



## **BOOK REVIEW**

### **EARLY ISLAM AND THE BIRTH OF CAPITALISM**

*by Benedikt Koehler, Lexington Books, 2014, vi + 231 pp., ISBN 978-0-7391-9745-5.*

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This book advances a very powerful hypothesis; the author claims that capitalism originated in Islam with Makkah as its birthplace, instead of Christianity and medieval city-states in Italy during the Renaissance. This claim contradicts the mainstream view that holds capitalism as being against Islamic teachings. The author explored key historical events in early Islam and linked these events to several main principles of capitalism to support his hypothesis. The author used the historical approach, where the book narratives start from the socio-economic background of Arabia and its peripherals before the dawn of Islam and end at the Crusades aftermath, when capitalism had been fully transferred to the maritime republics in Italy.

The author described Arabs as freedom loving people who would never submit to any authoritative system. This leads to a very interesting observation where market forces form the government of Makkah while in other parts of the world, government dictates the market rules. The harsh climate of Arabia has made it impossible to support an agrarian society and the only way to prosper was to engage in trade. These factors have made Makkah a fertile ground for capitalism. Because of its strategic location in the middle of the East-West trade route and its religious monopoly on the Ka'bah, in Makkah merchants played the most important role such that the market dictated the government style. The great dependence on trade led to many governance policies and financial innovations to sustain and expand trade in pre-Islamic Arabia.

The beginning part of the book explains the historical biography of Muhammad (blessings and peace be upon him), which is familiar to many Muslim readers. The author successfully linked what would have been purely religio-historical narrations with expressive

descriptions of market mechanisms and instruments during the early years of Islam. The author starts the book by introducing Muhammad (blessings and peace be upon him) as the richest man in Arabia when he died, which is very seldom discussed since his immense wealth was always overshadowed by his prophetic task and religious piety. True, as the author claimed, this period was given less attention by many Muslim historians. Before prophethood, Muhammad (blessings and peace be upon him) was a very successful entrepreneur, which later influenced his administration skills when he governed Madinah.

Throughout the book, the author highlights many financial innovations in the market originating from pre-Islamic practices and customs of trade in Arabia that were later enhanced by Muhammad (blessings and peace be upon him) and his successors. Each period was associated with a major innovation that promoted capitalism. Muhammad (blessings and peace be upon him) was credited with establishing the free market system and a staunch supporter of free trade. When Muhammad (blessings and peace be upon him) migrated to Madinah, he set up two institutions: mosque and market. The establishment of a market together with a mosque shows the importance of economic reform in his prophetic mission. Muhammad's proclamation "prices are in the hand of God" during a supply shock which adversely affected Madinah has been used repeatedly in the book to show his non-interventionist policy in favor of an "invisible hand" pricing mechanism. Another important contribution of Islam to capitalism is the new model on endowment called waqf after the capture of Khaibar.

Koehler dedicates one chapter to discuss the "qirād" system, which facilitated trade in early Islam. Under this system, rich capital owners would invest in trade caravans by appointing entrepreneurs with the profit to be shared according to an agreed proportion. This profit-sharing contract is also known as mudhārabah, but the author did not point this out which may be helpful for readers who are not well versed in Islamic finance. The author managed to explain how this system later influenced international trade by sea, where parallels are drawn between caravans in the vast Arabian deserts and merchant fleets in the open Mediterranean Sea.

The reigns of Abū Bakr al-Ṣiddīq and 'Umar ibn al-Khaṭṭāb are combined in a single chapter as the rise of the Rashidun Caliphate. The short reign of Abū Bakr succeeded in stabilizing the political domain that was left in a vacuum after the death of Muhammad (blessings and peace be upon him). Among his greatest achievements was to solve the separation of spiritual and temporal functions of the

office of the caliph. ‘Umar ibn al-Khaṭṭāb was praised as a reformer who introduced many innovations in governance to facilitate the fast expanding Muslim empire. His government was praised as the first to introduce a pension system in the world.

The Umayyad period was associated with the introduction of a single currency throughout the Muslim empire. This allowed the government to manage a monetary system independent from Byzantium. The biggest achievement during the Abbasid period was the birth of a banking system based on commissions instead of interest. The later periods were associated with the inventions of trade centers and strategic alliances between Muslim states and the Crusaders, which promoted capitalism into Europe.

