Book Title: Early Islam & the Birth of Capitalism
Author: Benedikt Koehler
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Reviewed by: Salman Ahmed Shaikh

The birth of capitalism as per Max Weber in "The Protestant Ethic and the Spirit of Capitalism" began in Western Europe and spread to North America. Benedict Koehler in his recent book "Early Islam and the Birth of Capitalism" argues that it is Islam, rather than Christianity that provided the organizational and ideological elements that combined and gave rise to capitalism.

The author explains that Prophet Muhammad (pbuh) was Himself an established entrepreneur. The author further emphasizes that Mecca was not only a Holy place, but also a very significant trading centre at that time. The author contends that Islamic teachings provided extensive guidelines on fair trade. Islamic teachings also gave due importance to writing business contracts and honoring them, both as a religious and civil duty.

Islamic venture capitalism based on Mudarabah and Musharakah were conducive for long distant trade and matching the skills and endowments of labor and capitalists respectively. The currency system based on commodities like gold and silver was also advanced enough at that time to avoid the problems of barter trade, such as indivisibility of tradable commodities and having to match double coincidence of wants. The right to private property for men as well as women was also duly recognized in Islamic law even 15 centuries ago. Islamic institutions and business practices were later on adopted and adapted in Venice and Genoa. Thus, as argued by the author, capitalism first emerged in Arabia, not in late medieval Italian city states as is commonly assumed.

There were other Islamic institutions assimilated in Europe like Charities, Waqf and institutions of higher learning, like the Madrasas. The author argues that these higher learning institutions were models for the oldest colleges of Oxford and Cambridge. As such it can be rightfully said that these essential aspects of capitalist thought all have Islamic antecedents.

It is a good attempt by the author to highlight the historical origins of capitalism. However, it must be emphasized that the commonality that exists between mainstream capitalism and Islamic economic principles must not be taken as evidence of Islam being a subset, pioneer or promoter of unfettered capitalism. Islam is not just an economic system, but, a comprehensive doctrine. A comprehensive doctrine is not just concerned with one particular aspect of human life; rather it is concerned with all aspects of human life.

Islam recognizes the importance of trade based enterprise over interest based financial enterprise. Barring certain impermissible businesses, Islamic principles are neutral to the use of market mechanism for allocation and price determination, but these principles render the use of market as an instrument rather than placing them as sacred. Thus, markets can be supplemented, intervened or even replaced for ethical considerations in some cases. For instance, markets for 'ethical bads' should not exist as per Islamic principles and the consumer sovereignty is not recognized unconditionally in such instances for the greater benefit of society at large.

Trade based on voluntary exchange is beneficial as collectively we can have better and more consumption bundles at our disposal if we engage in voluntary exchange. Islam is neutral to voluntary exchange in general, but market mechanism is supplemented by divine injunctions and by educating people of the desired behavior expected by their Creator.

Furthermore, Islam has a very clear view on certain extractive institutions like ‘interest based lending’. By disallowing interest based earnings, exploitative forms of trade and imposition of excessive taxes, Islamic principles ensure socio-economic justice and individual freedom in a much wider sense than the mainstream capitalism.