Book Reviews

Review Article

The book under review argues that over the course of a thousand years, "living standards" in "the Middle East" fell behind those in "the West" because Islamic law held back the Middle East, and this was the cause not the consequence of the Middle East coming under foreign domination. The argument, however, is supported largely by theoretical notions based on an obscure game theoretic model, and its conclusions seem to be at variance with historical evidence.

The argument is presented in two parts. One, Islamic law inhibited capital accumulation; the book implicitly assumes that this fuelled the unprecedented expansion of commerce and industry in "the West" in the last few centuries. Why? Because Islamic partnerships could not evolve into more complex forms, such as corporations, and commercial credit institutions did not emerge. Personal savings and bequests were directed to charitable foundations (awqāf) rather than commerce, and personal estates were fragmented by rigid inheritance provisions aimed at equity rather than accumulation. Two, this thesis is corroborated by the fact that under Islamic law Ottoman Muslims and non-Muslim minorities enjoyed similar living standards until the non-Muslims, under foreign protection, switched to European institutional forms and practices in the nineteenth century, leaving the Muslims far behind by the dawn of the twentieth century. It concludes with praise for free competition and private enterprise, and advocates modernization under Western tutelage, with benign neglect of Islam, as a panacea for the allegedly self-inflicted maladies of the Muslim world.

Before addressing these analytical propositions, it may be relevant to draw attention briefly to the book's unstated normative assumptions. The book holds economic growth, a sustained rise in per capita national
income, to be a sufficient indicator of economic development, the sole
criterion by which the economic achievements of civilizations over
millennia can be judged. Yet no economist today, theoretical or practical,
would lament greater income equality, as the book does, because it held
back accumulation and growth. Most reasonable people would consider it
desirable in principle to settle for a lower quantum of growth if it led to a
higher quality of life over the course of a few decades, much less a
millennium. By the same token, the book’s uncritical presentation of the
West’s ascent to prosperity fails to address its well-known dark side: The
miserable conditions within the West of “the working classes” as they
were euphemistically called, and the murder and mayhem caused on a
global scale in the name of colonialism and imperialism. It was this
unmitigated callousness of the nouveau riche bourgeoisie toward the
disadvantaged that led to the split between the “left” and the “right” that
remains the key political divide within the West to this day. While
opinions continue to differ on whether the costs exceeded the benefits, the
book’s normative commitments are startling in their simplicity. With this
observation, let us turn to the book’s empirical propositions.

Implicit in the book’s indictment of Islamic law is the proposition
that capital accumulation was the proximate determinant of the rise in
living standards experienced in the West in the last two or three
centuries.\footnote{Many of the book’s historical propositions are hard to evaluate because of its casual, not
always consistent, attitude toward centuries, much less dates. Thus, “modern economic
growth” is said to date from “the mid-nineteenth century” on page 13; and from “1750” on
page 14.} Although in the 1950s and 1960s this view (now derisively
dubbed “capital fundamentalism”) provided the main narrative for the
anti-Soviet imperial competition by the West, it was never taken as a
serious explanation of Western economic history. Capital accumulation
was not a key factor in the “commercial revolution” of 950–1350,
according to the father of the term.\footnote{“Three factors seem to have been particularly important: the unprecedented growth of
the population with the consequent spilling over of the agriculturists into the channels of
trade, the counter-offensive against infidels and schismatics, and the rise of the Papacy as
an international power.” Robert S. Lopez, “Chapter V: The Trade of Medieval Europe:
The South,” in M. Postan and E. E. Rich, Eds. The Cambridge Economic History of
Europe (Cambridge: The University Press, 1952), 257–354 (Section (II)(I), The
Commercial Revolution, 289–319), the quote is on p. 293.} Nor did the development of banking
precede, rather than follow, the expansion of commerce.\footnote{“…[A]lthough credit was normally involved in all but the smallest operations of trade, its
development as a specialized profession was fairly slow even in Italy. Indeed medieval
banking in its more powerful manifestation remained an offshoot of commerce.” Robert S.
explanatory accounts of the industrial revolution of 1760–1830 do not even mention finance (much less organizational innovations in commerce and credit, or their even more far-fetched dependence on law) as a potential candidate. Clearly, history does not support the book’s underlying narrative, which identifies capital accumulation as the source of the rise in prosperity in the West.

