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## Islamization of the Invisible Hand Concept by Adam Smith: A Reconstruction towards Islamic Key Principles

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### Abstract

This study aims to Islamize Adam Smith's concept of the invisible hand, which has long been regarded as a central pillar of capitalist economic theory. The invisible hand describes a free market mechanism in which individuals pursuing self-interest unintentionally contribute to collective welfare. While this theory emphasizes efficiency, it has been criticized for neglecting morality, justice, and equity. From an Islamic economic perspective, these dimensions are essential, as economic activity must be aligned with values of tawhīd (monotheism), justice, and social responsibility. The research employs a qualitative approach through literature review and conceptual analysis. The literature review examines Adam Smith's *The Wealth of Nations* and *The Theory of Moral Sentiments*, alongside classical and contemporary Islamic economic writings. Conceptual analysis is then used to assess the compatibility between the invisible hand and Islamic principles, particularly the role of zakat, *hisbah*, and *maqāṣid al-Syarī'ah* in shaping economic justice and social welfare. The results show that Smith's invisible hand can be reconstructed by integrating Islamic values, thereby producing a more equitable economic model. While self-interest remains a driving force for efficiency, Islamic principles such as distributive justice through zakat, ethical oversight through *hisbah*, and alignment with *maqāṣid al-Syarī'ah* ensure that markets also serve moral and social objectives. The implication of this study is twofold: theoretically, it contributes to the enrichment of Islamic economic thought; practically, it offers policymakers an alternative framework for designing economic systems that are not only efficient but also just and welfare-oriented.

**Keywords:** *Islamization, Islamic Economics, Invisible Hand, Maqāṣid al-Syarī'ah, Social Justice*

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## 1. INTRODUCTION

The concept of the invisible hand, introduced by Adam Smith in *The Wealth of Nations* (1776), has long been regarded as a central pillar of capitalist economic theory. This concept describes a free market mechanism in which individuals, while pursuing self-interest, indirectly contribute to collective economic prosperity.<sup>1</sup> In conventional economics, free markets are often considered capable of allocating resources efficiently without government intervention.<sup>2</sup> However, in practice, the capitalist system has been criticized for triggering inequality, concentrating wealth, and neglecting moral as well as social dimensions of the economy.<sup>3</sup>

Beneath its elegant simplicity, the theory has provoked extensive debate. While Smith's framework assumes that moral sentiments and market competition naturally guide economic order, critics have long argued that the capitalist system, when detached from ethical restraint, tends to produce inequality, concentration of wealth, and social alienation. Karl Marx viewed the *invisible hand* as a veil concealing structural exploitation of labor, whereas John Maynard Keynes later demonstrated that unregulated markets often fail to achieve full employment and macroeconomic stability. Contemporary critics such as Thomas Piketty (2014) further reveal how unbridled capital accumulation widens the gap between the rich and the poor, suggesting that the "invisible hand" can also perpetuate systemic injustice if left unchecked.<sup>4</sup>

In the contemporary global economy, the search for a system that harmonizes efficiency with equity has become increasingly urgent. Capitalism, despite its capacity to generate productivity and innovation, is frequently associated with exploitation, consumerism, and social injustice, while socialist approaches tend to face inefficiency and bureaucratic rigidity. The moral failure of capitalism lies not merely in its economic outcomes but in its underlying philosophical premise that detaches human behavior from divine accountability. When economic activity is governed solely by market rationality and material gain, ethical boundaries become relative, and justice is subordinated to profit. As noted by Umer Chapra, the absence of a transcendent moral framework in secular economics inevitably leads to social disequilibrium and moral decay.<sup>5</sup> Consequently, the need arises for a paradigm that reintegrates ethics, spirituality, and social responsibility into economic life. In this context, Islam offers a comprehensive alternative through its economic principles of *tawāzun* (balance), justice, and social welfare. The principles of *maqāṣid al-sharī'ah* emphasize that economic activity should not merely aim for material prosperity but must also ensure fairness, ethical conduct, and the protection of human dignity.<sup>6</sup> This urgency underscores the importance of critically revisiting Smith's *invisible hand* through an Islamic lens.

Several studies have attempted to engage with Adam Smith's thought from ethical or Islamic economic perspectives. For instance, Ananta Wijaya discussed the moral

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<sup>1</sup> Alfred W. Stonier and Douglass C. Hague, *Teori Ekonomi* (Jakarta: Ghalia Indonesia, 1984), 73.

<sup>2</sup> Muhammad Kambali, "Kritik Ekonomi Islam Terhadap Mekanisme Distribusi Pendapatan Dalam Sistem Ekonomi Kapitalis," *Ulumuna: Jurnal Studi Keislaman* 1, no. 2 (2015): 252–65, <https://doi.org/https://ejournal.kopertais4.or.id/madura/index.php/ulumuna/article/view/1626>.

<sup>3</sup> Muhammad Umer Chapra, *Islam and the Economic Challenge*, 17th ed. (Riyadh, Saudi Arabia: International Islamic Publishing House, 1995), 45.

<sup>4</sup> Thomas Piketty, *Capital In The Twenty-First Century*, trans. Arthur Goldhammer, vol. 2 (Cambridge: Harvard University Press, 2014), 243.

<sup>5</sup> Muhammad Akram Khan, *Islamic Economics and Finance : A Glossary*, 2nd ed. (London and New York: Routledge (Taylor & Francis Group), 2003), 122; Chapra, *Islam and the Economic Challenge*, 8–9.

<sup>6</sup> Habib Ahmed, Mehmet Asutay, and Rodney Wilson, *Islamic Banking and Financial Crisis: Reputation, Stability and Risks* (UK: Edinburgh University Press, 2014), 67.

foundations of Smith's philosophy<sup>7</sup> while Rustam Dahar explored Smith's theories through Islamic economic concepts. Dahar (2012) also analyzed the invisible hand from the standpoint of Islamic distribution ethics,<sup>8</sup> and Hasan & Mahyudi (2020) critiqued capitalism's limitations in ensuring distributive justice. Yet these works largely remain descriptive and comparative, with limited effort to systematically reconstruct Smith's concept within an Islamic paradigm.<sup>9</sup> This gap highlights the need for a more integrative approach, in which the *invisible hand* is not merely critiqued but islamized by embedding Islamic values into its theoretical foundation. Previous studies have largely remained descriptive: Ananta Wijaya, for instance, limited his discussion to the ethical dimension of Smith's philosophy without offering a framework for its Islamization; Rustam Dahar examined the *invisible hand* from an Islamic distributional perspective but stopped short of reconstructing its moral premises; and Hasan and Mahyudi focused mainly on the critique of capitalism's injustice rather than developing a theoretical synthesis between Smithian and Islamic paradigms.<sup>10</sup> These works, while valuable, collectively underscore the absence of a systematic model that reconstructs Smith's market mechanism through the key principles of *tawhīd*, *'adl*, *zakat*, *ḥisbah*, and *maqāṣid al-sharī'ah*.<sup>11</sup>

