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Early Islam & the Birth of Capitalism by Benedikt Koehler

Mike Hirsch

Huston-Tillotson University

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Koehler, Benedikt. *Early Islam and the Birth of Capitalism*. Lanham, MD: Lexington, 2014. vi + 231 pages. Hardcover, \$85.00.

Sociologists all know the story of the birth of capitalism as told by Max Weber in *The Protestant Ethic and the Spirit of Capitalism*. According to Weber, the ideology espoused by John Calvin contributed to a line of thought and behavior that was necessary for rise of capitalism. In this telling the birth of capitalism began in Western Europe and spread to North America. In *Early Islam and the Birth of Capitalism*, economist Benedikt Koehler rewrites capitalism's origin story. In his rendition, it is Islam rather than Christianity that provided the organizational and ideological elements that combine and give rise to capitalism. He begins his story in pre-Islamic times where "Arabia's skies and soil (were) hostile to farmers... [and] their hopes of prosperity hinged on finding trading partners abroad" (p. 17). Religion and trade became intertwined early in Arab culture with the founding of the Kaaba in the Becca Valley and the rise of Mecca as a religious and trade center. He explains, "Mecca's business model [was] a symbiosis of religion and commerce" (p. 21).

Prior to his conversion experience, Muhammad was an established entrepreneur. After his conversion experience he "alienated Mecca's leading merchants" and fled to Medina, where he not only chose a site for a mosque, but also "established a market and then proceeded to lay out the rules for fair trade" (p 16). Fair trade meant that transactions were free of extracting "excessive advantage from a customer [and provided] a fair share to a business partner" (pp. 146-7). One thousand years before Adam Smith's *Wealth of Nations*, Muhammad lifted market price controls, declaring, "Prices...are in the hands of God" (p. 11). Muhammad promoted literacy to facilitate business transactions and the use of fractions in the calculation of taxes.

Building on Muhammad's use of his business acumen to establish and spread Islam, his successors strengthened the Muslim empire by creating a single currency that included "coins in gold, silver and copper" (p. 103), and a banking system funded by commissions instead of interest or usury, which was prohibited by the Koran. We learn about the role played by early venture capital (known as *quirads*) in sharing trading risks as well as the rise of "a corporate structure sufficiently durable to enable investment in long-distant trade to continue even in the midst of military hostilities" (p 128). A key to maintaining flourishing trade was the construction of "magazines" or *funduqs*, safe areas where foreign traders could stay and store their wares.

As Islam expanded, so too did its market reach and economic integration with non-Islamic states to the east and west. It is here that economic transference to the West occurred. What was transferred was the organizational structure and the operational know-how that facilitated the rise of capitalism in Europe. In particular, it was their ties to Islamic trade that made possible the rise of Venice, Genoa, Florence, Pisa, and Amalfi.

This is a wonderful book! It is well written, well organized, and well documented. It makes good use of multi-lingual sources and lays out its argument in concise chapters. I leave my read of the book convinced that Weber got it wrong, and that capitalism was born elsewhere, though Calvinism may have enlivened it at the time and place discussed in *The Protestant Ethic*.

Koehler's assertion that the organizational know-how of capitalism is portable (in this case to Europe) rings true and parallels the sociologist Gideon Sjoberg's argument in *The Preindustrial City: Past and Present* about the portability of the organizational skills needed to construct functional cities. Koehler's discussion of the role trade plays as a vitalizing urban force echoes the historian Henri Pirenne's discussion of the dynamic urban centers of Europe in *Medieval Cities*. Ironically, Koehler's history of the rise of the Italian mercantile states leaves us

at the point where Weber begins his work, *The History of Commercial Partnerships in Europe*. This book would thus be of interest to any scholar of capitalism. It would be useful in graduate level classes in economics and sociology. Students of Weber would find this work interesting, as would Islamic scholars.

Mike Hirsch, Ph.D.
Professor of Sociology
Huston-Tillotson University
Austin, Texas