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**Book Review: Early Islam and the Birth of Capitalism by Benedikt
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Early Islam and the Birth of Capitalism

by Benedikt Koehler. Lexington Books (2014), 230 pp. ISBN: 978-0-7391-8882-8 (hb, £51.95); 978-0-7391-8883-5 (Kindle edn £40.52).

The title of this book by an historian and former banker was surely devised with an eye to the marketing: it should appeal to all readers interested in the world's dominant economic system who retain a healthy curiosity about its origins, and also to those with an interest in Islam and its contribution to civilization. The former may perhaps approach it with scepticism, the latter with hope. When the words 'capitalism' and 'Islam' appear in the same sentence it is most commonly to point out their incompatibility: your reviewer is often drawn into discussion with Muslims who insist on capitalism's 'inherent evil'. Muslim readers attracted by the title may be somewhat dismayed to discover that the very first chapter, titled 'The Richest Man in Arabia', is about none other than their beloved Prophet, who, they believe, led the life if not exactly of a narrowly defined ascetic then certainly of one who lived simply and frugally, and on occasion even found it hard to make ends meet. They will immediately search the extensive references (there are notes at the end of each chapter and 15 pages of bibliography) only to be further disappointed: Koehler mostly relies on secondary sources. He draws extensively on nineteenth-century orientalists such as the German Eduard Sachau, the Austrian Aloys Sprenger (no fewer than 13 of his works are cited), and the American storyteller Washington Irving, who as well as writing *Rip Van Winkle* and *The Legend of Sleepy Hollow* also wrote *Mahomet and His Successors*. Max Weber is cited, as are Herodotus, Pliny, Fibonacci...

To be fair, a few respected early Muslim historians (e.g. Tabari) do appear, but when presented with statements about their religion or prophet Muslims generally prefer to see these supported by *ayat* (verses) from the *Quran*, or by authenticated *hadith* (pl.: *ahadith*, the recorded sayings or acts of the Prophet). Bukhari, or to give him his real name Muḥammad ibn Ismā'īl al-Ju'fī who was born in 810 in Bukhara in present-day Uzbekistan (hence the soubriquet), is the most renowned of the six most trusted compilers and authenticators of *hadith*. His extensively researched collection is titled *al-Jaami' al-Sahih al-Musnad al-Mukhtasar min Umur Rasool Allah wa sunanihi wa Ayyamihi*, or in English *The Collection of Authentic Hadith with Connected Chains regarding Matters Pertaining to the Prophet, His Practices and His Times*. This is usually referred to simply as *Sahih al-Bukhari*. Koehler mentions Bukhari early on, just once, and without a reference. A dubious *hadith* is cited

which is attributed to the collection by the Italian Prince Leone Caetani, another orientalist, in his *Annali dell' Islam*. This appears to have been done to demonstrate the unreliability of the *hadith* literature as a historical source. Tirmidhi's collection of *hadith* is referenced at least once, but in the entire book there are only 13 quotations from the *Quran* itself, while there are several references to the fictional *Arabian Nights*.