Hence, the novelty of this study lies in offering a structured framework for the Islamization of Adam Smith's invisible hand, by not merely contrasting but reconstructing it through the integration of key Islamic principles—*tawhīd* (monotheism), *'adl* (justice), *zakat* (almsgiving), *ḥisbah* (moral market oversight), and *maqāṣid al-Syarī'ah* (objectives of divine law).<sup>12</sup> In this reinterpretation, the *invisible hand* is not seen as an autonomous natural force but as an ethical-economic mechanism guided by spiritual accountability (*taqwā*) and collective welfare (*falāh*).<sup>13</sup> Market equilibrium, from this perspective, arises not from impersonal competition but from the moral commitment of economic actors to uphold honesty (*ṣidq*), fairness (*qisṭ*), and compassion (*raḥmah*) in their transactions.<sup>14</sup>

Accordingly, this research has two primary objectives. First, to analyze the compatibility of Adam Smith's *invisible hand* with Islamic principles of justice and welfare, identifying both convergences and contradictions. Second, to propose a conceptual reconstruction that embeds Islamic institutions such as *zakat*, *ḥisbah*, and *waqf* as corrective instruments for mitigating the ethical void in capitalist systems. This approach aligns with the broader discourse on *Islamization of knowledge*, as initiated by

<sup>7</sup> Cuk Ananta Wijaya, "Filsafat Ekonomi Adam Smith," *Jurnal Filsafat* 19, no. 1 (2009): 1–22, <https://doi.org/https://doi.org/10.22146/jf.3447>.

<sup>8</sup> Rustam Dahar KAH, "Teori Invisible Hand Adam Smith Dalam Perspektif Ekonomi Islam," *Economica: Jurnal Ekonomi Islam* 2, no. 2 (2012): 57–70, <https://doi.org/https://doi.org/10.21580/economica.2012.2.2.850>.

<sup>9</sup> Zainol Hasan and Mahyudi, "Analisis Terhadap Pemikiran Ekonomi Kapitalisme Adam Smith," *Istidlal Jurnal Ekonomi Dan Hukum Islam* 4, no. 1 (2020): 24–34, <https://doi.org/10.35316/istidlal.v4i1.206>.

<sup>10</sup> KAH, "Teori Invisible Hand Adam Smith Dalam Perspektif Ekonomi Islam"; Hasan and Mahyudi, "Analisis Terhadap Pemikiran Ekonomi Kapitalisme Adam Smith"; Cuk Ananta Wijaya, "Filsafat Ekonomi Adam Smith," *Jurnal Filsafat* 19, no. 1 (2009), <https://doi.org/https://doi.org/10.22146/jf.3447>.

<sup>11</sup> Ismail Raji Al-Faruqi, *Islamization of Knowledge: General Principles and Workplan*, 2nd ed. (Herndon, Virginia, U.S.A: International Institute of Islamic Thought, 1981); Syed Muhammad Naquib Al-Attas, *Prolegomena to the Metaphysics of Islam* (Kuala Lumpur: International Institute of Islamic Thought and Civilization (ISTAC), 1995).

<sup>12</sup> Eka Zulianna and Prima Dwi Priyatno, "Optimalisasi Pendistribusian ZIS Dalam Pengentasan Kemiskinan Berdasarkan Perspektif Maqashid Syariah Di Baznas Kota Bogor," *Nukhbatul 'Ulum: Jurnal Bidang Kajian Islam* 8, no. 2 (2022): 146–57, <https://doi.org/10.24014/jhi.v19i2.8060.2>.

<sup>13</sup> Adiwarman A. Karim, *Ekonomi Islam: Suatu Kajian Kontemporer* (Jakarta: Raja Grafindo Persada, 2021), 30.

<sup>14</sup> Karim, *Ekonomi Islam: Suatu Kajian Kontemporer*.

Ismail Raji al-Faruqi and further developed by Syed Muhammad Naquib al-Attas, which seeks to reorient human sciences toward *tawhīd*ic unity and moral purpose.<sup>15</sup>

The reconstruction of Adam Smith's *invisible hand* through Islamic key principles in this study proceeds through four systematic steps. *First*, the philosophical foundation of Smith's theory is critically examined, particularly its moral assumptions in *The Theory of Moral Sentiments* and its utilitarian orientation in *The Wealth of Nations*.<sup>16</sup> This stage identifies the epistemological gap between Smith's secular conception of self-interest and the Islamic worldview rooted in *tawhīd* (Divine unity).<sup>17</sup> *Second*, the study reinterprets Smith's notion of self-interest through the principle of *'adl* (justice), emphasizing that economic freedom must operate within the limits of moral accountability before Allah.<sup>18</sup> *Third*, the ethical reconstruction is carried out by embedding Islamic economic institutions—such as *zakat* (redistributive obligation), *hisbah* (market supervision), and *waqf* (social endowment)—as mechanisms that align individual motives with collective welfare.<sup>19</sup> *Finally*, these reinterpreted elements are integrated within the framework of *maqāsid al-sharī'ah* (the objectives of Islamic law), ensuring that the reconstructed theory not only preserves market efficiency but also fulfills the higher aims of justice, balance, and social harmony.<sup>20</sup> Through these stages, the *invisible hand* is transformed from a secular metaphor of spontaneous order into an ethically guided mechanism grounded in Islamic moral and spiritual values.<sup>21</sup> This framework, therefore, not only provides a methodological roadmap for Islamization but also establishes the epistemological foundation for reinterpreting Smith's secular economic anthropology within a *tawhīd*ic paradigm.<sup>22</sup>

Through this integration, the study aspires to expand the theoretical horizon of Islamic economics by demonstrating that the Islamization of the *invisible hand* is not an act of rejection but of refinement—transforming a secular economic metaphor into a spiritually anchored vision of market harmony.

## 2. DISCUSSION

This chapter discusses the core analysis of the study. It begins with a brief overview of Adam Smith's intellectual background to understand the moral foundation of his economic ideas. It then explores the key components of his capitalist theory—the invisible hand, natural price, value, division of labor, and the role of the state. Finally, it analyzes these concepts through an Islamic economic perspective to propose an Islamized reconstruction of Smith's framework.

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<sup>15</sup> Al-Faruqi, *Islamization of Knowledge: General Principles and Workplan*, 10–15; Al-Attas, *Prolegomena to the Metaphysics of Islam*, 27.

