



## Islam, the Mediterranean and the Rise of Capitalism

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### Abstract

Marxist notions of the origins of capitalism are still largely structured by the famous debate on the transition from feudalism to capitalism. This essay suggests that that tradition of historiography locates capitalism too late and sees it in essentially national terms. It argues that capitalism began, on a European scale, in the important transformations that followed the great revival of the eleventh century and the role played by mercantile élites in innovating new forms of business organisation. However, with this starting point, it becomes important to bring Islam into the picture in a central way, since the Mediterranean was the common heritage of many cultural and religious groups. Islam shaped the tradition of early capitalism both by preserving monetary economy and through its own precocious development of the partnership form. The essay periodises this early capitalism into a 'Mediterranean' and an 'Atlantic' phase, and concludes by looking briefly at the ways in which merchants dominate labour.

### Keywords

capitalist origins, merchant capitalism, partnerships, Islam, advance system

### Historiographies of capital

Our conception of capitalist origins has been so heavily dominated by the so-called 'transition' debate that Marxists are apt to forget that the first debate on origins actually began with the publication of the first edition of Sombart's *Modern Capitalism* and the various responses to its major argument that agrarian wealth or the accumulation of ground-rent provided the chief source of the fortunes that financed capitalist expansion in Europe. For Sombart, the aristocracies of Europe played the leading role in the evolution of industrial capitalism, and even *Kolonialkapitalismus* was to a large extent the work of these 'aristocratic entrepreneurs'.<sup>1</sup> The earliest systematic response to Sombart's thesis

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1. Sombart 1916, p. 865.

was Jakob Strieder's seminal and, in some ways, still unsurpassed book *Studien zur Geschichte kapitalistischer Organisationsformen* (1914). Strieder strongly believed that the first large-scale capitalist enterprises in industry, particularly mining, were financed and controlled by merchants, and this could be shown for the South-German mining industry of the fifteenth and sixteenth centuries.<sup>2</sup> Three aspects of Strieder's argument are worth noting: first, that the mining industry played a seminal role in the evolution of modern capitalism; second, that merchants *created* large enterprises, that is, involved themselves in the organisation of production and industry; and, finally, the more general thesis that commercial capitalism lay at the origin of the so-called capitalist spirit several centuries earlier, in Venice, Florence and other centres of 'early capitalism'. The last of these theses became the focus of a subsequent paper which Strieder published in 1929, called 'Origin and Evolution of Early European Capitalism'. Here, he argued that, in a whole series of industries (the woollen goods, silk weaving, linen export and metal industries), 'the merchant who organized the export trade, and made advances in one form or another to the workman, gained control over industries which had previously been in the hands of independent craftsmen.'<sup>3</sup> This evolution was, of course, particularly advanced in Italy, where 'the forms of money and credit economy, inherited from the ancient world, had *kept their vitality*.'<sup>4</sup> This is a particularly interesting idea because the legacies of late antiquity are seen here as unmediated. There is, if you like, an unbroken line of descent from the ancient world to medieval capitalism, and the story is purely European.

In the same year, Earl Hamilton proposed his now famous argument that while many 'factors' contributed to the rise of modern capitalism, chief among these were the discoveries and the 'vast influx of gold and silver from American mines.'<sup>5</sup> His main thesis, of course, was that trans-Atlantic flows boosted profitability for employers by triggering a price inflation, but Hamilton also suggested a causal connection between American treasure and the East India trade, arguing that Portugal, Holland, England and France were able to finance their trade expansion in the east thanks to the vast influx of precious metals from Mexico and Peru and the ability of those countries to attract the largest share of this metallic mass.<sup>6</sup> Unlike Strieder, however, all of these developments were simply seen as 'factors' in the rise of 'modern capitalism', that is, presuppositions

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2. Strieder 1914.

3. Strieder 1929, p. 3.

4. Strieder 1929, p. 5.

5. Hamilton 1929, p. 344.

6. Hamilton 1929, p. 347.

of capital rather than movements or enterprises ('concerted praxes')<sup>7</sup> *presupposing* capital.

The close connection between the East India trade and American treasure and the rise of modern capitalism has been overlooked or neglected largely because Portugal, the first nation to profit from trade with the Spice Islands by the Cape route, and Spain, the recipient of American gold and silver, showed no significant progress toward capitalism.<sup>8</sup>

When Hamilton says, 'no significant progress toward capitalism', he clearly means *industrial* capitalism. Yet Hamilton's main contribution was to draw attention to the Atlantic. By 1932, Portuguese historians could suggest that the countries of the Atlantic seaboard were the 'true founders of modern capitalism.'<sup>9</sup> The great centres of modern capitalism were Lisbon and Antwerp. In a deeply provocative formulation, Veiga-Simoes wrote, 'the whole of the new commercial life and even the capitalist system stem fundamentally from Portuguese economic policy at the end of the 14th and beginning of the 15th centuries.'<sup>10</sup> I shall argue that this is *basically* correct and the speculative core of a more internationalist historiography of capitalism than that implied in the 'transition' debate.