It is not only Muslim readers who might be disappointed. Anyone looking for economic models and theories that might prove that capitalism is indeed compatible with, or even derived from, Islam will also be disappointed; this is no manual on Islamic economics. This is a pity, as there are many *ahadith* that cry out for interpretation and modelling by someone with an authoritative understanding of modern economics. What we do find is several chapters describing the nature, conditions and conduct of trade in early Islam (and before), and how this evolved as the size of the economy and international trade flows increased. A central chapter discusses the system of *Qirad* (literally 'loans'), and explains how people with surplus wealth (capital) would invest (often via managers) in caravans, typically doubling their investment by the time the caravan returned. What greater proof that Islam approves of capitalism? We learn how international trade by camel caravan influenced later international trade by sea; the parallel is drawn between caravan and merchant fleet. Koehler shows how the escalation in trade put a strain on the money supply, and describes the consequent birth of the Islamic gold dinar and silver dirham – a new and separate monetary system, independent of that of the debased coinage of Byzantium. We read about the Islamic position on free markets (they are encouraged), commodity pricing (prices should not be state-controlled but rather are 'in the hand of God') and taxation (it should not be overly burdensome). We are told about institutions such as the *funduq* (pl.: *fanadiq*), which facilitate international trade by affording travelling merchants a safe place to stay and storing their goods while in foreign lands. It is no coincidence that *funduq* is the modern Arabic word for hotel, although the *fanadiq* of ancient times also seemed in at least some instances and in some ways to function rather like modern duty-free trade zones. In many cases the individual *funduq* was managed by, and catered to, its own foreign nationals, and indeed *fanadiq* from different countries were subjected to differing rates of tax, a forerunner of trade as a tool of diplomacy (or vice versa?), and a forerunner of modern 'favoured nation' systems and the World Trade Organization.

Perhaps the importance of trade is best illustrated in Chapter 23, 'The Economic Consequences of Saladin'. Contrary to expectations this chapter is not about the devastation to economies as a result of war; it is about Saladin's belief, which he put into practice, that

trade is better than war for securing lasting peace. To circumvent possible European plans to outflank Jerusalem by attacking Egypt, he liberalised and encouraged trade, inviting Europeans to set up *fanadiq* in Alexandria and elsewhere in Egypt: ‘A visitor from Spain, Rabbi Benjamin of Tudela, counted 28 different foreign communities in Alexandria’ (p. 183).

A later chapter touches on the Islamic approach to law compared with that of contemporary Christendom, and the interesting case of the visit by St Francis of Assisi to Egypt in 1219 is given as an illustration. Francis sought to prove the superiority of the Christian faith to the Egyptian ruler by walking through fire, saying that God would protect him but that any Muslim following him would be burned. At that time trial by fire was in keeping with best legal practice in medieval Europe: it was the utmost test of a plaintiff’s truthfulness. Al Kamil, the ruler of Egypt, did not accept the challenge, and gave Francis safe conduct back to the crusader camp. Francis took this as a sign of weakness, not realising that in Islamic law (otherwise known as Sharia) ‘courts sifted evidence and assessed opposing arguments, law was guided by reasoning rather than miracles, and trial by fire, as practised in Europe, was not deemed due process’ (p. 195).

The concluding chapter not only ties the various threads together but also addresses the important topic of ‘Islam’s economic decline’. This is attributed to a range of causes including the Mongol invasion, the Portuguese discovery of the sea route to India, and the discovery of the Americas. According to the author, however, the biggest single factor was government interference in markets. Ibn Khaldun’s warning against this in 1377 was ignored by later Egyptian rulers: twenty-first-century interventionists should take note.

A final section addresses ‘the uneasy relationship between religion and capitalism from the Middle Ages to the present’, and is summed up with a charming anecdote from Boccaccio’s *Decamerone* concerning Saladin and a Jewish moneylender – but it would spoil the fun to reveal it here.

Overall, this has been an easy, enjoyable and at times riveting read. The book is only 230 pages long including references, bibliography and index, and the whole is broken up into 25 mercifully short chapters. Each chapter could be an independent essay and greatly expanded, and this reviewer hopes that more detailed and discursive books will follow. Well-referenced as it is, this is an excellent primer. Much of it is an enlightening sprint through a fascinating period of history, illuminated by comparisons with other eras and regions and indeed fictions such as *One Thousand and One Nights*. We are drawn in by the astonishing assertion that the Prophet of Islam was fabulously wealthy. Later on we learn from his widow Aisha that her husband had told her that prophets do not own property. The wealth attributed

to him in Chapter 1 had merely been held and used by him on behalf of the state, while he and his family continued to live modestly. We know from *hadith* that he helped with the housework and mended his own clothes: not exactly what we would expect from the richest man in Arabia.

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