<sup>16</sup> Adam Smith, *The Theory of Moral Sentiments*, ed. Amartya Sen and Ryan Patrick Hanley (London: Penguin Classics, n.d.), 13–14; Adam Smith, *The Wealth of Nations - An Inquiry Into the Nature and Causes of the Wealth of Nations*, ed. R. H. Campbell, A. S. Skinner, and W. B. Tood, 1st ed. (UK: Oxford University Press, 1976), 18–19.

<sup>17</sup> Al-Faruqi, *Islamization of Knowledge: General Principles and Workplan*, 25–26.

<sup>18</sup> Al-Attas, *Prolegomena to the Metaphysics of Islam*, 69–70.

<sup>19</sup> Chapra, *Islam and the Economic Challenge*, 231–33.

<sup>20</sup> Jasser Auda, *Maqasid Al-Shariah as Philosophy of Islamic Law: A Systems Approach* (London: International Institute of Islamic Thought, 2008), 21–22.

<sup>21</sup> Syed Muhammad Naquib Al-Attas, *Islam and Secularism* (Kuala Lumpur, Malaysia: International Institute of Islamic Thought and Civilization (ISTAC), 1993), 42–43.

<sup>22</sup> Auda, *Maqasid Al-Shariah as Philosophy of Islamic Law: A Systems Approach*, 33–34.

## 2.1 A Short Biography of Adam Smith

Adam Smith (1723–1790) was a Scottish philosopher, moral thinker, and economist widely recognized as the “Father of Modern Economics.” Born in Kirkcaldy, a small town in Fife, Scotland, Smith demonstrated intellectual brilliance from a young age.<sup>23</sup> He studied moral philosophy at the University of Glasgow under Francis Hutcheson, a key figure of the Scottish Enlightenment who profoundly influenced his ethical and philosophical outlook. Later, Smith continued his studies at Balliol College, Oxford, where he developed a deep interest in classical literature, jurisprudence, and political economy, although he was often critical of Oxford’s rigid and outdated teaching system.<sup>24</sup>

After completing his studies, Smith returned to Scotland and began lecturing at the University of Glasgow, where he held the Chair of Logic and later the Chair of Moral Philosophy. His lectures covered ethics, jurisprudence, and political economy—subjects that would eventually merge in his two monumental works: *The Theory of Moral Sentiments* (1759) and *An Inquiry into the Nature and Causes of the Wealth of Nations* (1776). The first work, *The Theory of Moral Sentiments*, laid the ethical foundation for his later economic thought, arguing that human behavior is not driven solely by self-interest but also by an innate sense of sympathy and moral judgment. In this framework, self-interest must be balanced by moral norms such as justice, benevolence, and social responsibility.<sup>25</sup>

Smith’s moral philosophy emphasized that society functions effectively when individuals act according to both self-interest and moral restraint. He believed that human interactions are guided by an “impartial spectator,” an internalized moral conscience that helps individuals assess right and wrong. This concept of moral self-regulation later became the ethical underpinning of his economic system, linking personal virtue to social order. As noted by contemporary scholars, Smith’s moral framework was not isolated from his economic theory; rather, it served as its ethical backbone, ensuring that economic freedom did not devolve into moral chaos.<sup>26</sup>

In 1764, Smith resigned from his teaching post to serve as a tutor to Henry Scott, the young Duke of Buccleuch. During their travels across France and Switzerland, Smith met several prominent Enlightenment thinkers such as Voltaire, François Quesnay, and Anne-Robert-Jacques Turgot. These encounters exposed him to the ideas of French *physiocrats*, whose belief in natural economic order and minimal government intervention deeply influenced Smith’s later advocacy for the free market.<sup>27</sup> Upon returning to Scotland, he spent nearly a decade refining his ideas, culminating in the publication of *The Wealth of Nations* in 1776—a work that revolutionized economic thought by introducing the concept of the “invisible hand.”

In *The Wealth of Nations*, Smith synthesized philosophy, moral psychology, and political economy into a comprehensive analysis of how markets function. He argued that when individuals pursue their own interests within a framework of justice, they unintentionally contribute to the prosperity of society. His belief in the self-regulating nature of markets laid the foundation for classical economics and inspired generations of

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<sup>23</sup> Smith, *The Wealth of Nations - An Inquiry Into the Nature and Causes of the Wealth of Nations*, 10–25.

<sup>24</sup> Nicholas Phillipson, *Adam Smith: An Enlightened Life* (London: Penguin Books, 2010), 33.

<sup>25</sup> Smith, *The Theory of Moral Sentiments*, 1–15.

<sup>26</sup> Ryan Patrick Hanley, *Adam Smith and the Character of Virtue* (Cambridge: Cambridge University Press, 2009), 42.

<sup>27</sup> Gavin Kennedy, *Adam Smith: A Moral Philosopher and His Political Economy*, 2nd ed. (London: Palgrave Macmillan, 2013), 88–89.

economists such as David Ricardo, John Stuart Mill, and later, Kenneth Arrow and Milton Friedman.<sup>28</sup>

Beyond economics, Smith's intellectual contributions extended to sociology, ethics, and governance. He advocated for education reform, fair taxation, and the moral responsibilities of the state toward public welfare—issues that remain relevant in modern debates on capitalism and social justice. Recent scholars have revisited Smith's works to reinterpret his legacy not merely as an advocate of laissez-faire capitalism but as a moral philosopher concerned with the balance between freedom and virtue.<sup>29</sup>

Adam Smith passed away in Edinburgh in 1790, leaving behind a legacy that continues to shape modern economic discourse. His integration of ethics and economics—rooted in both human sympathy and rational self-interest—offers timeless insight into how moral principles can coexist with the pursuit of prosperity. As contemporary Islamic economists note, Smith's synthesis between moral sentiments and market freedom provides fertile ground for dialogue with Islamic economic principles that emphasize justice, ethical conduct, and social welfare.<sup>30</sup>

## 2.2 Adam Smith's Concept of Capitalism

Adam Smith's model of capitalism measures the success of an economy by prioritizing capital factors.<sup>31</sup> Through the theory of the invisible hand, Smith argued that each individual has full power over his wealth and is free to use economic resources as he wishes.<sup>32</sup> As the basis of capitalist economics, a system in which individual rights are prioritized over the interests of the general public, Smith's concept has the potential to gain profits peacefully, or vice versa, and contains basic elements with the dominance of work motivation in acquisition, competition, and rationality.<sup>33</sup>

In economic control, Smith argued that self-interest is the primary driving force. All of this is carried out to achieve national prosperity, as if each individual were driven by an invisible hand, propelling them forward.<sup>34</sup> In his book, *The Wealth of Nations*, Smith explains how the invisible hand works, where each individual tries to utilize the capital they have to achieve the optimal results. Adam Smith stated:

*Every individual endeavors to employ his capital so that its produce may be of the greatest value. He generally neither intends to promote the public interest nor knows how much he is promoting it. He intends only his security, only his own gain. And he is in this led by an Invisible Hand to promote an end which was no part of his intention. By pursuing his interests, he frequently promotes those of society more effectively than when he really intends to promote them.*<sup>35</sup>

Generally, they have no specific intention to support the public interest through their actions, nor do they realize the extent to which their actions can impact the common good. Their motivation is solely for personal gain, namely, to gain profit for themselves.<sup>36</sup>

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<sup>28</sup> Emma Rothschild, *Economic Sentiments: Adam Smith, Condorcet, and the Enlightenment* (Cambridge: Harvard University Press, 2019), 127.

