

Communicating Economics - Tutorial Plan 6 'Natural Justice in *The Wealth of Nations*'

Duration: 50 minutes



Tutorial description

Read the five extracts provided from Adam Smith's *Wealth of Nations* ahead of the tutorial. Define what Smith means by "natural liberty" in each extract. Be prepared to answer further questions about the texts, and to relate the texts back to concepts and ideas from across this module.

Learning outcomes

By the end of the tutorial students should be able to:

1. Explain what Adam Smith means by "natural liberty" (or natural justice) in each of the five extracts.
2. Compare how Smith applies the principle of natural liberty across different economic contexts.
3. Evaluate whether Smith supports unrestricted markets or accepts an important role for government.
4. Relate Smith's ideas to economic concepts encountered elsewhere in the module.
5. Develop confidence in reading and discussing primary economic texts.

Student preparation before the tutorial

Students should have:

- Read the five extracts from *The Wealth of Nations*.
- Prepared brief notes defining "natural liberty" in each extract.
- Identified at least one connection between Smith's ideas and topics covered elsewhere in the module.

Tutorial structure

Time	Activity	Purpose
0-5 min	Introduction and overview	Set expectations
5-10 min	Opening discussion	What is "natural liberty"?
10-30 min	Small-group analysis of the extracts	Interpret Smith's arguments
30-45 min	Whole-class discussion	Compare extracts and connect to module concepts
45-50 min	Summary and reflection	Consolidate learning

0-5 minutes

Introduction and overview

- Introduce the session by explaining that today students are working with a primary source rather than a textbook or news article.
- Emphasise that Smith is often quoted, yet is read much less often. Today's aim is to understand what he actually wrote, rather than what people assume he believed.
- Briefly remind students that the exercise asks them to define what Smith means by *natural liberty* in each extract and relate the ideas to concepts studied elsewhere in the module.

5-10 minutes

Opening discussion

- Begin with two broad questions:
 - *"When you hear the phrase 'natural liberty', what do you think Smith means?"*
 - *"Does natural liberty mean that government should never intervene in the economy?"*
- Encourage students to answer by giving their own interpretation of what 'natural liberty' means, and explain that the extracts themselves will help answer these questions.

10-30 minutes

Small-group discussion

- Students work in small groups of two or three.
- Assign each group responsibility for one or two extracts before asking them to identify common themes across all five.
- For each extract, students should discuss:
 - 1. Context**
 - What issue is Smith discussing?
 - Why is this issue important?
 - 2. Natural liberty**
 - What does natural liberty mean in this passage?
 - What freedom is Smith defending?
 - 3. Government**
 - Does Smith support or oppose government intervention here?
 - Why?
 - 4. Modern relevance**
 - Does this issue still exist today?
 - Can you think of a modern example?
- Encourage groups to record one or two key points for later discussion.

Tutor prompts during group work

- Move between groups asking questions, such as:
 - Is Smith defending individual freedom or economic efficiency? Or both?
 - Are there any examples where Smith believes liberty should be restricted?
 - Why does Smith criticise guilds and occupational restrictions?
 - Why does he support regulation of banking?
 - How does this challenge the popular image of Smith as advocating "laissez-faire" in every circumstance?

30-45 minutes

Whole-class discussion

- Bring the groups together and discuss the extracts in turn.

Extract 1: Labour mobility

- Ask: Why does Smith regard restrictions on movement as unjust?
- Students should recognise that preventing workers from moving to seek employment violates natural liberty by limiting economic opportunity.

Extract 2: Banking regulation

- Ask: Why does Smith accept restrictions here?
- Highlight that this is one of the clearest examples showing that Smith does **not** oppose all regulation. He argues that individual liberty may be limited when unrestricted behaviour threatens society as a whole.

Extracts 3 and 4: Occupational restrictions

- Ask: Why are monopolies and guilds problematic? What effect do these restrictions have on competition?
- Students should identify that they reduce competition and limit individuals' freedom to pursue employment.

Extract 5: The system of natural liberty

- Ask: What role does Smith believe government should play?
- Guide discussion towards Smith's three core functions of government:
 - Defence
 - Justice
 - Public works and institutions
- Explain that Smith advocates limited but active government rather than the absence of government.

Common misconceptions to address

- **Smith supports no government intervention:** The banking extract and his summary of the sovereign's duties show otherwise.
- **The "invisible hand" appears throughout *The Wealth of Nations*:** In fact, the phrase appears only once, and in a very specific discussion of domestic investment.
- **Natural liberty means complete economic freedom:** Smith consistently qualifies liberty by requiring that individuals do not violate the laws of justice and accepts restrictions where necessary to protect society.

Connecting to the module

- Ask students how today's discussion relates to topics studied elsewhere.
- Encourage students to identify examples from previous lectures or tutorials.
- Possible links include:
 - Market competition
 - Market failure
 - Regulation
 - Monopoly power
 - Labour markets
 - Incentives
 - Institutions
 - Government intervention
 - Public goods
 - Free trade

45-50 minutes

Summary and reflection

Finish by highlighting four key messages:

1. Natural liberty is Smith's principle that individuals should generally be free to pursue their own interests without unnecessary restrictions.
2. Is Smith really advocating laissez-faire? Smith does not argue for unrestricted freedom in every circumstance. He supports government intervention where it protects justice, public safety or the wider public interest.
3. Why does Smith distinguish between justice and liberty? Smith consistently criticises laws and institutions that restrict competition or protect privileged groups at the expense of others.
4. Would Smith support modern competition policy? Many contemporary debates – such as labour mobility, occupational licensing, banking regulation, competition policy and the role of government – can still be analysed using Smith's framework.