While inattentive to history, the book is not timid in its theoretical aspirations. “Uncovering mechanisms that illuminate both change and stagnation is a mission that numerous thinkers have pursued... [Marx and Darwin, both] proposed mechanisms that drive a broad system’s internal dynamics. That is what we are seeking here,” (34–35) writes the author. Drawing on the latest game-theoretic twist in institutional economics, the mechanism uncovered is presented diagnostically: “[T]he key to the West’s observed process of modernization is that its institutions were self-undermining and ultimately self-transforming. The corresponding institutional complex in the Middle East proved generally self-enforcing, if not self-reinforcing.” (36, italics in original) As this analytical outlook drives the book’s entire narrative of history, it merits a closer look.

While the book, in an inexplicable lapse, gives no hint of it, this is technical vocabulary: Institutions here refer not to law as is both customary and essential to the book’s thesis, but to mutually profitable commercial agreements under law. Self-undermining refers to these agreements being less and less profitable in successive transactions; self-enforcing, to this profitability being constant; and self-reinforcing, to these agreements being more and more profitable.4 Finally, self-undermining agreements are self-transforming because they are eventually abandoned in favour of more profitable new agreements. Employing this game-theoretic vocabulary to explain historical change over a millennium, Kuran’s “mechanism” of historical change, let us call it “dialectical selection” for short, can be put in an epigram: In institutions, failure breeds ultimate success and success ultimate failure—because institutions that fail must adapt to survive, while those that succeed, fail to survive because they need not evolve. In both logic and language this borders on the mystical. The reader is left wondering whether by dialectical selection we can also hold that presently successful Western institutions embody their ultimate failure (by self-reinforcement); and currently


“dysfunctional” (12) Middle Eastern institutions, their ultimate success (by self-transformation)?

Apart from logic, do the implications of dialectical selection hold up in the light of historical evidence? If commercial agreements in the West were self-undermining, mutual gains ("payoffs") under these agreements, or profits, should have been falling, prior to the emergence of innovations. The book provides no evidence on this; on the contrary, it holds that innovations in organizational forms supported accelerating profits in commerce and industry. Also, while the book claims that innovations in law led to these organizational changes, legal historians hold that the law was always catching up to innovative business arrangements. 5 Turning to the Middle East, if commercial agreements were self-enforcing (or self-reinforcing), profits from commerce should have been stable (or rising) over the years. A central argument of the book, however, is that because of Islamic law they were not. The book’s master narrative, therefore, directly contradicts its analytical narrative.

Finally, the book incorporates a fatal theoretical flaw when it adopts a game-theoretic framework, in which “institutions” are defined not as externally imposed “constraints” (rules of the game), but as endogenous “regularities” in behaviour (outcomes of the game) i.e. not as “law” but as “agreements” reached under the law. Thus the vocabulary of self-enforcing, self-undermining, and so on, properly speaking, may refer by analogical extension to commercial agreements reached under Islamic law but not to Islamic law proper. The book’s extension of its analytical narrative to an indictment of Islamic law is therefore, in logical terms, a false analogy. In sum, neither history nor the book’s analytical scheme support its narrative, leaving unanswered the central question it poses for itself: “Why [did] critical transformations [that allegedly occurred in the West, fail] to occur [in the pre-modern Middle East]?” (24)

The book’s dialectical logic, by which all observable facts are latently (in “dynamic” terms) the opposite of what they seem to be, is continued in the second part of the book. Although the book’s language suggests a far wider coverage, in effect “the Middle East” refers to the Ottoman Empire (1299–1922), projected backward and forward in time, with little attention

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5 After listing the “diverse sorts and conditions of men” (like free men, nobles, unfree men, etc.) recognized by thirteenth century English law, Pollock and Maitland write: “Lastly, there are 'juristic persons' to be considered, for the law is beginning to know the corporation.” F. Pollock and F. W. Maitland, The History of English Law, 2 vols. (Cambridge: Cambridge University Press, 1968/1898), 1: 407. Both in England and Germany, the church and the State played a major part in the development of the concept of corporations, after the need for it arose.
to shifting capitals, boundaries, and identities. In this context, while conceding that Islamic law was just, equitable, and tolerant, the book argues that these were not strengths but weaknesses. As it was the right of minorities under Islamic law to choose their own law (due to Islamic legal pluralism), Greek and Armenian Christians, as well as Jews, starting in the late eighteenth century were able to so improve their living standards that they “leapt ahead” of Muslims by the late nineteenth and early twentieth century.