<sup>29</sup> Samuel Fleischacker, *Adam Smith* (London: Routledge, 2021), 85–90.

<sup>30</sup> Karim, *Ekonomi Islam: Suatu Kajian Kontemporer*.

<sup>31</sup> “Arti Kata Kapital - Kamus Besar Bahasa Indonesia (KBBI) Online,” n.d.

<sup>32</sup> Stonier and Hague, *Teori Ekonomi*.

<sup>33</sup> Muhammad Abdul Mannan, *Teori Dan Praktek Ekonomi Islam*, trans. M Nastangin (Yogyakarta: Dana Bakti Wakaf, 1995), 311.

<sup>34</sup> Paul A. Samuelson and William D. Nordhaus, *Economics*, 9th ed. (New York: McGraw-Hill/Irwin, 2009), 3.

<sup>35</sup> Smith, *The Wealth of Nations - An Inquiry Into the Nature and Causes of the Wealth of Nations*.

<sup>36</sup> Smith.

Based on self-interest, as previously described, a person will encourage societal progress with stimuli that often yield far more effective results than the opposite. Smith's ideas were well-received by Kenneth Arrow. As a Nobel Prize-winning economist, Arrow explained that Smith's free-market mechanism is capable of creating a balanced allocation of resources without direct external interference, thus establishing the foundation for the theory of market efficiency.<sup>37</sup>

Smith's invisible hand principle aligns with characteristics that indicate a capitalist system; first, in principle, Smith denies planning. The absence of a centralized, organized economic plan reflects individual freedom to compete in the economic world. Jeremy Bentham assumed this was the greatest happiness for the greatest number, which aims to produce the greatest happiness for the greatest number of people. This assumption contains optimism that is considered a belief in capitalist ideology. Next, freedom. In capitalism, this includes the freedom to choose work, the freedom to do business, and the freedom to save and invest.

Freedom of choice of employment in a capitalist system allows workers to choose jobs based on the wages offered. However, this often contradicts equitable income distribution. Karl Marx stated that workers in capitalism are defined in a twofold sense: 1) free to sell their labor as a commodity, and 2) free to employ themselves due to their lack of other resources.<sup>38</sup> Furthermore, freedom of enterprise in capitalism is defined as the freedom to own property, which is considered essential for maintaining personal liberty. Finally, the freedom to save and invest is supported by the right to inherit wealth. In this system, entrepreneurs leverage the funds of savers for investment, generating market interest rates as a return on those investments.<sup>39</sup>

In the free market mechanism, Smith identified it into three elements: 1) freedom, which is the right to produce and market products, labor, and capital, 2) self-interest, which is a person's right to do their own business, and 3) competition, in the production and trade of goods, as well as services.<sup>40</sup> When examining the three elements above, Smith's free market, which emphasizes the individual's right to free trade, tends to deny government involvement in economic activity. Furthermore, this can have negative consequences if business owners are not wise in conducting their economic activities. Karl Marx criticized this, arguing that prioritizing self-interest could potentially lead to labor exploitation, economic inequality, and a deepening gap between the working class and capital owners.<sup>41</sup>

Smith believes that the government's role is limited to providing and developing infrastructure, as well as managing government administration. He believes that government involvement in these areas will only further reduce the efficiency of economic activity.<sup>42</sup> With the note that in all economic activities, it must prioritize moral aspects, which include: healthy and fair competition (fair play), honesty, transparency, and justice.<sup>43</sup> Umer Chapra believes that this aspect can create social justice and social welfare, which is in line with Islamic values; Smith successfully integrates moral

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<sup>37</sup> Kenneth Joseph Arrow, *The Limits of Organization*, 1st ed. (New York: Norton & Company, n.d.), 32–35.

<sup>38</sup> Mannan, *Teori Dan Praktek Ekonomi Islam*.

<sup>39</sup> KAH, "Teori Invisible Hand Adam Smith Dalam Perspektif Ekonomi Islam."

<sup>40</sup> Ilhamsyah Sitorus, "Pemikiran Adam Smith Tentang Pasar Bebas Perspektif Ekonomi Islam" (Institut Agama Islam Negeri, 2017), 34.

<sup>41</sup> Karl Marx, *Das Capital: A Critique of Political Economy*, ed. Ernest Mandel, trans. Ben Fowkes, 1st ed. (England: Penguin Books, 1990), 709–12.

<sup>42</sup> Rudi Badrudin, *Menggali Filosofi Pemikiran Ekonomi Adam Smith* (Surabaya: Universitas Airlangga, 2010), 19–20.

<sup>43</sup> Muhammad Nur Rianto Al Arif, *Pengantar Ekonomi Syariah* (Bandung: Pustaka Setia, 2015), 219.

elements into economic activities, which are often overlooked in the modern capitalist system.<sup>44</sup> Thus, Smith emphasized that the ideal free market can balance individual freedom with moral principles, thereby creating sustainable economic prosperity without sacrificing human values.

The functioning of the market mechanism proposed by Smith is influenced by four factors, including: the theory of natural prices, value, the concept of division of labor, and the role of the state (government).<sup>45</sup> Through his book *The Wealth of Nations*, he explains these factors comprehensively, which are summarized as follows.

### 2.2.1 Natural Price Theory

First, Smith defined the concept of *natural price* as the long-run equilibrium price at which goods and services are exchanged when the market operates under free and competitive conditions. In *The Wealth of Nations*, he distinguishes between the *market price*—the actual price at which commodities are sold—and the *natural price*, which represents the intrinsic value that goods tend to gravitate toward over time. He wrote: “The actual price at which any commodity is commonly sold is called its market price. It may be either above, below, or the same as its natural price.”<sup>46</sup> In this context, Smith meant that society has the freedom to act, to produce whatever it wants, and to exchange it for something else according to agreement.<sup>47</sup>

The *natural price*, according to Smith, is determined by the cost of production, which includes wages, profits, and rents—three components that together form the foundation of value creation.<sup>48</sup> When supply and demand interact freely without distortion, the *invisible hand* mechanism aligns market prices with natural prices, achieving what Smith considered the “natural order” of the economy.<sup>49</sup> This balance, however, presupposes perfect competition and minimal interference from external forces such as monopolies or excessive government regulation.

