

# Sharing ‘The Wealth’

**Adam Smith,**  
**The Wealth of Nations**  
*Open University and*  
*Bialik Institute, 1997.*  
*Translated by Yariv Eitam*  
*and Shimshon Inbal;*  
*Introduction by Haim Barkai.*  
*384 pages, Hebrew.*

*Reviewed by Ziv Hellman*

After more than seventy-five years of experiments in seemingly all manner of economic regimes, the nations of the world have apparently arrived at a new-old consensus—that the principles first elucidated by Adam Smith two hundred years ago are indeed the best way to attain the wealth of nations. Today, nearly every economic expert, from world-class economist to junior lecturer, repeats the mantras of classical liberalism: Deregulation of the economy, free trade, low taxes and stable currencies. It is therefore an ideal time to provide Hebrew readers the opportunity to

read Smith’s *The Wealth of Nations*, the original manifesto underlying the theories of this new consensus, in their own language—especially since in Israel, as around the world, a critical debate is currently taking place regarding the future of the welfare state. Given that, it is more than a little perplexing that the publishers saw fit to translate only three of *The Wealth of Nations’* five books—comprising less than half the work and omitting precisely those sections most important to the current debate.

The work’s original publication was a milestone in the history of human thought, and it is hard to overestimate the book’s influence on global economic development and the role of government in democratic states. When the book first appeared in 1776, England was about to become the first nation in history to undergo an industrial revolution. But from the point of view of economic theory, the kingdom’s policymakers were still

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trapped in the conceptual framework of an age whose time had passed—the age of mercantilism.

Mercantilism centered on the belief that a nation's wealth depended primarily upon the amount of gold at its disposal. The greatest tragedy which could befall a country, in the eyes of mercantilists, was to lose gold to the hands of foreigners by way of free trade. In order to prevent the loss of gold, mercantilists advocated the rampant regulation of the economy. In England, the government fixed wages for labor, established a "wall of tariffs" to protect its industry from foreign competition, and of course forbade its citizens to export gold from the kingdom. A vast network of monopolies existed under government encouragement and protection. Tax rates were high, while successive governments suffered from a chronic national debt. The degree of regulation often reached absurd proportions: In order to protect local industry, not only was it a crime to export wool from England in any form other than finished fabric, but shearing a sheep within five miles of the coast was prohibited as well, lest an individual be tempted to place the wool on a nearby ship about to set sail.

Within this political atmosphere, Smith's book was no less than revolutionary. In a thorough analysis starting from elementary principles, Smith proceeded to refute the fundamentals

of mercantilism one by one, creating, for the first time in history, a serious defense of the notion that economies should be set free of the fetters of government regulation. The now-famous idea of the "invisible hand"—that economic growth can best be fostered by allowing each individual to work selfishly towards his or her own interests, without any need for government planning or intervention—made its first appearance within the pages of *The Wealth of Nations*. So too did the idea, which today seems axiomatic, that prices are the most efficient means of determining the rate at which goods should be produced, since allowing changes in demand to translate into changing prices sends an automatic signal to manufacturers to alter their levels of production accordingly.

Nor did Smith rely solely on the explication of abstract economic theories. He also devoted large segments of *The Wealth of Nations* to historical and common-sense illustrations of his claims. His writing demonstrated a superb command of the history known in his day, drawing upon examples from ancient times to his own century, in refuting the claims of those who advocated a regulated economy.

In short order, Smith's work became a basic guide to economics for many young men who would one day forge the country's policies.

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At the beginning of the nineteenth century, after the Napoleonic wars had come to an end, the first generation of statesmen won over by Smith's ideas came to power in England. The result was the dismantling of the old economic restrictions and the establishment of the first truly liberal economic regime in the modern world. *The Wealth of Nations'* recasting of profits as incentives and initiative as the engine of the economy, and Smith's analysis of the fine line between beneficial and harmful government involvement in economic matters, became a staple of the social and political philosophy in England, and later in other nations—especially in the English-speaking world—as well. Britain's economic strength rose dramatically, and by Queen Victoria's time England had become the foremost economic power in the world.

History, of course, did not stop there. Gradually, economic ideas at odds with Smith's began to gain currency again. Political leaders and the general public were frightened by cyclical economic crises, and it appeared to them that the invisible hand's propensity to flail wildly now and again might be more trouble than it was worth. Entire schools of economic thought developed and were presented as alternatives to Adam Smith—schools which advocated government

intervention, regulation and central planning as the “common-sense” way to ensure the welfare of the people, and therefore the only moral policies. And this resurgence of interventionist thought set the stage for the “great economic experiment” of the twentieth century.

Economics as a discipline is often criticized by natural-science aficionados as suffering from an inability to conduct decisive experiments that can determine the superiority of competing theories. While there is a measure of truth to this criticism, one can nonetheless point to certain economic “experiments” taking place over long time periods, in the sense that one can compare the economic performance over time of states which have implemented different economic policies. It is possible, in this sense, to view the seventy-five years between the start of World War I in 1914 and the collapse of Eastern European Communism in 1989 as a period of economic experimentation on a global scale. Virtually every permutation of the economic theories developed during the late nineteenth and early twentieth centuries was put into practice in one form or another in various countries during the twentieth century—fascism, communism, democratic socialism, capitalism, “welfare state” economics, “nationalist” economics and “oligar-

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chic” economics (in which a small group of individuals controls the resources of an entire state).