Portugal straddled two phases of commercial capitalism, subordinating the Atlantic to the Mediterranean, and then the Mediterranean to the Atlantic.<sup>11</sup> Yet Portugal's imperial adventure began as a confrontation with the commercial networks of Islam, an attempt to undermine those networks internationally. In his brilliant and much neglected book *O Capitalismo monárquico Português (1415–1549)*, subtitled 'Contribution to a Study of the Origins of Modern Capitalism', Manuel Nunes Dias argued that 'with the conquest of the Dark Sea, Europe overthrew the Mediterranean frameworks that had shackled her progress. In the great Ocean lay the engine that drove her capitalism.'<sup>12</sup> Behind the capture of Ceuta in 1415 lay the whole weight of the 'incipient commercial capitalism of the later Middle Ages' and its relentless fascination with the spectre of African gold.<sup>13</sup> The political victory of the bourgeoisie in 1440, raising Dom Pedro to the throne of Portugal, inaugurated a period of intense activity along the Atlantic

7. Sartre 1960, pp. 235–45, using the work of Braudel and Hamilton.

8. Hamilton 1929, p. 356.

9. Veiga-Simoes 1932, p. 291.

10. Veiga-Simoes 1932, p. 295.

11. To a 'northern, Atlantic, international capitalism', as Braudel called it, Braudel 1975, Volume 1, pp. 510; 228; the phrase is from p. 640.

12. Dias 1963, Volume 1, p. 37.

13. Dias 1963, Volume 1, p. 57ff, especially p. 65.

coast of Africa, signifying the strategic triumph of maritime expansion over territorial imperialism and enabling Henry the Navigator to implement his policy of deflecting the Sudan-Sahara traffic from the desert routes to the Atlantic. Through its progressive ‘capture’ of the Atlantic, Portugal emerged as the most ‘active representative of the nascent commercial capitalism of the Christian West.’<sup>14</sup> By the time Dom João II ascended the throne in 1481, Portugal was Europe’s first colonial power, the ‘driving force of a capitalist revolution’ of far-flung trading establishments [*feitorias*, ‘factories’] buttressed by military fortresses. The Portuguese became ‘pioneers of the modern colonial system,’ harnessing the Crusader tradition of a marginalised aristocracy within the peculiar fusion of Crown and commercial capitalism which Dias calls ‘monarchical capitalism,’ with its chief international centre at Antwerp, the ‘headquarters’ of modern capitalism. The gold shipped from São Jorge da Mina raised Portugal’s credit rating and consolidated the power of the monarchy, creating the crucial basis for expansion to the East.<sup>15</sup>

This is hardly a fair summary of a book that runs into 1,097 pages and one which even Braudel seems largely to have ignored. What is striking in Dias is not just the sense that capitalism was a thoroughly international system *from its inception* and that the problems confronted by Portugal were problems that *all* of European capitalism was keen to solve (above all, the scarcity of gold), but the much less obvious idea that Portugal’s Atlantic expansion began in fact as an assault on Islamic commercial supremacy, both its domination of the Sahara gold trade and its monopoly of the Indian Ocean. The legacies of late antiquity were retrieved in different ways by Islam and the Italian city republics, and the dynamics of European capitalism are incomprehensible without some attempt to understand *those* totalisations. Here, the late 1960s saw two significant contributions. In *Società e stato nel medioevo veneziano (secoli xii–xiv)*, Giorgio Cracco developed a brilliant analysis of the power of commercial capital in the Venetian republic of the twelfth and thirteenth centuries, the fierce domination of the commune by an oligarchy of capitalists whose fortunes were tied up with international trade. The Venetian republic was a *stato dei mercanti*, a *stato dei grandi capitalisti*,<sup>16</sup> based, by the middle decades of the thirteenth century, on a huge concentration of capital that narrowed the social and political base of the mercantile economy, and the relentless subordination of all sectors not directly bound up with the Levant traffic. Finally, in a paper published in 1969, Subhi

14. Dias 1963, Volume 1, pp. 148–98.

15. Dias 1963, Volume 1, pp. 211–12, 218–25; Volume 2, pp. 260–7.

16. Cracco 1967, p. 201f.

Labib argued that ‘capitalism was able to develop much earlier in the Islamic regions than in the Occident’, largely because the Muslim Mediterranean could build on the continuing traditions of late antiquity (unlike the West?).<sup>17</sup> Labib referred to ‘Islamic capitalism’, ‘the medieval capitalistic trade of Islam’, to ‘trading companies’, bills of exchange, big business, etc., and thought that the failure of the state to sustain these structures led to their progressive unravelling by the later Middle Ages.

