

On the Social Division of Labor

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Mark Hendrickson, a retired economist, provided some valuable insight in a recent article for The Epoch Times. As the professor pointed out: “An increasingly elaborate division of labor has lifted the mass of human beings from abject poverty to widespread prosperity over the past two centuries.” What is the “social division of labor?” Essentially the professor outlines the concept as follows: “...individuals specialize in tasks at which they become particularly proficient; then they pool, share, or trade the product of their labor with others who specialize in different tasks.” The advantages of specialization are obvious; we are all better off when output increases because of specialization. The history of human advancement is characterized by cooperation and knowledge. One measure of the success of this approach is productivity, the increasing output of an individual who produces more output through increasing technology and mechanization.

Unfortunately, the history of humans is replete with examples of behavior that has stymied the ability of people to advance to higher levels of output and income. Fortunately, America has been characterized by the consistent implementation of the laws of the social division of labor. The level of wealth at both the individual and corporate level is at record levels. The twentieth century was the bloodiest in history and probably set humankind back decades in their ability to advance their well-being. The withdrawal of U.S. forces from Afghanistan represents a time when we are not engaged in some combat operations around the world. The focus of the current Administration is to bolster the social side of government proposing new spending programs to the tune of trillions of dollars.

The response to Covid-19 has encouraged the government to use both mammoth fiscal and monetary policy to provide a safety net under the economy during a major global pandemic. The outcome of those spending programs has taken the U.S. economy out of recession and into another economic expansion, albeit a slow one. Even though the second phase of the pandemic has slowed the economy, continued progress on vaccines and oral medication to defeat the virus are emerging daily. The social division of labor has promoted a new partnership between government and the private sector to solve a once in a generation problem.

The problems we face today are not trivial, but they are solvable. The temporary surge in inflation is like the surge in inflation after WWII. Pent-up demand coupled with supply bottlenecks makes the crisis facing the near-term economy more challenging. Global shortages are also occurring because of a temporary shortfall in supply, not a permanent reduction in demand. Patience is probably one solution to the “I have to have it now” mentality. The surge in economic growth will wait until these logjams are resolved. Until then, we still expect to see some dislocations in the ability for the economy to get back on a sustainable growth track. Once we do, the idea behind the division of labor will reassert itself and contribute to rising productivity, rising incomes and rising standards of living.