

BOOK REVIEWS

Murat Cizakca, *Islamic Capitalism and Finance: Origins, Evolution and the Future* (Cheltenham, UK: Edward Elgar, 2011), pp. 323, \$150. ISBN 978-0-85793-147-4.

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During the last few decades, a brand of economics and Islamic social thought has emerged, which is referred to as “Islamic economics.” According to the proponents of this brand of economics, which has replaced conventional economics’ notion of homo-economicus with homo-Islamicus, Islamic economics, which is founded on Islamic principles including Islamic prohibition of interest, is capable of explaining various economic problems and providing solutions to them. According to Muhammad Abdul Mannan (1983), a Pakistani proponent, Islam, through the teachings of the Quran and other sources of Islamic teachings, is capable of having distinct responses to diverse economic problems that both orthodox and heterodox paradigms in economics are inadequate or incapable of explaining and solving.

Murat Cizakca’s recent book about Islamic capitalism, a well-written and well-documented work about the economic aspects of Islam since its beginnings, while dealing with economic issues from an Islamic perspective, is at the same time critical of the body of thought known as Islamic economics. Essentially, Cizakca has two objections to that body of thought. While in agreement with a well-respected proponent of economics, the Iranian Abbas Mirakhor, who says that “laws and theoretical foundations of Islamic economics are already enshrined in the classical sources of Islam,” Cizakca writes

As a comparative economic historian, I have two strong objections to the way Islamic economics and finance are currently studied. First, I object vehemently to the argument that Islamic finance is just 40 years old. Definitely not, it is actually fifteen centuries old. Second, I object, equally vehemently to the conventionalization of Islamic economics and finance. I am convinced that much of the conventionalization occurs because financial engineers are simply not aware about the achievements of their forefathers. Ignorance about these achievements leads to inferiority complexes and to a highly dynamic process of institutional borrowing. (p. xi).

The book has sixteen chapters, in addition to its thirteen-page introduction. The sixteen chapters are organized into five parts: Value Systems Behind Institutions; Historical Institutions of Private Enterprise: Capital Accumulation; Historical Institutions of Capital Redistribution and Public Finance; Islamic Capitalism and Finance Today; and Future of Islamic Capitalism and Finance.

The book begins with the following quotation from Robert Reich, former US secretary of labor and UC Berkeley professor: “There are still only two kinds of capitalism. There is authoritarian capitalism, as in China and Singapore, and there is democratic capitalism, as in the U.S. and Europe. If there is anyone out there who has a better idea, I am sure the world would love to hear about it.”

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In its presentation of the versions of economic and financial institutions in Islam and its history, the book is intended to tell Robert Reich that, yes, there is another type. Cizakca argues that the Islamic economic system has always been capitalist. To him, various Quranic verses and other sources of Islamic principles, and the economic and financial practices of Muslims since the days of the Prophet, prove that the Islamic economic system is capitalist, that this capitalism is even older than the one that emerged in the West, and that Islamic capitalism influenced its European counterpart, which, he argues, emerged 200 to 450 years later. In his view, despite this lag, these two capitalisms initially had much in common, most significantly in their strongest prohibition of interest (p. xx). In a footnote, Cizakca maintains that European capitalism began with the first Crusade in 1095 AD when Europeans were introduced to Islamic capitalism (p. xvii). Since various Muslims may find the term *Islamic capitalism* “irksome,” Cizakca reminds them, “The bulk of Islamic jurisprudence was written down by men most of whom were merchants. More importantly, even prophet Muhammed, himself, was a merchant, who firmly believed in free markets and refused to interfere in prices” (p. xiv). In his opinion, it should not be surprising that, from its beginning, Islam favored merchants, property rights, free trade, and market economy, and that it advocated the private ownership of the factors of production (p. xv). According to Cizakca, the West should not have a monopoly over the term *capitalism*, “particularly because many important principles, institutions, even laws of the medieval Western European economy, which formed the nucleus of the modern Western capitalism later have been borrowed from the Islamic world” (p. xvi).

To prove that the Islamic economy was capitalistic even in its early days, Cizakca uses four criteria to assess a capitalistic economy: 1. at least 50% of a society’s output must be produced using capitalistic methods; 2. its institutions must be predominately capitalistic; 3. it must emphasize entrepreneurship and profit maximization; and 4. it must emphasize accumulation. Since, in early Islamic society, 95% of output was produced using capitalist methods, and since the other three criteria were also emphasized and present, Cizakca contends that the Islamic economy began as a capitalist one.

Realizing that modern Western capitalism is industrialized, and that Islam began centuries before the Industrial Revolution, Cizakca states that this “does not disqualify it from being capitalistic.” In agreement with Fernand Braudel, he argues that capitalism is not necessarily associated exclusively with industrialization.

Is Cizakca accurate in arguing that the Islamic economy has always been capitalistic, even before the rise of modern capitalism? Many economic historians familiar with Islam, such as Abraham Udovitch, Sobhi Labib, Elyas Tuma, et al., agree that the Quran and Hadith viewed wealth, economic activity, trade/exchange, and profit positively. Or, according to Sami Zubaida, “The Meccan milieu of Mohammad and his followers was a business milieu” (see Hosseini 2003, p. 32). However, given the Islamic prohibition of *riba* (interest), and the importance of land and traditional agriculture in many Islamic societies in history, it would be difficult to claim that all Muslim societies have always been capitalistic. And, in spite of Islamic economic influences on Europe in medieval times, when it introduced to Europeans various pro-capitalist institutions, it is also difficult to agree with Cizakca that Europe became capitalistic after the first Crusades in 1259, in spite of the fact that European medieval society was very much feudalistic until the sixteenth century, having very few characteristics in common with capitalism.

It seems to be more logical to agree with Maxime Rodinson that in medieval Islamic society, the “Capitalist sector was undoubtedly well developed in a number of aspects, the most being the commercial one” (1978, p. 25). It is also reasonable to agree with Sheloma Dov Goitein that “the merchant class and bourgeoisie of early Islam ... developed slowly during the first hundred and fifty years of the Muslim era, emerged into the full light of history at the end of the second, became socially admitted during the third and asserted itself as a most powerful socioeconomic factor during the fourth” (1957, p. 584). However, Goitein seems also very logical in his statement that this Islamic bourgeoisie was not able to give life to capitalism (unlike modern western Europe) because it “never became an organized body and, as a class, never obtained political power, although more of its members occupied positions as highest executives of the state” (ibid.).

In other words, although Cizakca has written an excellent book about the economic and financial aspects of Islam throughout its history, I am not sure he is accurate in his claims about Islamic capitalism.

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Jesper Jespersen and Mogens Ove Madsen, eds., *Keynes's General Theory for Today: Contemporary Perspectives* (Cheltenham: Edward Elgar, 2012), pp. 256, £60.30. ISBN 978-78100-951-2.

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This is a conference volume. The conference, which took place in Denmark in 2011, is presented by the editors as a special conference for the seventy-fifth anniversary of the publication of *The General Theory*—which coincided with the ongoing Euro crisis. In fact, this was the fifth post-Keynesian biannual conference, which used to be held at Dijon, France, until 2009. This fact is revealed to readers only in endnotes on pages 28 and 37. The conference returned to Dijon in 2012, according to the Internet.