### Towards a Marxist theory of commercial capitalism

Marx’s *Capital* is premised on the primacy of industrial capital. This means that, with the evolution of industrial capitalism,

the other varieties of capital which appeared previously ... are not only subordinated to it and *correspondingly altered in the mechanism of their functioning*, but they now move only on its basis, thus live and die, stand and fall together with this basis.<sup>18</sup>

The merchant or ‘merchant capitalist’<sup>19</sup> is simply a ‘circulation agent’ of industrial capital,<sup>20</sup> a ‘form’ or ‘branch’ of industrial capital, lacking any independent existence. Marx also seems to suggest that, under industrial capitalism, commercial capital is increasingly ‘stripped of all the *heterogeneous functions that may be linked to it*, such as storage, dispatch, transport, distribution and retailing, and confined to its true function of buying in order to sell.’<sup>21</sup> Thus ‘commercial capital’ is simply a specialised form of the circulation functions of industrial capital, and no independent system can be construed for it. But *this* conception of commercial capital is clearly inapplicable to the historical trajectories associated with the international traders or merchant financiers who dominated the earlier history of capitalism. It is a definition of the nature and functions of commercial capital that presupposes the circuit of industrial capital or the dominance of large-scale industry, a situation that was only finally realised as late as the nineteenth century. And it seems logically absurd to me to imagine that a history of capitalism can be written using a notion of commercial capital that was developed by Marx for the kind of capitalist economy that evolved only in the nineteenth century. In practice, of course, this is largely what has tended to

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17. Labib 1969, p. 80.

18. Marx 1978, p. 136, emphasis mine.

19. Marx 1981, p. 406.

20. Marx 1981, p. 403.

21. Marx 1981, p. 395, emphasis mine.

happen. The most striking case of this is Maurice Dobb, who referred sneeringly to the ‘Pokrovsky-bog of “merchant capitalism”’,<sup>22</sup> conceived of capitalism in essentially national terms, and sought to understand origins in terms of factors peculiar to England. There is a methodological impasse at work here, a staggering confusion of history and logic that accounts for the singular inability of Marxists influenced by Dobb to confront the past of capitalism beyond such manifestly untenable assertions as: ‘The capitalist system was born in England. Only in England did capitalism emerge, in the early modern period, as an indigenous national economy’;<sup>23</sup> or: ‘By its very nature, merchant capital must attach itself to a system of production...’<sup>24</sup>

Dobb was evidently mesmerised by the distinction between ‘production’ and ‘exchange’, generalising this into an alleged contrast between capitalism as a ‘commercial system’ and capitalism as a ‘mode of production’. Central to the latter was ‘productive activity on the basis of a wage-contract’. ‘Men of capital, however acquisitive, are not enough: their capital must be used to yoke labour to the creation of surplus-value in production.’<sup>25</sup> Methodologically, there were at least two interesting responses to this kind of reasoning. Reviewing *Studies* in the very year that saw Sweezy and Dobb publish their exchange in *Science and Society*, Tawney suggested that the ‘restricted’ sense of capitalism which Dobb favoured eliminated a great deal of the history of capitalism, and even led ‘at times’ to a ‘misconception of the significance of the part played by capitalist interests in periods when an industrial wage-system was, in this country [England], in its infancy’.<sup>26</sup> Dobb underestimated the strength of capitalist interests in the century before the English Civil War. Georges Lefebvre’s excellent contribution to the ‘transition’ debate sidestepped the antithesis by suggesting that, even in England, the merchants played a more decisive role in the evolution of capitalism than Dobb was willing to allow for, and ended with a plea for renewed interrogation of the sources.<sup>27</sup> The *dominant* sector of capital ‘had no thought of overturning the social and political order’. Indeed, it was the ‘collusion between commerce and the State [that] promoted the development of capitalism.’<sup>28</sup> The methodological step forward in Lefebvre’s critique is the explicit move away from the wholly abstract opposition between production and circulation, or merchants and manufacture. ‘The merchant created

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22. Dobb 1976, p. 62.

23. Wood 1991, p. 1.

24. Fox-Genovese and Genovese 1983, p. 7.

25. Dobb 1963, pp. 7–8.

26. Tawney 1950, p. 311.

27. Lefebvre 1976, p. 124ff.

28. Lefebvre 1976, p. 125.

manufactures; his interests coincided with those of [the] State, and of the great landowners who were enclosing estates and evicting tenants, to transform agriculture.<sup>29</sup>

The general implication of these critiques is that we need a model of commercial *capitalism* that allows for the reintegration of production and circulation, so that one is no longer fixated on the idea that merchant capital is always and inherently external to production. For this to be possible, we have to see Marx's definition of commercial capital as specific to the framework of his analysis of industrial capital, and construct a circuit of commercial capital that would explain the movement of the kinds of capital exemplified by the Dutch and English East India Companies, for example. They dominated world trade for a period of centuries and brought about the kind of capitalist world economy that large-scale industry took for granted when it began its own expansion in the nineteenth century. But, when these joint-stock companies were formed on the eve of the seventeenth century, they in turn built on the legacies of earlier and possibly less internationalised forms of merchant capitalism whose origins lie in Europe around the twelfth century, and elsewhere – in the Islamic world and China – even earlier. As a broad periodisation, I would suggest that we see the twelfth to fifteenth centuries as the period of the growth of capitalism in Europe ('Mediterranean capitalism') and the sixteenth to eighteenth centuries as the period of company capitalism, marked by more brutal methods of accumulation and competition.

### **From corporate capitalism to the earliest capitalist forms of association**

The institutional framework of industrial capitalism only emerged towards the end of the nineteenth century with the so-called 'corporate revolution'.<sup>30</sup> Industrial capitalism *became* corporate capitalism with the spread of free incorporation, limited liability, and the legal doctrine of separate personality. These were developments underpinned by a huge expansion in the scale of enterprise, the evolution of investment banks, and the financing of investment by the capital market. When Hilferding wrote *Finance Capital*, he described a particular (national) form of this development, but he was the first Marxist to do so, that is, to come to terms with the new era of corporate capitalism.