Rejecting alternative explanations, including imperial interference, the book insists that the “ascent of the minorities” took place due to their participation in the European revolution in law and commerce. By highlighting their “positive” effects, the book offers an extended apologia for the system of capitulations, by which Western imperial powers progressively took control of Ottoman government, law, and finances, with the active collaboration of non-Muslim minorities. A final chapter laments the failure of Ottoman sultans to post consuls abroad to aid their own merchants, like the Europeans. Not surprisingly, the dénouement is that it was Islamic law that accounted for the homogeneity of Muslim and minority living standards until the eighteenth century, and their subsequent divergence.

Once again, as a historical account, this does not begin to do justice to either European or Ottoman history of the nineteenth and early twentieth century. In a failure of theoretical nerve, the book holds that “[i]n an interconnected social system everything influences everything else” (19, see also 95). Even so, it is perhaps wiser to privilege proximate causes over distant ones. It is widely recognized that imperialism, and the attendant access to lands, markets, and slaves, and the gains from militarized-trade, had a role to play in the “Rise of the West”—a “transmutation” (as Marshal Hodgson famously held) rather than an exemplar in human history. By the same token, the loss of these resources

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6 Yet, as early as 1555, when Pope Paul IV started to arrest and burn the Marranos of Ancona, who had commercial ties with Istanbul, the sultan wrote several letters to the Pope and effectively interceded on their behalf. See Halil Inalcık, “Capital Formation in the Ottoman Empire,” Journal of Economic History, 29(1) (March 1969), 97–140; 121–2. There is no reason to suspect that the Ottoman government neglected the interests abroad of its commercial classes in later years, even if it did not appoint consuls.

7 The cultural transformation that occurred during 1600–1800 in the West was as exceptional an event in world history as the rise of settled agrarian communities in ancient Sumeria, according to Marshall Hodgson, “The great Western Transmutation,” in Rethinking World History: Essays on Europe, Islam, and World History, Edited by Edmund Burke III (Cambridge: Cambridge University Press, 1993), pp. 44–71. For the “millennial torpor” thesis—that the East has been asleep for a thousand years—“one of
entailed by the breakup of the empire, consequent on military weakness and defeat, played a role in the decline of the Ottoman Empire.

More than any innovation in commercial law, starting in the seventeenth century the revolution in European military technology and practice toward musket-bearing infantry with mobile artillery had tilted the balance of advantage decisively against the cavalry-based warfare of the Ottomans. Although the Ottomans were quick to implement military reforms, and the fiscal and administrative rearrangements that they entailed, by 1700 the military advantage had shifted to their adversaries. War is a zero-sum game in which the fruits of victory are not available to both victor and vanquished; to assume the contrary as the book does is to be taken in by the fallacy of composition. When the book ascribes the economic consequences of military defeat to a failure to imitate the commercial forms and practices of the victors, it radically misreads the nature of defeat.

Where the book takes a reductionist view of history, it exhibits a surprising unfamiliarity with concepts and categories in Islamic law. This has profound consequences for the book’s narrative; the author seems unable to differentiate between the law’s unchanging substrate and its dynamic possibilities. To take but one example, a major sub-theme within the book’s narrative is the effect of the prohibition of ribā on the growth of banking and finance in the Middle East. To begin with, it doesn’t help that the book holds simultaneously that Islamic law’s “acceptance of interest-based contracts” (280) was one of its strengths, and yet as ribā was not accepted, “banks could not be established under Islamic law” (282). Also, that the ban on ribā “never had much influence on economic behavior” (292) since it was widely evaded, and yet “opposition to interest became a proximate cause of the Middle East’s failure to modernize its financial institutions” (164). Clearly the editors were sleeping at their jobs.

