation ↑



Final References Slide

Allen, R. C. (2009). *The British Industrial Revolution in Global Perspective*. Cambridge University Press.

Neeson, J. M. (1993). *Commoners*. Cambridge University Press.

North, D. C., & Thomas, R. P. (1973). *The Rise of the Western World*. Cambridge University Press.

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Thank you
for your listening