Now, as Paddy Ireland has shown, the doctrine of separate personality evolved against the background of legal changes that reconceptualised the share as an

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29. Lefebvre 1976, p. 126.

30. One of the best accounts is Roy 1997.

autonomous form of property, a 'separate and distinctive form of money capital'.<sup>31</sup> This process was more or less complete in Britain by the third quarter of the nineteenth century.<sup>32</sup> If shareholders had 'no direct interest, legal or equitable, in the property owned by the company, only a right to dividends and the right to assign their shares for value',<sup>33</sup> the company, by contrast, was now seen as the owner of its own assets. Separate personality severed the link between the assets of joint-stock companies and their shares, 'externalising' shareholders and depersonifying the company.<sup>34</sup> In other words, *before* these changes and throughout

the seventeenth, eighteenth and early nineteenth centuries, shares in joint stock companies, incorporated and unincorporated, were consistently conceptualised as equitable interests in the assets of the company. Shareholders were regarded as owners in equity of the company's property and shares as an equitable right to an undivided part of the company's assets.<sup>35</sup>

What this means is that *there was no distinction in law between companies and partnerships.*

[T]he first English partnership law treatise, written in 1794 by William Watson, differentiated partnerships and companies on a purely economic basis. In the second edition of the book, published in 1807, the distinction was drawn with particular clarity. In England, Watson wrote, the 'first great division' was into 'public and private partnerships'. Public partnerships were 'usually called companies or societies' and 'generally consist[ed] of many members' carrying on 'some important undertaking for which the capital and exertions of a few individuals would be insufficient'. These companies were sometimes incorporated, sometimes not... [J]oint stock companies 'not confirmed by public authority' were, legally speaking, mere partnerships, distinguishable only by the fact that 'the articles of agreement between [their members were] usually very different'. Other treatise writers followed Watson's classifications.<sup>36</sup>

In short, partnerships remained the most common and dominant form of capitalist organisation down to the nineteenth century.<sup>37</sup> For example, the

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31. Ireland 1996; 1999; Ireland, Grigg-Spall and Kelly 1987.

32. Ireland 1996, p. 53 ff.

33. Ireland 1999, p. 41.

34. Ireland 1996, p. 60, Ireland, Grigg-Spall and Kelly 1987, p. 152.

35. Ireland 1996, p. 49.

36. Ireland 1996, p. 44, citing Watson, *A Treatise of the Law of Partnership*, 2nd edition, 1807.

37. For example, Angeli 1982, p. 107f, on the organisation of the business firms that controlled the silk industry.



wealthy merchants who dominated the Glasgow tobacco trade in the eighteenth century – among the most successful capitalists of their time – came to form massive syndicates which basically consisted of interlocking partnerships. According to Devine, three such groups of interlocking partnerships handled over fifty per cent of the tobacco in the 1770s.<sup>38</sup> Scottish partnerships were exceptionally conducive to accumulation, since ‘partners were only allowed 5 per cent interest on the value of their shares [and] the vast proportion of company earnings were ploughed back.’<sup>39</sup> ‘[T]he larger Glasgow firms were miniature prototypes of later private joint-stock organisations’, notes Devine.<sup>40</sup> The same, of course, has been said about the colonial companies of the seventeenth century, and, before them, of the great Augsburg family firms of the sixteenth, which Strieder was so impressed by.<sup>41</sup>

All of these enterprises were owned and controlled by merchants. It was *merchant* capitalism which innovated the unlimited partnership and the whole spectrum of forms of association that flowed from it. The large Italian mercantile and banking houses of the thirteenth to fifteenth centuries were relatively permanent associations (‘companies’) with international operations, sophisticated systems of accounting and control, branch organisations, and the division of capital into shares.<sup>42</sup> The Bardi of Florence had overseas representatives at Avignon, Barcelona, Bruges, Cyprus, Constantinople, Jerusalem, London, Majorca, Marseilles, Nice, Paris, Rhodes, Seville and Tunis.<sup>43</sup> Although maritime trade was generally based on the single-venture agreements called *commenda/colleganza*, by the fourteenth century even Venetian large-scale trade was dominated by *compagnie*. One of these, floated by the Corner brothers, involved a capital of 83,275 ducats in 1365.<sup>44</sup> Federico Corner acquired the concession on massive sugarcane plantations in the south of Cyprus, with the aim of exporting refined sugar. His son Giovanni estimated some five to six thousand ducats would be needed annually to keep this business running.<sup>45</sup> By the fourteenth century, Venice was an economy *dominated* by capital, with the same families controlling trade, transport, finance, and industry.<sup>46</sup> More or less the same was

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38. Devine 1975, p.74.

39. Devine 1975, p. 92.

40. Devine 1975, p. 79.

41. The description ‘great Augsburg (etc.)’ is from Trevor-Roper 1967, p. 34.

42. de Roover 1999, Hunt and Murray 1999, and the wide-ranging discussion of Italian merchant capitalism in Jones 1997, Chapter 3.