Smith’s advocacy of *laissez-faire* economics reflects his belief that market efficiency arises when individuals act in pursuit of self-interest within a framework of justice. He asserted that excessive state intervention disturbs the natural course of the economy, creating inefficiencies.<sup>50</sup> Yet, modern economists, notably John Maynard Keynes, have argued that Smith’s optimism about market self-regulation was overly idealistic. Keynes demonstrated that markets are not always self-correcting and can experience prolonged unemployment and recessions without government stimulus.<sup>51</sup> More recent studies in behavioral economics, such as those by Daniel Kahneman and Richard Thaler, further illustrate that human decisions are not always rational, challenging the assumption that invisible forces alone can sustain equilibrium.<sup>52</sup>

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<sup>44</sup> Chapra, *Islam and the Economic Challenge*.

<sup>45</sup> Muhalli, “Mekanisme Pasar Dalam Pemikiran Adam Smith,” *Fintech: Journal of Islamic Finance* 2, no. 1 (2020): 37–61, <https://doi.org/https://ejournal.kopertais4.or.id/madura/index.php/fintech/article/view/4635>.

<sup>46</sup> Jim Manis, *An Inquiry into the Nature and Causes of the Wealth of Nations by Adam Smith* (Hazleton: The Pennsylvania State University, 2005), 53; Smith, *The Wealth of Nations - An Inquiry Into the Nature and Causes of the Wealth of Nations*.

<sup>47</sup> Winardi, *Sejarah Perkembangan Ilmu Ekonomi* (Bandung: Tarsito, 1974), 37–38.

<sup>48</sup> Hasan and Mahyudi, “Analisis Terhadap Pemikiran Ekonomi Kapitalisme Adam Smith.”

<sup>49</sup> Gavin Kennedy, *Adam Smith’s Lost Legacy* (New York: Palgrave Macmillan, 2005), 54.

<sup>50</sup> Sadono Sukirno, *Mikro Ekonomi: Teori Pengantar*, 3rd ed. (Jakarta: Raja Grafindo Persada, 2008), 394.

<sup>51</sup> John Maynard Keynes, *The General Theory of Employment, Interest, and Money* (US: Global Grey Ebooks, 1936), 12–15.

<sup>52</sup> Daniel Kahneman, *Thinking, Fast and Slow* (Canada: Doubleday Canada, 2011), 311; Richard H. Thaler, *Richard H. Thaler: Misbehaving: The Making of Behavioral Economics* (New York and London: W.W.Norton, 2015), 120.



In light of these critiques, Smith's natural price theory remains foundational but requires ethical and institutional complements to address externalities and asymmetries. This opens space for dialogue with Islamic economics, where market mechanisms are also recognized but must operate within the bounds of *shariah* justice and moral accountability.<sup>53</sup>

### 2.2.2 Value Theory

Second, Smith's *labor theory of value* proposes that labor is the fundamental measure of value in goods and services. He differentiates between two kinds of value: *value in use* and *value in exchange*. The former refers to the practical utility of an object, while the latter denotes its purchasing power in the market. As he famously stated:

*The things which have the greatest value in use have frequently little or no value in exchange; and, on the contrary, those which have the greatest value in exchange have frequently little or no value in use.*<sup>54</sup>

Use value refers to the usefulness or utility of a good, while exchange value refers to the price of that good compared to other goods in the market.<sup>55</sup>

In Smith's framework, labor serves as both the origin and measure of economic value because production depends primarily on human effort. The greater the labor required to produce a commodity, the higher its exchange value. This concept became the cornerstone of classical economics, influencing David Ricardo's and Karl Marx's formulations of labor and surplus value.<sup>56</sup> However, modern economists have revised this theory by incorporating marginal utility and subjective valuation, leading to the development of the *neoclassical value theory* championed by Jevons and Menger.

Recent scholarship suggests that Smith's notion of value was more nuanced than often assumed. Rather than a strict labor determinism, Smith acknowledged multiple determinants of value—cost, utility, and scarcity—anticipating later economic synthesis.<sup>57</sup> His approach links moral philosophy with economic measurement: labor is not merely physical effort but a moral act of human contribution to society. In this sense, the *labor theory of value* also bears ethical implications consistent with Islamic economic principles, which recognize human effort (*'amal*) as a legitimate source of wealth creation, provided it adheres to fairness and avoids exploitation.<sup>58</sup>

### 2.2.3 Division of Labor Concept

Third, Adam Smith argued that the division of labor is a key factor in increasing productivity and economic efficiency. In his book, *The Wealth of Nations*, he cites the example of the needle-making industry, where the production process can be divided into specialized stages. By implementing a division of labor, each worker can focus on a specific task, ultimately increasing the number of goods that can be produced in a shorter time.<sup>59</sup>

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<sup>53</sup> Chapra, *Islam and the Economic Challenge*.

<sup>54</sup> Smith, *The Wealth of Nations - An Inquiry Into the Nature and Causes of the Wealth of Nations*; Manis, *An Inquiry into the Nature and Causes of the Wealth of Nations by Adam Smith*.

<sup>55</sup> Smith, *The Wealth of Nations - An Inquiry Into the Nature and Causes of the Wealth of Nations*.

<sup>56</sup> Marx, *Das Capital: A Critique of Political Economy*.

<sup>57</sup> Sandra J. Peart and David M. Levy, *The Street Porter and the Philosopher: Conversations on Analytical Egalitarianism* (Ann Arbor: The University of Michigan Press, 2008), 110.

<sup>58</sup> Khan, *Islamic Economics and Finance: A Glossary*.

<sup>59</sup> Smith, *The Wealth of Nations - An Inquiry Into the Nature and Causes of the Wealth of Nations*.