However, I found two major flaws that may adversely affect the methodology applied by the author. Firstly, the author did not define capitalism in the book. Because of different interpretations of capitalism, it is important for any author to give an overall description about capitalism that is being discussed in their book. A brief introductory chapter about capitalism would help guide the readers to understand the concepts and appreciate the hypothesis. For example, at the beginning of the book, the author focused on the free competition nature of Arabian markets in early Islam but did not emphasize the influence of capital owners which form the core of capitalism. The author also failed to highlight the nature of capitalism in early Islam, which involved the real economy rather than financial capitalism. Secondly, the author seems to regard all historical events in early Islam as part of Islamic teachings to support his hypothesis. This approach is not in harmony with the Islamic discipline of dealing with historical events where contextual factors are taken into account to distinguish divinely-inspired occasions from incidents happening for strategic reasons. Even the actions taken by the Prophet are divided into two categories: actions which he performed after revelations from God and actions taken out of his own strategic planning. In Islamic law, the former carries legal consequences while the latter is ascribed to the socio-cultural background of the Prophet which has no legal effects in Islam (Al-Sibā‘ī, 2000). Some of the public policies in the early period of Islam actually resulted from pure strategic plans to overcome problems or improve governance as influenced by the geopolitical conditions of the time (Al-Shāṭibī, 2010). The adoption of a single currency system during the Umayyad rule is an ordinary strategy adopted by many other governments throughout history which should not be ascribed to Islam. The author also failed to elaborate on certain events that represent anti-capitalism elements. For

example, while zakat collection was on a voluntary basis, Abū Bakr, the first caliph, had made it mandatory and waged war against tribes that refused to pay zakat. This is a clear direct government intervention which seems to be against the free market notion in capitalism.

The book is well referenced from sources of various languages except Arabic, where the author relies on translated works of original sources in Arabic. This may raise questions with regard to the authenticity of the story. The early Muslim scholars developed a complex method to verify the authenticity of narrations from Muhammad (blessings and peace be upon him) since anything related to him carries weight in the Islamic legal framework. However, the rules applied by Muslim historians when dealing with stories beyond the life of Muhammad (blessings and peace be upon him) are more lenient compared to their counterparts in law since these historical narrations are mostly related to description of events with no significant impact on legal rulings (Al-‘Umarī, 2000). The methodology among early Muslim historians is that they will record stories together with the chains of narrators regardless of whether the stories are true or not, and whether the author agrees with the stories or not; this method was applied by Al-Balādhurī on whom the author relied throughout the book (Al-Ḥamawī, 1993). The authenticity of the stories depends on the reliability and trustworthiness of each person in the chain of narrators, and it is up to the readers to investigate and verify them. Scholars during the early age of Islam were equipped with the knowledge of narrators, where they had background information on each narrator and could decide on the credibility of the narration. Unfortunately, this information is missing in the translated works and it is almost impossible to verify the authenticity of such stories from these translations.

The author also relies heavily on sources of folklore such as the Meadows of Gold and Arabian Nights. Furthermore, throughout the book the author depends much on the historical accounts by Al-Wāqidī, who is considered to be unreliable and whose narrations are unacceptable to the majority of Muslim scholars (Al-Dhahabī, 2001). It is very disappointing to see that the author disregarded many other historical records acknowledged to be authentic especially among the canonical collections of Al-Bukhārī, Muslim and others. Hence, readers need to use caution whenever they encounter any traditions and events narrated in the book by verifying the stories.

Another disadvantage of relying on translated works is that the author failed to transliterate many Arabic terms accurately. A quick look at the names of the second and third caliphs, although both

started with the same Arabic alphabet and sound, were spelled as Umar and Osman in the book, with two different Roman letters. The author should also have standardized the transliteration from translated works in French and German languages into English.

The short reign of ‘Umar ibn ‘Abd al-‘Azīz, the eighth Umayyad caliph, was hailed as a successful era when no one was eligible to receive stipends from the treasury since everyone was well-off. He had undertaken many reforms to overcome problems left by his predecessors. Many historians ascribe the good economic environment to the prudent government policies and personal piety of the caliph. Unfortunately, the author failed to make any single reference to this brief yet significant period.

Overall, I believe this book is an eye-opener to many readers interested in Islam and capitalism. The tremendous effort the author made in developing and analyzing such an original hypothesis by delving into the medieval scholarly sources is worth crediting. The book may be one of the stepping stones for Muslims to better understand capitalism. I hope the book can create many avenues for discussion and exchange of ideas between capitalism supporters and Islamic scholars in the future for the betterment of humanity.

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