43. Saporì 1952, p. xxxvi.

44. Luzzatto 1961, p. 93.

45. Luzzatto 1954, pp. 117–23.

46. Luzzatto 1961, p. 72, referring to the ‘supremazia che il capitale esercita a Venezia su tutte le attività economica...’

true of Genoa in the fifteenth century. Here, the largest of the stock companies, an enterprise set up to extract and import alum from the East, controlled a capital of 280,000 ducats in 1449. Like the Corner enterprise in Cyprus, this one enjoyed a veritable monopoly.<sup>47</sup> Genoese companies [*societates*] divided their capital into 24 shares ('carats') or multiples thereof, and were run by a close-knit board of governors. More generally,

shares were transmissible within the lifetime of the company without breaking up the partnership. They were held not only by members of the families of the founders of a company, and by its principal employees, who were encouraged to put their own savings into their own company, but also by other rich men. These were investors not at all concerned with the actual running of the company. In addition to the *corpo*, that is, the capital raised by the shareholders when a company was formed or re-formed, additional capital could be put in later, by shareholders, by employees and by outsiders. Such *denari fuori del corpo* carried fixed rates of interest, like modern debentures. The sedentary merchant at home was no longer a simple individual capitalist....<sup>48</sup>

Thus, the evolution of the corporate form in the course of the thirteenth century signified an expansion in the scale of enterprise. Yet, throughout the thirteenth and early fourteenth centuries, the dominant form of association by far was the *commenda* or single-venture agreement in which an investor (the capitalist) advanced or entrusted capital to a second party, the merchant or factor, to be used in an overseas commercial venture and returned together with an agreed share of the profit, usually three-fourths.<sup>49</sup> Luzzatto notes that the capital was generally advanced in commodity form, that is, was commodity capital.<sup>50</sup> The *commenda* was the chief mechanism of the capitalist expansion of trade which began in the eleventh century, and the widespread recourse to it from that time presumes substantial liquidity, an accumulation of money-capital looking for investment. I shall argue that at least some of this was 'primitive' accumulation from the raids and plundering expeditions that were common across the Mediterranean in the later eleventh and twelfth centuries, against the background of the Crusades.<sup>51</sup> The *commenda* broadened the investor base and vastly expanded the scope of accumulation. It was thus typical of the more egalitarian and expansive maritime capitalism of the earliest period, when, as Cracco argues,

47. Heers 1961, p. 201.

48. Spufford 1988, p. 253.

49. Lopez and Raymond 1955, p. 174ff.

50. Luzzatto 1961, p. 84.

51. An argument first advanced by Lopez 1959.

substantial sectors of the population had a stake in the expansion of trade (indeed, trade expansion was Europe's only way out of the growing demographic impasse, Cracco claims)<sup>52</sup> and 'many merchants were both investors and factors', that is, switched roles within the *commenda* contract.<sup>53</sup> The main part of the thirteenth century was characterised by a renewed stratification of capital, as the bigger merchants [*grossi mercanti*] preferred to form associations only between themselves and took decisive steps to regulate the competition of capitals in the Levant trade.<sup>54</sup>

A final link: whether or not Lopez was right in saying, 'La *commenda* a une origine islamique et peut-être plus ancienne [the *commenda* has Islamic origins and maybe even older]',<sup>55</sup> the fact is that 'the *commenda* constituted one of the most widespread tools of commercial activity' in the Islamic world.<sup>56</sup> Islamic commercial law and business practice knew both *commenda* agreements [*muḍāraba*, *qirād*] and investment partnerships [*mufāwada*], and, as Udovitch says, 'virtually *all* the features of partnership and *commenda* law are already found fully developed in the earliest Hanafite legal compendium, Shaybānī's *Kitāb al-Aṣl*, composed toward the end of the 8th century'.<sup>57</sup> Thus, the major institutions of long-distance trade were firmly in place, certainly well before the end of the eighth century. But even more interesting, is the implication that the capitalism of the Mediterranean was *preceded* by (and could *build on*) an earlier tradition of capitalist activity which has so far received considerably less attention.

## The Arab trade empire

Concepts of profit, capital, and the accumulation of capital are all found in the Arabic sources of the ninth to fourteenth centuries. For example, al-Shāfi'ī (d. 204/820) defines the function of partnership as the 'expansion of capital [*namā' al-māl*]'<sup>58</sup> *Al-māl* was primarily capital not money, and whenever it is translated as 'money' it means capital in money-form or money-capital. Again, discussing the discretion allowed to agents under *commenda* agreements, al-Sarakhsī (d. 483/1090) writes, 'the investor's aim in handing over the capital

52. Cracco 1967, p. 16, n. 1.

53. Krueger 1962, p. 42, about the twelfth century.

54. Cracco 1967; Luzzatto 1954, pp. 73–9.

55. Lopez 1970, p. 345.

56. Udovitch 1970a, p. 49.

57. Udovitch 1970a, pp. 41–2. Shaybānī died in 189/805.

58. Udovitch 1970b, p. 81, 'augmentation of the capital investment'. (I am grateful to Arrom Udovitch and Mohamed El Mansour for discussing some of these texts with me.)