According to Smith, there are three main benefits of the division of labor. *First*, workers become more skilled at their tasks because they repeatedly perform the same tasks. *Second*, the time normally wasted switching from one task to another is reduced, thereby increasing work efficiency. *Third*, specialization fosters innovation in the use of tools and technology, further increasing productivity.<sup>60</sup> Smith explains in his book:

*This division of labor, from which so many advantages are derived, is not originally the effect of any human wisdom, which foresees and intends that general opulence to which it gives occasion. It is the necessary, though very slow and gradual, consequence of a certain propensity in human nature, which has in view no such extensive utility; the propensity to truck, barter, and exchange one thing for another.*<sup>61</sup>

Furthermore, the division of labor allows individuals to work according to their skills and interests, ultimately creating a more dynamic economy. However, Smith also warned that excessive division of labor can have negative consequences, such as alienating workers from the fruits of their labor and losing general skills necessary for everyday life.<sup>62</sup>

Through Smith's concept of the division of labor, Joseph Schumpeter assessed that this concept not only increases productivity but also serves as a major catalyst for innovation in modern capitalism. He argued that the specialization resulting from the division of labor creates an environment that encourages competition and experimentation, thus triggering the creation of technological breakthroughs and new production methods. Thus, Schumpeter saw the division of labor as a crucial pillar supporting the dynamics and evolution of capitalism, while also reinforcing Smith's view of the importance of collaboration and specialization in the economy.<sup>63</sup> As Schumpeter argued, this concept, while potentially increasing productivity, is relevant to Islamic values of cooperation and economic justice. This aligns with the thoughts of Abul A'la Maududi in his book *Towards Understanding Islam*.<sup>64</sup>

#### **2.2.4 The Role of the State in Market Mechanisms**

Finally, although Smith was known as a strong supporter of free markets, this did not mean he completely rejected the role of government in the economy. He believed that the government still played a crucial role in creating a conducive environment for free markets to function effectively. Smith identified three primary roles for government in the economy.<sup>65</sup>

*First*, the government is responsible for maintaining national security and defense. Strong political and legal stability is necessary for economic activity to flourish undisturbed. *Second*, the government must uphold justice by creating a fair legal system, ensuring the protection of property rights, and enforcing valid contracts between individuals and businesses. *Third*, the government must provide infrastructure and public

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<sup>60</sup> Sri Eka Astutiningsih and Citra Mulya Sari, "Empowerment of Agroindustry Groups in an Effort to Accelerate East Java's Economic Growth," *JJET: Jurnal Ilmu Ekonomi Terapan* 2, no. 1 (2017): 1–9, <https://doi.org/10.20473/jiet.v2i1.5500>.

<sup>61</sup> Manis, *An Inquiry into the Nature and Causes of the Wealth of Nations* by Adam Smith.

<sup>62</sup> Smith, *The Wealth of Nations - An Inquiry Into the Nature and Causes of the Wealth of Nations*.

<sup>63</sup> Joseph A Schumpeter, *Capitalism, Socialism and Democracy*, ed. Richard Swedberg (London and New York: Routledge, 2003), 83–87.

<sup>64</sup> Abu al-A'la Al-Mawdūdī, *Towards Understanding Islam*, 2nd ed. (Lahore, Pakistan: U.K.I.M Dakwah Centre, 1960), 135–40.

<sup>65</sup> Smith, *The Wealth of Nations - An Inquiry Into the Nature and Causes of the Wealth of Nations*.

services that cannot be managed or are less efficient if managed by the private sector, such as the construction of roads, bridges, ports, and other public facilities.<sup>66</sup>

However, Smith emphasized that government intervention should be minimal and only when necessary to maintain economic balance. He opposed all forms of protectionism and monopolies granted by the government to certain groups, as these could hinder healthy competition in the market. Therefore, the government's role in the economy should be more facilitative, rather than dominating or directly controlling market mechanisms.<sup>67</sup>

The free market mechanism, as explained by Adam Smith, is based on four main factors: the theory of natural price, the theory of value, the division of labor, and the role of the state. These four factors are interrelated in creating an efficient and competitive economic system. Natural price allows the prices of goods and services to be determined by the interaction of supply and demand without excessive government intervention. The theory of value asserts that labor is the primary factor in determining the value of a good.<sup>68</sup> The division of labor increases efficiency and productivity, encouraging innovation in the economy. Meanwhile, the role of the state remains necessary to ensure security, justice, and the provision of infrastructure that supports the smooth operation of a free market; although his theory was not well received by all groups, and some of his concepts drew criticism from these figures.<sup>69</sup>

Thus, a well-functioning free market depends not only on the market mechanism itself, but also on maintaining a balance between economic freedom and the role of government in creating economic stability and justice.<sup>70</sup>

### **2.3 Islamization of Adam Smith's Invisible Hand Concept**

Ismail Raji Al-Faruqi, in his book, *Islamization of Knowledge*, argues that the concept of capitalism focuses too much on materialism, neglecting to consider the holistic spiritual and moral dimensions. Al-Faruqi emphasizes that the invisible hand mechanism can only function effectively if it is based on revealed morality.<sup>71</sup> Syed Muhammad Naquib Al-Attas also views capitalism as a result of secularization that eliminates divine values from economic activity. He believes that individual freedom in capitalism often comes at the expense of principles of justice and social sustainability.<sup>72</sup>

However, the Islamization of Smith's *invisible hand* is not without epistemological tension. Smith's view of human nature as a rational, self-interested maximizer differs ontologically from the Islamic conception of the human being (*insān*) as a moral and spiritual agent accountable before God. Whereas Smith's moral order arises from sympathy and social convention, Islam grounds ethics in divine revelation (*wahy*), producing a distinct teleology of economic action. This divergence raises an important question: can self-interest, as defined by Smith, be fully reconciled with the *tawhīdic* intentionality that subordinates all action to the pursuit of *falāḥ* (true success)? As Muhammad Umer Chapra notes, any attempt to Islamize modern economics must

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<sup>66</sup> Sonny Keraf, *Pasar Bebas Berkeadilan* (Yogyakarta: Kanisius, 1996), 82.

<sup>67</sup> Keraf, *Pasar Bebas Berkeadilan*.

<sup>68</sup> Rothschild, *Economic Sentiments: Adam Smith, Condorcet, and the Enlightenment*.

<sup>69</sup> Amartya Sen, *The Idea of Justice* (Cambridge, Massachusetts: Harvard University Press, 2009), 27; Joseph E. Stiglitz, *People, Power, and Profits: Progressive Capitalism for an Age of Discontent* (New York and London: W.W.Norton, 2019), 53.

<sup>70</sup> Karim, *Ekonomi Islam: Suatu Kajian Kontemporer*.

<sup>71</sup> Al-Faruqi, *Islamization of Knowledge: General Principles and Workplan*.

<sup>72</sup> Al-Attas, *Islam and Secularism*, 85–90.

critically address the secular anthropology underlying Western theories before integration can occur.<sup>73</sup> Thus, while convergence exists in the shared concern for moral markets, the process of Islamization must remain cautious not to obscure fundamental metaphysical differences between secular rationalism and the *tawhīdic* worldview.<sup>74</sup> Moreover, as Asutay argues, authentic Islamization requires not only value alignment but epistemic transformation—replacing the ontological assumption of autonomous man with that of a morally responsible *‘abd Allāh*, whose rationality is bounded by divine command and social justice.<sup>75</sup>

Capitalism, introduced by Adam Smith, with its focus on individual freedom and market efficiency, has become the foundation of the modern economic system. However, like any human-designed system, capitalism has limitations, particularly in terms of morality, social justice, and wealth distribution. Islam, with its holistic approach, offers a solution through sharia principles that integrate spiritual values, ethics, and social responsibility into economic activities. To address the weaknesses of capitalism, the process of Islamizing this concept is relevant to creating an economic system that is not only productive but also just and oriented towards blessings. Researchers have proposed at least seven points in an effort to integrate Islamic values into Smith's concept, as follows.

