

## Preface

Since the late 1970s ---- about half a century after Sraffa's (1926, *The Economic Journal*) devastating analysis of the notorious difficulty in accommodating increasing returns into a competitive equilibrium framework ---- there has been an increasing interest in economics of specialization and the division of labor, which is deservedly referred to as "Return to Increasing Returns" (James Buchanan and Yong J. Yoon (Eds.), *The Return to Increasing Returns*. University of Michigan Press 1994). That may be not surprising, for the division of labor is necessarily associated with increasing returns. Only quite recently did economic theorists successfully demonstrate the comparability between generalized increasing returns to the division of labor and competitive equilibrium. Some authors even simply discard the general equilibrium framework altogether in studying the progressive division of labor by instead working with alternative evolutionary models.

Regardless of the difference and/or disagreement in methodology and emphasis among students of the division of labor, the profound implications of the emergent order of the division of labor from within the economic system for economic progress in general has been recognized and explored by more and more economists in the recent two decades (see, e.g., Buchanan and Yoon 1994; Kenneth Arrow etc. (eds.) *Increasing Returns and Economic Analysis*. Macmillan 1998; and Geoffrey Heal (ed.), *The Economics of Increasing Returns*, Edward Elgar 1999). Yet, much more remains to be understood, and it may be fair to say that the study of the (progressive) division of labor is still a burgeoning industry. In fact, some authors (e.g., George Stigler 1976,

*Journal of Political Economy*) go as far as to predict that topics related to the division of labor may keep economists busy for many decades to come.

On the other hand, classical authors, even dating back as early as 500 BC have indeed made insightful analyses on the determinants and implications of the division of labor, which unfortunately are rather scattered and not readily accessible to many economists who have great interest in the economics of specialization. The project of *Readings of Economics of the Division of Labor*, of which this book is the first volume, aims to fill this void in the book market, serving as a reference for scholars interested in the division of labor. Under this *Readings* project, three volumes will be edited. Volume One, the current one, covers the Classical Tradition, dating from Xenophon and Plato till the modern Austrian economics represented by F. A. Hayek in 1930s-1940s. Volume Two puts together selected modern economic analyses largely since post WWII till the early 2000s. Volume Three focuses on theories and insights contributed from neighboring disciplines including sociology, philosophy, anthropology, etc. The three volumes, complementary though as they stand, are largely independent from one another, and each can therefore be used independently for its own interest.

This volume begins with the precursors of political economy including the ancient Greeks, medieval Islamic scholastics and mercantilists, continues with the classical political economists and the neoclassicists, and concludes with Hayek's economics of dispersed knowledge well into 1940s. It covers major themes and perspectives about the division of labor that have emerged in the discipline of the economic science till WWII. As such, it is intended that this volume can well serve as a handy reference book for economists of the division of labor, as well as a supplementary text on courses in history of economic thought, labor economics, development economics, etc. for both the graduate and undergraduate levels.

No "Readings" book can claim to be comprehensive. This book is no exception. Indeed, bearing in mind that a book on the classical tradition in economics of the division of labor can never be exhaustive in coverage due to the very nature of the topic, we intentionally make this book rather

selective and short, in the hope that the reader can thereby readily grasp the main themes in classical studies of division of labor. We must apologize for omission of any pieces that appear important to some readers.

Minor alternations, exclusively in style, have been made in several chapters from their original sources, dating centuries back, not only for purpose of consistency but also for convenience in modern readership.

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