Conclude with an exit question:

"What is one idea from Smith that surprised you or challenged your assumptions about classical economics?"

Invite two or three responses before ending the session.

Extracts

Natural Liberty: These are all the occurrences of the phrase 'natural liberty' in the *Wealth of Nations*, with some explanation of context in italics.

Book I: Chapter X, Part C

To remove a man who has committed no misdemeanour, from the parish where he chooses to reside, is an evident violation of **natural liberty** and justice. The common people of England, however, so jealous of their liberty, but like the common people of most other countries, never rightly understanding wherein it consists, have now, for more than a century together, suffered themselves to be exposed to this oppression without a remedy. Though men of reflection, too, have sometimes complained of the law of settlements as a public grievance; yet it has never been the object of any general popular clamour, such as that against general warrants, an abusive practice undoubtedly, but such a one as was not likely to occasion any general oppression. There is scarce a poor man in England, of forty years of age, I will venture to say, who has not, in some part of his life, felt himself most cruelly oppressed by this ill-contrived law of settlements.

Context: The poor laws required local government to support the poor, but local government could prevent potentially poor people from taking up residence.

Book II: Chapter II

To restrain private people, it may be said, from receiving in payment the promissory notes of a banker for any sum, whether great or small, when they themselves are willing to receive them; or, to restrain a banker from issuing such notes, when all his neighbours are willing to accept of them, is a manifest violation of that **natural liberty**, which it is the proper business of law not to infringe, but to support. Such regulations may, no doubt, be considered as in some respect a violation of **natural liberty**. But those exertions of the **natural liberty** of a few individuals, which might endanger the security of the whole society, are, and ought to be, restrained by the laws of all governments; of the most free, as well as of the most despotical. The obligation of building party walls, in order to prevent the communication of fire, is a violation of **natural liberty**, exactly of the same kind with the regulations of the banking trade which are here proposed.

Context: Banks were prevented from issuing small notes. Smith thought that such note issues would cause potential instability in the monetary system.

Book IV: Chapter II

Soldiers and seamen, indeed, when discharged from the king's service, are at liberty to exercise any trade within any town or place of Great Britain or Ireland. Let the same **natural liberty** of exercising what species of industry they please, be restored to all his Majesty's subjects, in the same manner as to soldiers and seamen; that is, break down the exclusive privileges of corporations, and repeal the statute of apprenticeship, both which are really encroachments upon **natural Liberty**, and add to those the repeal of the law of settlements, so that a poor workman, when thrown out of employment, either in one trade or in one place, may seek for it in another trade or in another place, without the fear either of a prosecution or of a removal; and neither the public nor the individuals will suffer much more from the occasional disbanding some particular classes of manufacturers, than from that of the soldiers. Our manufacturers have no doubt great merit with their country, but they cannot have more than those who defend it with their blood, nor deserve to be treated with more delicacy.

Context: Laws restricting entry to various occupations in particular places (e.g., to guild members) had exemptions for ex-soldiers and sailors.

Book IV: Chapter V

The law which prohibited the manufacturer from exercising the trade of a shopkeeper, endeavoured to force this division in the employment of stock to go on faster than it might otherwise have done. The law which obliged the farmer to exercise the trade of a corn merchant, endeavoured to hinder it from going on so fast. Both laws were evident violations of **natural liberty**, and therefore unjust; and they were both, too, as impolitic as they were unjust. It is the interest of every society, that things of this kind should never either be forced or obstructed.

Context: Exceptions to laws restricting entry to various occupations in particular places ex-soldiers and sailors should be extended to all.

Book IV: Chapter IX

All systems, either of preference or of restraint, therefore, being thus completely taken away, the obvious and simple system of **natural liberty** establishes itself of its own accord. Every man, as long as he does not violate the laws of justice, is left perfectly free to pursue his own interest his own way, and to bring both his industry and capital into competition with those of any other man, or order of men. The sovereign is completely discharged from a duty, in the attempting to perform which he must always be exposed to innumerable delusions, and for the proper performance of which, no human wisdom or knowledge could ever be sufficient; the duty of superintending the industry of private people, and of directing it towards the employments most suitable to the interests of the society. According to the system of **natural liberty**, the sovereign has only three duties to attend to; three duties of great importance, indeed, but plain and intelligible to common understandings: first, the duty of protecting the society from the violence and invasion of other independent societies; secondly, the duty of protecting, as far as possible, every member of the society from the injustice or oppression of every other member of it, or the duty of establishing an exact administration of justice; and, thirdly, the duty of erecting and maintaining certain public works, and certain public institutions, which it can never be for the interest of any individual, or small number of individuals to erect and maintain; because the profit could never repay the expense to any individual, or small number of individuals, though it may frequently do much more than repay it to a great society.

Context: Smith summing up his view on natural liberty.