*First*, Adam Smith viewed self-interest as the primary driver of economic activity, directed by an invisible hand to achieve social well-being.<sup>76</sup> In Islam, this concept can be integrated with the principle of *tawhīd* (the oneness of God) as the primary foundation of economic activity. Personal interests are not only directed toward worldly well-being but also toward attaining God's approval. The Quran emphasizes that humans are *khalifah* (leaders) on earth. Allah S.W.T said:

"وَإِذْ قَالَ رَبُّكَ لِلْمَلَائِكَةِ إِنِّي جَاعِلٌ فِي الْأَرْضِ خَلِيفَةً قَالُوا أَتَجْعَلُ فِيهَا مَنْ يُفْسِدُ فِيهَا وَيَسْفِكُ الدِّمَاءَ وَنَحْنُ نُسَبِّحُ بِحَمْدِكَ وَنُقَدِّسُ لَكَ قَالَ إِنِّي أَعْلَمُ مَا لَا تَعْلَمُونَ."<sup>77</sup>

This means that economic activity must be carried out with the intention of worship and responsibility to God and fellow human beings. This concept is relevant to the view of Syed Muhammad Naquib Al-Attas, who stated that *tawhīd* is the core of the integration of science and practice, including in economics.<sup>78</sup>

*Second*, the Division of labor and the principle of *ihtisāb*. Smith's idea of the division of labor as a driver of productivity is highly relevant to Islamic teachings, which encourage specialization and efficiency.<sup>79</sup> However, Islam adds the element of *ihtisāb* (the intention to seek reward from Allah) to every work activity. In the Islamic economic system, the division of labor serves not only to increase production but also to ensure the equitable distribution of the fruits of labor throughout society. This is supported by the concepts of *zakat* and *sadaqah*, which ensure that wealth is not concentrated in the hands

<sup>73</sup> Chapra, *Islam and the Economic Challenge*, 22–25.

<sup>74</sup> Al-Attas, *Prolegomena to the Metaphysics of Islam*, 63–65.

<sup>75</sup> Mehmet Asutay, "Conceptualising and Locating the Social Failure of Islamic Finance: Aspirations of Islamic Moral Economy vs. the Realities of Islamic Finance," *Asian and African Area Studies* 11, no. 2 (2012): 93–113.

<sup>76</sup> Smith, *The Wealth of Nations - An Inquiry Into the Nature and Causes of the Wealth of Nations*.

<sup>77</sup> *Al-Quran Al-Karim*, n.d., Al-Baqarah: 30.

<sup>78</sup> Al-Attas, *Islam and Secularism*.

<sup>79</sup> Smith, *The Wealth of Nations - An Inquiry Into the Nature and Causes of the Wealth of Nations*.

of a few. Muhammad Umer Chapra explains that the integration of Islamic values such as *ihtisāb* and zakat can create a fairer distribution system than pure capitalism.<sup>80</sup>

"مَا أَفَاءَ اللَّهُ عَلَى رَسُولِهِ مِنْ أَهْلِ الْقُرَى فَلِلَّهِ وَلِلرَّسُولِ وَلِذِي الْقُرْبَىٰ وَالْيَتَامَىٰ وَالْمَسَاكِينِ وَابْنِ السَّبِيلِ كَيْ لَا يَكُونَ دُولَةً بَيْنَ الْأَغْنِيَاءِ مِنْكُمْ وَمَا ءَاتَاكُمُ الرَّسُولُ فَخُذُوهُ وَمَا نَهَاكُمْ عَنْهُ فَانْتَهُوا وَاتَّقُوا اللَّهَ إِنَّ اللَّهَ شَدِيدُ الْعِقَابِ."<sup>81</sup>

Third, Smith emphasized minimal government intervention in the market (*laissez-faire*), but critics of this concept highlight the need for a state role in maintaining justice and welfare.<sup>82</sup> Islam supports an active role for the state in the economy through the principle of *hisbah* (moral and economic oversight). The Islamic state is responsible for ensuring that free markets operate by Sharia values, such as prohibiting usury (*riba*), *garar* (uncertainty), and monopolies.<sup>83</sup> This concept was also exemplified by Caliph Umar bin Khattab, who ensured the distribution of food to the poor as part of the state's responsibility.<sup>84</sup>

Fourth, Smith in *The Theory of Moral Sentiments* emphasized the importance of morality in regulating economic activity.<sup>85</sup> The Islamization of this idea can be achieved by integrating Islamic moral concepts, such as honesty, justice, and trustworthiness. The Quran explicitly mandates justice in economic transactions and prohibits all forms of fraud. Allah said:

"وَيْلٌ لِّلْمُطَفِّفِينَ ﴿١﴾ الَّذِينَ إِذَا أَكْتَالُوا عَلَى النَّاسِ يَسْتَوْفُونَ ﴿٢﴾ وَإِذَا كَالُوهُمْ أَوْ وَزَنُوهُمْ يُخْسِرُونَ."<sup>86</sup>

Ismail Raji Al-Faruqi, in his book *Islamization of Knowledge*, asserts that moral values in Islam are not merely complementary but the foundation of all economic activity, including the free market.<sup>87</sup>

Fifth, Karl Marx criticized capitalism because it was considered to tend to exploit labor to achieve maximum profits.<sup>88</sup> In Islam, the concept of *Ihsan* (doing good) requires business owners to treat workers fairly, provide decent wages, and look after their welfare. The hadith of Rasulullah SAW states, "Give wages to workers before their sweat dries" (HR. Ibnu Majah).

حَدَّثَنَا الْعَبَّاسُ بْنُ الْوَلِيدِ الدِّمَشْقِيُّ، حَدَّثَنَا وَهْبُ بْنُ سَعِيدٍ بْنِ عَطِيَّةِ السُّلَمِيِّ، حَدَّثَنَا عَبْدُ الرَّحْمَنِ بْنُ زَيْدِ بْنِ أَسْلَمَ، عَنْ أَبِيهِ، عَنْ عَبْدِ اللَّهِ بْنِ عُمَرَ، قَالَ قَالَ رَسُولُ اللَّهِ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ: "أَعْطُوا الْأَجِيرَ أَجْرَهُ قَبْلَ أَنْ يَجِفَّ عَرَقُهُ."<sup>89</sup>

<sup>80</sup> Chapra, *Islam and the Economic Challenge*.