to him [the agent] is the achievement of profit'.<sup>59</sup> In another passage where he defends the usefulness of such contracts, Sarakhṣī says the contract is allowed

Because people have a need for this contract. For the owner of capital [*ṣāhib al-māl*] may not find his way to profitable trading activity [*al-taṣarruf al-murbiḥ*], and the person who can find his way to such activity may not have the capital. And profit cannot be attained except by means of both of these, capital and trading activity.<sup>60</sup>

A later writer Kāsānī (d. 1191) distinguishes the 'creation' of capital from its further expansion, arguing 'The need for the creation of capital [*taḥṣīl aṣl al-māl*] takes precedence over the need for its augmentation [*ilā tanmiyyatihī*]'<sup>61</sup> and defining partnerships as a 'method for augmenting or creating capital [*tariq namā' al-māl aw taḥṣīlibi*]'.<sup>62</sup>

That this vocabulary was part of the wider cultural world of Islam and not confined to the legal schools is shown by other writings. Thus, the tenth-century geographer al-Iṣṭakhṛī describes the traders of Fars in southern Persia as having a 'passion for the accumulation of capital [*maḥabbat jam'a al-māl*]'.<sup>63</sup> In the *Kitāb al-ishāra ilā maḥāsin al-tijāra*, 'Handbook on the Beauties of Commerce', a manual on trade probably written in the eleventh century, the author refers repeatedly to the capitalist as *ṣāhib al-māl* (literally 'owner of capital').<sup>64</sup> It is clear from this manual that merchants involved in international trade normally relied on *commenda* agreements and that the *muqārad* or factor usually received a share of the profit [*ribḥ*].<sup>65</sup> Finally, in Ibn Khaldūn (d. 1405), there is even a clear resonance of the labour theory of value (or a labour theory of value). In the *Muqaddima*, he states clearly that 'labor is the cause of profit [*sabab al-kasb*]' 'Human labor is necessary for every profit and capital accumulation', while gold and silver are the only socially acceptable measures of value 'for all capital accumulations'.<sup>66</sup> He also defines profit [*ribḥ*] as the 'extent by which capital increases' (or is increased), and commerce as the 'striving for profit by means of the expansion of capital [*muḥāwala ilā al-kasb bi-tanmiyyat al-māl*]'.<sup>67</sup>

59. Udovitch 1970b, pp. 205–6.

60. Udovitch 1970b, p. 175.

61. Udovitch 1970b, p. 82.

62. Udovitch 1970a, p. 55.

63. Al-Iṣṭakhṛī 1870, p. 138, repeated by Ibn Ḥaṣṣal 1938, Volume 2, p. 290.

64. Ritter 1917, for extracts in German.

65. Ritter 1917, p. 58.

66. Ibn Khaldūn 1958, Volume 2, pp. 280, 313.

67. Ibn Khaldūn 1958, Volume 2, p. 336. Cf. al-Fārābī 1961, § 72 (p. 153 Ar. = p. 63 Eng.), '[The virtuous man's anxiety about death is like] the anxiety of one who thinks that what he loses is

The Arabs inherited the intensely urban and – by the seventh century – very largely monetised territories of late antiquity, Roman and Sasanian, and integrated them into a powerful and strikingly cosmopolitan civilisation whose economic resources and stability were unrivalled, except for those of China.<sup>68</sup> Whatever the initial impetus behind the conquests, there is little doubt that further expansion was to some degree motivated by financial and commercial considerations. Al-Balādhurī reports that the conquest of Sind in 711 brought the Arabs a *net* profit of 60 million dirhams by the reckoning the famous Umayyad governor al-Ḥajjāj (d. 95/714) is supposed to have made.<sup>69</sup> Sind was also commercially strategic, a major *entrepôt* in the Far-Eastern trade, which the Sasanians had traditionally dominated. The early eighth-century expansion to the East was like a pincer movement, driving northwards to the wealthy oases beyond Khurāsān and south to control of the Indian Ocean.<sup>70</sup> That the Arabs were seeking to dominate *existing* networks of trade, as the Portuguese would do centuries later, is proved by al-Ṭabarī’s fascinating reference to ‘ships from China’ frequenting the harbour of al-Ubulla in 633, on the eve of the conquest of southern Iraq.<sup>71</sup> Trade with the Far East was conceivably the most lucrative sector of accumulation in the eighth to tenth centuries, generating the kind of wealth that was famously associated with Gulf ports like Baṣra and Sīrāf. In the West, the corresponding movement was Islam’s commercial expansion across the Sahara, to the sources of gold in the western Sudan. This happened in the eighth century, when the Arabs broke the Berber monopoly of the trans-Saharan routes and sparked a long period of unbroken prosperity for the towns of Morocco. Ya‘qūbī’s geography, completed in 891, describes Fez as a ‘splendid city and immensely prosperous.’<sup>72</sup> Sidjilmasa, according to Ibn Ḥauqal, who went there in 951, enjoyed ‘uninterrupted trade with the Sudan’ which brought in ‘huge profits [*arbāḥ mutawāffiratun*].’<sup>73</sup> At Awdaghost he saw a letter of credit [*ṣakk*], a private transaction, to the tune of 42,000 dinars, something he had never seen in the East. It is hardly surprising that the major dynasties that ruled this sector of North Africa in the eleventh to thirteenth centuries sprang from the Islamised Berber populations of southern Morocco, and that Tlemsen, Fez, and Āghmāt

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not his capital but a gain which he was measuring and hoping for [*laisa ra’s – mālihi bal ribḥi kāna yuqaddiruhu wa yarjūh*]; playing on the distinction between ‘capital [*ra’s-māl*’] and ‘profit [*ribḥi*].’