More importantly, because of its failure to understand the nature of the Qurʾān and ṭabā, the book sees a possibility where none existed: “Like Judaism and Christianity, Islam could have gravitated to a more liberal interpretation of its teachings on credit transactions” (165). Let us look at this in some detail. The main obstacle in understanding ṭabā is the idée fixe that the meaning and referents of ṭabā and of usury and interest are identical; they are not. Despite the author’s seeming unfamiliarity with the Arabic language—the language of Islamic law and of related literature for over a millennium and a half—he rejects the consensus of knowledgeable scholars on the meaning of ṭabā and the significance of its prohibition.9 Relying almost entirely on secondary literature in European languages, the author understands ṭabā not only as usury, but as usury of a very specific kind:

What the Quran explicitly prohibits is ṭabā, an ancient Arabian practice whereby the debt of a borrower doubled if he failed to make restitution on time. ṭabā commonly resulted in the confiscation of the borrower’s assets, even in his enslavement. Consequently it fueled communal tension. In banning the practice, Islam effectively prohibited immiserization and enslavement for debt” (144–145).

Consequently, he sees the Qurʾān as banning not ṭabā, but injustice.10 It is a pity that the author has not had the chance to revisit his first understanding of ṭabā, twenty five years ago, based almost exclusively on a now famously flawed article that appeared in this journal nearly fifty years ago.11 Instead of clarifying each of these flaws, it may be simpler to state the consensus understanding. While Islamic scholars (ʿulamāʾ), understandably, are reluctant to depart from traditional formulations in explaining ṭabā, the present reviewer burdened by no such learning can attempt a non-traditional explanation, in the hope that the loss of legal exactitude would be compensated by greater general comprehensibility.

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9 While the Qurʾān is correctly transliterated, Cairo is rendered as Al-Kāhira (xvi). Also, in a bibliography of 43 pages (of perhaps over 750 entries), there isn’t a single reference to an original work in the Arabic language.

10 This is also more or less how the author understood the matter twenty five years ago: Timur Kuran, “The Economic System in Contemporary Islamic Thought: Interpretation and Assessment,” International Journal of Middle East Studies, 18: 2 (May 1986), 135–164.

11 “In short, the ṭabā of pre-Islamic days, which was categorically declared ḥaram by the Qurʾān, so that those who indulged in it were threatened with war from God and His Prophet, was of an atrocious kind and went on multiplying in a manner that the poor debtor, in spite of his regular payments, could not pay off the usurious interest let alone the capital.” Fazlur Rahman, “Taḥqīq-e ṭabā,” Fikr-o Nazar, 1: 5 (November 1963), pp. 52–100, tr. (from Urdu) by Mazheruddin Siddiqi, “Ṭabā and Interest,” Islamic Studies, 3: 1 (March 1964), 1–43.
Expressed in modern language, by *ribā* pre-Islamic Arabs meant any excess charged (1) over the principal amount of a loan, or (2) for rescheduling repayment of debt, created *either* by loans *or* by sales on credit. Now, if we can exorcise the ghosts of usury and interest from the word *ribā*, we can grasp that the custom was to sell at a higher price on credit than on cash, but the price premium on credit-sales was not viewed as *ribā*, and jurists of all major schools of Islamic law have regarded this premium as permissible. This is why when *ribā* was prohibited in the Qur’ān some said, but sale (at a higher price, to be paid later) is like *ribā* (a charge, for extension of time to repay debt), but they were told that “Allāh has permitted *bay‘* (sale), and prohibited *ribā*” (Qur’ān, 2: 275). This settled the meaning of *ribā* in the Qur’ān for all times to come, and there has been no serious scholarly disagreement on this meaning, for over 1400 years. Consequently, by an unambiguous text of the Qur’ān, Islam seems to prohibit the existence of a market in loanable funds. Naturally, this affects the supply and demand of loans and credit in Muslim societies, just as the prohibition of theft affects the market for stolen goods. This should explain the puzzle of “[why] Islam could not have taken a more liberal interpretation of its teachings on credit transactions.”