<sup>81</sup> *Al-Quran Al-Karim*.

<sup>82</sup> Smith, *The Wealth of Nations - An Inquiry Into the Nature and Causes of the Wealth of Nations*.

<sup>83</sup> Chapra, *Islam and the Economic Challenge*.

<sup>84</sup> Muhammad Dzul Fadli et al., "Kebertahanan Usaha Pedagang Warung Tradisional Dengan Menerapkan Etika Bisnis Islam Di Kota Makassar," *Nukhbatul 'Ulum: Jurnal Bidang Kajian Islam* 8, no. 1 (2022): 1–15, <https://doi.org/https://doi.org/10.36701/nukhbah.v8i1.470>; Al-Mawdūdī, *Towards Understanding Islam*.

<sup>85</sup> Smith, *The Wealth of Nations - An Inquiry Into the Nature and Causes of the Wealth of Nations*.

<sup>86</sup> *Al-Quran Al-Karim*.

<sup>87</sup> Al-Faruqi, *Islamization of Knowledge: General Principles and Workplan*.

<sup>88</sup> Marx, *Das Capital: A Critique of Political Economy*.

<sup>89</sup> Ibnu Majah, "Sunan Ibn Majah-Kitab Al-Ruhun-Bab Ajru Al-Ujara," in *Hadith 2443*, 16th ed., vol. 3, n.d.

Syed Muhammad Naquib al-Attas criticized capitalism as a system that is too oriented towards materialism and forgets the moral aspect, which is the core of Islamic economics.<sup>90</sup>

Sixth, Smith's concept has drawn criticism for causing economic inequality due to the unequal distribution of wealth.<sup>91</sup> In Islam, this inequality is addressed through the zakat system, which is an obligation for every able-bodied Muslim to distribute a portion of their wealth to those in need. This principle ensures that wealth does not circulate only among the wealthy.<sup>92</sup> Muhammad Umer Chapra stated that zakat not only reduces poverty but also creates sustainable social and economic stability.<sup>93</sup>

Finally, the integration of Smith's ideas with Islam can be further refined through the concept of *maqāṣid al-Syarī'ah* (the objectives of sharia). In Islam, economic activity aims to safeguard religion (*ḥifẓ al-dīn*), life (*ḥifẓ al-nafs*), reason (*ḥifẓ al-'aql*), posterity (*ḥifẓ al-nasl*), and wealth (*ḥifẓ al-māl*). Smith's capitalism, which focuses on market efficiency and profit, can be complemented by the more holistic goals of Islamic economics, which aim to achieve prosperity in this world and the hereafter.<sup>94</sup>

Beyond alignment, these integrations fundamentally transform Smith's framework by shifting its epistemological basis from secular rationalism to *tawhīdic* ontology. The *maqāṣid al-sharī'ah* does not merely supplement the *invisible hand* with ethical norms; it redefines the very notion of equilibrium as a moral-spiritual harmony between human effort and divine will. In this reorientation, market actors are not autonomous agents optimizing personal utility but *khalīfah* (stewards) entrusted with realizing justice (*'adl*) and balance (*tawāzun*) in economic exchange. This transformation echoes Chapra's *Maqasid-based Economic Framework*, which places human well-being (*ḥalāl*)—not material accumulation—as the ultimate goal of economic life.<sup>95</sup> Such an epistemological shift signifies that Islamization is not an act of accommodation but of reconstruction, turning Smith's mechanistic vision of market order into one grounded in ethical stewardship and transcendental accountability.<sup>96</sup> Consequently, this epistemological shift signifies that the Islamized *invisible hand* is no longer a self-regulating mechanism driven by impersonal market forces but a morally governed order animated by *taqwā* and collective *ḥalāl*. This transformation illustrates the paradigm shift from *homo economicus* to *insān kāmil*, marking a profound ontological reorientation within economic thought.<sup>97</sup>

### 3. CONCLUSION

This research set out to examine Adam Smith's invisible hand concept and to reconstruct it through the framework of Islamic values. The analysis has shown that while Smith's theory highlights individual self-interest as a driver of economic prosperity, it also contains inherent weaknesses, particularly in terms of morality, social justice, and wealth distribution. These shortcomings are precisely the areas where Islamic economics,

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<sup>90</sup> Al-Attas, *Islam and Secularism*.

<sup>91</sup> Schumpeter, *Capitalism, Socialism and Democracy*.

<sup>92</sup> *Al-Quran Al-Karim*.

<sup>93</sup> Chapra, *Islam and the Economic Challenge*.

<sup>94</sup> Al-Faruqi, *Islamization of Knowledge: General Principles and Workplan*; Al-Attas, *Islam and Secularism*.

<sup>95</sup> Muhammad Umer Chapra, *The Islamic Vision of Development in the Light of Maqasid Al-Shariah* (Jeddah: Islamic Research and Training Institute, 2008), 11–13.

<sup>96</sup> Al-Faruqi, *Islamization of Knowledge: General Principles and Workplan*, 27–28.

<sup>97</sup> Masudul Alam Choudhury, *Islamic Economics and Finance: An Epistemological Inquiry* (Bingley: Emerald Group Publishing, 2012), 45–47.

with its emphasis on *tawhīd*, justice, and social responsibility, provides a corrective framework.

In relation to the first research question, it can be concluded that Adam Smith's invisible hand demonstrates partial compatibility with Islamic principles, especially in promoting efficiency and productivity. However, without ethical and distributive safeguards, the concept risks producing inequality. Addressing the second research question, the study finds that Islamic economic instruments—such as *zakat*, *hisbah*, and *maqāṣid al-Syarī'ah*—can serve as complementary mechanisms to refine the free market, ensuring fairness, equity, and sustainability.

The main theoretical contribution of this study lies in providing a structured model of Islamization of the invisible hand, which integrates market efficiency with moral accountability. This novelty enriches Islamic economic thought by offering a more holistic alternative to pure capitalism, one that aligns with the objectives of *sharia* (*maqāṣid al-Syarī'ah*), namely the protection of faith, life, intellect, lineage, and wealth. From a practical perspective, the findings may guide policymakers in formulating economic systems and regulations that do not merely pursue growth but also uphold justice and welfare.

Nevertheless, this study is limited to conceptual and literature-based analysis. Future research could strengthen the findings by applying empirical approaches, such as case studies on *zakat* distribution, regulatory models of *hisbah*, or comparative studies between Islamic and conventional markets. Such efforts would provide deeper insights into the applicability and effectiveness of the Islamized invisible hand in contemporary economic contexts. Ultimately, the Islamization of the *invisible hand* demonstrates that integrating Islamic metaphysics into economic theory does not negate modern insights but reorients them toward an ethical vision of prosperity rooted in *tawhīd*, justice, and human dignity.

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