68. Lombard 1971, esp. pp. 7–17.

69. Al-Balādhurī 1924, p. 223.

70. See Maclean 1989, p. 67, referring to the ‘two-pronged Arab expansion,’ and p. 68, to an ‘Arab trade empire.’

71. Al-Ṭabarī 1881–2, p. 2384.

72. Al-Jakūbī [Ya‘qūbī] 1892, p. 358; al-Jakūbī [Ya‘qūbī] 1937, p. 223.

73. Ibn Ḥauqal 1938–9, Volume 1, p. 99.

were described (by the Spanish geographer al-Idrīsī) as the wealthiest cities of the Maghreb.<sup>74</sup> Indeed, ‘North Africa with its supply of gold... became the driving force of the entire Mediterranean’ in the fourteenth and fifteenth centuries,<sup>75</sup> showing us how unconvincing it is to look at the growth of capitalism in Europe without the significant ways in which this powerful commercial background shaped its evolution.

The Muslims created a vigorous monetary economy based on expanding levels of circulation of a stable high-value coinage (the dinar) and the renewed integration of monetary areas that had been distinct and indifferent to each other.<sup>76</sup> This was an enormous achievement, both for the kind of economy it allowed for (the sheer extent of the monetary sector) and for its role in enabling Europe to ‘return’ to gold.<sup>77</sup> However we characterise that economy, it was certainly not just some loose ensemble of feudal régimes. Trade was fundamental to its structure. The growth of cities and expanding urban markets, the diffusion of new crops<sup>78</sup> and *explosive* growth of cash cropping (rice, flax, hemp, sugarcane, raw silk, indigo, cotton)<sup>79</sup> are all general indications of the remarkable commercial vitality of the eighth to eleventh centuries. We know little about the ‘market systems’ that sustained this huge expansion on the ground<sup>80</sup> but the tenth-century geographers refer repeatedly to substantial concentrations of capital in the port towns and numerous inland centres that acted as *entrepôts* or wholesale markets at the intersection of converging trade routes. Towns like Siraf, Nishapur and Narmasir<sup>81</sup> in Iran, Baikand near Bukhara,<sup>82</sup> Daybul in Sind, Mahdia (al-Mahdiyya) in the Sahel, and Cordoba, Almeria and Ceuta in the western Mediterranean were all consistently described in these terms by the geographers. For example, Ibn Ḥauqal’s description of Nishapur refers to the huge market complexes called ‘fonduks [Ar. *funduq*, Italian *fondaco*]’ which were ‘occupied by wealthy merchants specialising in a single branch of commerce, with huge

74. Jaubert 1975, p. 27; al-Idrīsī 1866, p. 80.

75. Braudel 1975, Volume 1, p. 467.

76. The classic reference is Lombard 1947.

77. Watson 1967.

78. Watson 1983.

79. See al-Muqaddasi 1994, with detailed descriptions of each locality.

80. See Harriss-White 1996, Chapters 5–6 for the first proper discussion of how such systems work.

81. Al-Muqaddasi 1994, p. 407, referring to ‘substantial merchants’; ‘I heard some of them say that every year, between dates and costly Indian merchandise, about one hundred thousand [camel] loads are transported’, p. 412.

82. [Narshakhi] 1954, p. 18, ‘The people of Baikand were all merchants. They traded with *Chīn* and the sea and became very wealthy’; also Ibn Khordādhbeh 1889, p. 19, who calls it *madīnat al-tujjār*.

quantities of commodities and large capitals [*ablu al-baḍāʾiʿ al-kibār waʿl-amwāl al-ghizār*].<sup>83</sup> The cloth merchants [*bazzāzīn*] were especially active here, as Nishapur was a manufacturing centre exporting silk and cotton fabrics as far away as Europe. Sirāf with its densely packed multi-storied teak houses was a purely commercial site, the point of access to China, after ʿUmān, in al-Muqaddasī's description. 'I have not seen in the realm of Islam more remarkable buildings or more handsome; they are built of teakwood and baked brick. They are towering houses, and a single house is bought for more than 100,000 dirhams.'<sup>84</sup> According to al-Iṣṭakhrī, the merchants of Siraf spent lavishly on their homes, over 30,000 dinars in some cases. 'In my time, one of them acquired assets worth 4,000,000 dinars, yet his clothes were scarcely distinguishable from those of a labourer [*ajīr*].'<sup>85</sup> Daybul, too, on the barren coast of Sind just west of the Indus was consistently described as a 'place of merchants.'<sup>86</sup> Al-Muqaddasi, who visited Sind some time before 985, writes, 'Daybul is on the sea.... The water beats against the walls of the town. It has an entirely merchant population, speaking both Sindī and Arabic. It is the port of the area, giving rise to a considerable income.'<sup>87</sup> In the Mediterranean, the late tenth-century Persian geographer of the *Hudūd al-ʿĀlam* described Cairo as the 'wealthiest city in the world, extremely prosperous.'<sup>88</sup> The records of the Cairo Geniza show that in that century and the following much of Cairo's commercial life was controlled by merchant houses, like that of Ibn ʿAwkal, working through a network of agents spread across the Mediterranean. Ibn ʿAwkal's firm exported large quantities of flax to Mahdia in the Sahel.<sup>89</sup> This was both a flourishing international port and a textile centre, and, in the twelfth century, al-Idrīsī refers to its 'wealthy and generous-minded merchants.'<sup>90</sup> Even further west, Almeria