Anyone looking for a tested recipe for stable economic growth, the general welfare and the reduction of poverty—in other words, the wealth of nations—can today, after fifty years of relative stability since World War II, simply compare the results of those experiments: The correlation between the adoption of policies approaching those recommended by Smith—establishing a stable currency, holding down taxes, reducing government intervention in the market—and a sharp gain in a nation’s economic power has driven much of the world to the unambiguous conclusion that Adam Smith’s principles are the correct prescription for economic ills. The extent of this new consensus is astounding, especially to those who recall that as little as twenty or thirty years ago the belief was diametrically opposed. Today, from Chile to Uganda, from Malaysia to the Czech Republic, and even in Israel, Adam Smith’s legacy is alive and relevant again. There is no more appropriate time for the publication of a Hebrew translation of *The Wealth of Nations*.

And yet, one may wonder just what point there is in translating a 220-year-old economics book today.

The discipline of economics has progressed unrecognizably in the years since *The Wealth of Nations* was first published: Many have modified and sharpened Smith’s analyses, and the society he was writing about was still in the infancy of industrialization; agriculture was the main industry and employed most of the population. Can Adam Smith’s writings still be relevant in an age of virtual reality and the paperless office?

While philosophy students accept as self-evident the need to immerse themselves in the writings of Plato and Aristotle, few physics students, by contrast, ever peruse Aristotle’s *Physics*, Newton’s *Principia* or Einstein’s “On the Electrodynamics of Moving Bodies.” Students of economics for the most part have inherited the disdain for classic texts of their natural-science colleagues. The sense which most students get from their lecturers is that they can benefit little from a work like *The Wealth of Nations* when there are modern texts available explaining the most up-to-date developments in the field.

Yet any modern introductory economics textbook refers to concepts such as comparative advantage, the invisible hand, the theory of labor value, the famous paradox that diamonds are more expensive than water even though water is critical for the

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maintenance of life while diamonds have few direct uses, and the advantages of the division of labor—all ideas that made their first appearance in *The Wealth of Nations*. Those who read the original work have the opportunity to study the origins of these concepts, and to catch a glimpse of the thinking processes and analytic techniques of one of history's most influential thinkers. In reading the book, one can still learn not only valuable lessons in history and intellectual development, but also economic truths that will probably be relevant as long as human societies exist.

*The Wealth of Nations* placed political economics on the center stage of world history, and it has never left. Especially now, when a worldwide debate is taking place over the limits of the welfare state, Smith's treatise has much to offer in understanding the principles behind the free market approach. The Hebrew translation fills an important gap on the bookshelf of classics translated into Hebrew.

As for the quality of the translation, Yariv Eitam and Shimshon Inbal deserve praise for composing a faithful translation which does not abridge any part of the first three books of *The Wealth of Nations*. The translators chose a formal Hebrew syntax, as befitting a classic text, while at the same time writing in a clear and read-

able style. A comparison of the original text and its translation often reveals that the latter is a good deal easier to understand. *The Wealth of Nations* was, of course, written in a late-eighteenth century English, posing a degree of difficulty to the modern reader which the translators wisely and competently alleviated, without compromising on fidelity to the original.

The Open University and the Bialik Institute also added a useful introduction covering a variety of topics, including biographical information about the author, an explanation of concepts appearing in the book and a summary of Smith's economic philosophy. It also offers the modern reader a sense of the basic economic framework extant at the time *The Wealth of Nations* was written, since Smith assumed that this framework, as well as a number of other concepts which have become archaic, would be familiar enough to his readers to require no explanation.

Nevertheless, the translation has its shortcomings. Despite the introduction, a reader lacking expertise in English economic history will have a hard time handling the book's many references to archaic weights, measures, currencies and agricultural terms. The translators could have aided their readers by supplying explanatory notes detailing, for example, what the average worker earned for a month's labor

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in the eighteenth century, what the exchange rate was for the various currencies mentioned in the book and what was considered a luxury item as opposed to a necessity in those days.

Most inexcusable, however, is the omission of Books IV and V—which together comprise more than half the work—from the translation. In his introduction, Haim Barkai underscores the importance of these books: “It can be said that the theoretical background which [Smith] developed in the first two books, and the economic-social history which is covered in the third book, are in essence a foreword” to what follows, while “the fifth and final book of *The Wealth of Nations* is devoted to setting out the boundaries of the role of government and its proper activities in economies whose main economic activity occurs

through free markets, and can serve today as an excellent guide to all those participating in the current debate over the limits of the welfare state and the argument taking place in Eastern Europe and China over the limits of central planning.”

Lacking the two books most relevant to the contemporary debate, the best that can be said for this edition of Adam Smith’s classic is that it is a good start to an important translation project. Every Hebrew reader who takes a serious interest in economic and intellectual history should add this book to his library, and hope that the task of translating *The Wealth of Nations* will some day see completion.

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