This inability to look past the categories of economics also explains the book’s failure to understand the use of “casuistry” (*hiyāl*) in avoiding (not evading, as the book holds) the prohibition of *ribā*. Under all complex legal structures, resort to legal fictions or casuistry is a common way of avoiding prohibition under one law by recourse to permissibility

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12 This is not exhaustive. The Prophet (peace be upon him) added another set of transactions (relating to unequal or deferred exchange of gold, silver, wheat, barley, dates, and salt), not considered *ribā* by Arabs until then, to the definition of *ribā*. This was later called *ribā* of *ḥadīth*, to distinguish it from that of the Qur’ān, the exact import of which “was not clear even to the early Muslims” and on which major jurists differed splendidly, but this debate is not essential to a review of the thesis of the book under review.

13 Like many others before and since, Fazlur Rahman was unclear on whether the word “eliminated” in the Constitution of Pakistan (“*Riba*... should be eliminated”) means the elimination of a market, or of a market with zero price: “It would be necessary for every citizen of Pakistan to work arduously and with an untiring zeal to reach the desirable goal of reducing bank-interest to the zero point, in other words, to eliminate it completely.” *Ibid.*, p. 41.

14 Nor is it clear that the author appreciates that: “In its original meaning, casuistry in the Catholic Church is the application by experts of the general principles of orthodox moral theology to specific and concrete cases of human behavior in order to determine whether they fall within the limits of permissible behavior.” Jacob Viner, Secularizing Tendencies in Catholic Thought, in *Religious Thought and Economic Society*, ed. Jacques Melitz and Donald Winch (Durham: Duke University Press, 1978), 139.
under another. For example, a familiar bit of modern “casuistry” is the limited liability corporation, which allows individuals to shift personal liability to a fictitious person. Yet legal fictions have real consequences. Thus, if a car purchased under murābahah turns out to be stolen and is seized, the loss has to be borne by the bank (as the first buyer of the stolen car) and not by the customer. The book fails to appreciate this and insists, for example, that the Ottoman istiglāl (sale and lease-back) contracts were nothing but a concealed interest-based loan. Therefore when confronted by the fact that a seller (or, as the book insists, “borrower”) had to vacate the house he had sold to the bank for failure to make lease (“fictitious rent”) payments, the book is forced by the logic of its own misperception to insist on the sale being a fiction, and ascribe the loss of the house to undue literalism on the part of the bank (152). In this as elsewhere, the book’s polemic seems impervious to fact or logic.

In the final chapter, the book declares that there was really nothing new in Islamic law, which it defines as a collection of rules made by Arab tribes of diverse origins. These rules, according to the author, held back the Muslims, until they realized that Islamic law was incompatible with progress and abandoned it, importing Christian/European institutions (laws and organizational forms) in its stead, albeit too late to keep pace with the West. Although “Islamists” and “Islamism”—not imperial wars and the scholar-combatants who coined and propagate these terms—are “promoting the notion of an inexorable clash of civilizations,” there is hope: “The good news is that the region borrowed the key economic institutions of modern capitalism sufficiently long ago,” so that “Muslim society is not inherently incompatible...with an economy based on free competition, openness to borrowing and innovation, and a government eager to support, rather than stifle, private enterprise.” (302, italics added). The only remaining impediment to free enterprise, incredible as it may seem, is the “Islamic apostasy law” (293).

To conclude, most readers, not handicapped by a higher education in the social sciences, would find the book’s thesis absurd on a priori grounds. Both “the West” and “the Middle East” are ideal constructs whose meaning and referents do not retain anywhere near the integrity required to say anything meaningful about them, as we go back across

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15 Under murābahah, instead of giving a loan, a bank buys and re-sells the car to the would-be borrower, at a higher price, to be repaid in installments.

16 The expression “clash of civilizations” is due to Bernard Lewis, “The Roots of Muslim Rage: Why so many Muslims deeply resent the West, and why their bitterness will not easily be mollified,” The Atlantic (September 1990); and was promoted by Samuel P. Huntington, “The Clash of Civilizations?” Foreign Affairs 72: 3 (Summer 1993), 22-49.
centuries. Nor can a handful of characteristics, comprising one complex of institutions, account convincingly for either the spectacular rise in living standards in the West over the “long nineteenth century” (1789–1914), or their slower rise in the Middle East, or the consequent “divergence” in the two. If anything, uniformity rather than divergence over centuries would have been a “puzzle” to be solved. The proposition that “underdevelopment” (difference in living standards) explains the military defeat of the Ottomans, rather than the other way around, arguably may hold as a specific feature of Ottoman history, but the book fails to demonstrate this, and it is certainly not a general law of world history.  

Relying entirely on a method-centred rather than problem-centred approach, undeterred by historical facts, the book’s narrative fails to be persuasive. Contrary to its claims, the fact is that over the course of a millennium Islamic partnerships did evolve, into an infinite diversity of complex forms in response, as can be expected, to commercial demand rather than blind imitation. As the book recognizes, this met the needs of Middle Eastern merchants quite adequately for centuries and the demand for corporations did not arise until the imperial powers gained decisive influence, militarily, commercially, and politically, over the Middle East. It is true that the odium attached to lending at interest in the Muslim moral imagination inhibited the development of institutions providing interest-based finance, but this did not seem to have held back the expansion of commerce until the loss of military and political power.

The commitment of Islamicate societies to privileging charity over commerce, and the concern for equity, with growth, reflected collective social preferences that are seen even today not as weaknesses but as strengths by most social thinkers across the world. Equally, the tolerance shown to non-Muslim minorities by the Ottomans as guided by Islamic law, which allowed them to enjoy living standards equal to if not better than the Muslim majority, cannot but be admired by anyone concerned

17 Departing from established use, the book defines “underdevelopment” as “relative economic performance” (p. 62, italics in original). Certainly, this “underdevelopment” of the Mongols (or the Visigoths, or the Vandals, among others) did not stop them from sacking Baghdad in 1258 (or Rome, in the fifth century).

18 Contrary to the book’s claim that Islamic law led to short-term commitments: “In general, evidence suggests that long-term commitment to a partnership was more common among Muslim and Jewish merchants working in the southern Mediterranean than it was among European Christians. Formal partnerships in the Arab world tended to be of longer duration than the Christian contracts, which usually remained valid for only one commercial venture.” Olivia Remie Constable, Trade and Traders in Muslim Spain: The Commercial Realignment of the Iberian Peninsula, 900-1500 (Cambridge: Cambridge University Press, 1994), 70.
with the fate of minorities in the world today. Institutional change proceeds by a continuous choice in the face of opportunities and constraints. The book’s counsel of blindly importing institutions from the West is neither practical nor sensible.

Arshad Zaman


Professor Esposito of Georgetown University has more than 35 books on Islam to his credit, including the four-volume Oxford Encyclopaedia of Modern Islamic World which he edited. But Esposito considers this book, his latest, the “culmination” of his work on Islam and Muslim politics (p. 4). Coming from someone who has carefully observed, during the last decades, the rise of Islam to centre stage of world politics—a “sea change”—this self-assessment does carry weight.

Islam is presently both a religion and an ideology. Therefore, for the author, a fair study of Islam—of its text as well as context—is both a domestic imperative and foreign policy priority. Esposito does justice to both. His book indeed merits to serve as a history textbook rooted in regional geo-politics.

Karin Armstrong in her Foreword to the work approvingly states that the West in its own interest must overcome its widespread ignorance of, and “entrenched reluctance” vis-à-vis Islam, a religion more dispersed around the globe than ever before.

The book tries to achieve this in a total of four chapters.

Chapter 1, addressing Islam in the West/Islam and the West, is to put at ease those who see Europe turning into “Eurabia,” last but not the least by a seven-page concise description of ‘aqīdah, ‘ibādah and true shari‘ah.

The author is aware that the media, focusing on what will spike sales, are nourishing an anti-Muslim “fear industry” (Nihad Awad) in the US and Europe, seeing Islam as an “enemy within” and disregarding all good news about it. While this delights the Christian Right like CUFI (Christians United for Israel) and Zionist organizations, it also fuels Muslim hate preachers like Abu Hamza al-Masri (pp. 28 f.).