83. Ibn Ḥauḳal 1938–9, Volume 2, p. 432; 1964, Volume 2, p. 418.

84. Al-Muqaddasi 1994, p. 378.

85. Al-Iṣṭakhrī 1870, pp. 127, 139; cf. Mordtmann 1845, p. 69ff. Oman may have been even wealthier, cf. the late tenth-century Persian geographer in Minorsky 1937, p. 148: 'Merchants are numerous in it. It is the emporium [*bārkadha*] of the whole world. There is no town in the world where the merchants are wealthier [*tuwangartar*] than here.'

86. *The Chachnama, an Ancient History of Sind*, an early thirteenth-century Persian translation of a ninth-century Arabic narrative of the conquest of Sind, which says, 'The people of Debal [Daybul] were mostly merchants' (about the year 632); al-Iṣṭakhrī 1870, p. 35, *majmaʿ al-tujjār*; Minorsky 1937, p.123, 'the abode [*jāyghāh*] of the merchants'; Ibn Ḥauḳal 1938–9, Volume 2, pp. 322–3; Ibn Ḥauḳal 1964, Volume 2, p. 316.

87. Al-Muqaddasi 1994, p. 420.

88. Minorsky 1937, p. 151.

89. See Stillman 1973, p. 28ff., and now Gil 2004.

90. Jaubert 1975, p. 257 (port), 259 (merchants); al-Idrīsī 1866, p. 107, 109, *tijār mayāsīr nubalāʾ*?

with its ‘bustling shipyards, vessels, and silklooms’<sup>91</sup> was described by al-Idrīsī as unmatched, in Spain at least, for the ‘wealth, industriousness and commercial inclinations of its people’, and said to include 970 hostels for merchants from all parts of the world.<sup>92</sup>

Finally, *scales* of business: these were huge. Ships which entered the Gulf ports laden with goods from China could contain cargoes worth 500,000 dinars!<sup>93</sup> Ibn Ḥauqal notes that Kābul was a major wholesale market for indigo, and tells us,

The indigo that is sold every year from what is produced in the town and the surrounding countryside amounts to *over 2 million dinars*, according to what their merchants report [*‘alā mā yadbkuruhu tujjāruhūm*], not including the stocks left with the traders at the end of the year.<sup>94</sup>

Again, in the second half of the eleventh century, Alexandria was exporting well over 5,000–6,000 tons of raw flax to markets in the Mediterranean.<sup>95</sup>

Thus, Islam made a *powerful contribution to the growth of capitalism in the Mediterranean*, in part because it preserved and expanded the monetary economy of late antiquity and innovated business techniques that became the staple of Mediterranean commerce (in particular, partnerships and *commenda* agreements), and also because the seaports of the Muslim world became a rich source of the plundered money-capital which largely financed the growth of maritime capitalism in Europe. Indeed, Mandel stated this with unabashed bluntness when he wrote: ‘The accumulation of money capital by the Italian merchants who dominated European economic life from the eleventh to the fifteenth centuries originated directly from the Crusades, an enormous plundering enterprise if ever there was one.’<sup>96</sup>

### **From Genoa to Portugal**

The ‘Fourth’ Crusade (1204) secured Venetian dominance over the East Mediterranean<sup>97</sup> and consolidated the hold of the purely capitalist element in

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91. Braudel 1975, Volume 1, p. 118.

92. Jaubert 1975, Volume 2, p. 44.

93. Stern 1967, p. 10, citing the anonymous twelfth-century abridger of Ibn Ḥauqal.

94. Ibn Ḥauqal 1964, Volume 2, p. 436; 1938–9, Volume 2, p. 450; note the fascinating reference to the testimony of the merchants themselves!

95. Udovitch 1999, p. 270f.

96. Mandel 1968, Volume 1, p. 103.

97. Luzzatto 1961, p. 29; Cracco 1967, pp. 56–7.



the ruling oligarchy.<sup>98</sup> In the case of Genoa, it was Lopez who argued that the ability of a largely agrarian élite to finance trade expansion and set off a chain reaction of rapid accumulation through trade and shipbuilding derived, *in the first instance*, from the huge quantities of cash acquired by the Genoese in Crusading expeditions and raids on the Spanish and North African coasts.<sup>99</sup> It was the war with the ‘Arabs’ that gave Genoese enterprise its first decisive push. Thus Portuguese expansion *started* on a classically Mediterranean model, even if its consequences were destined to end the centrality of the Mediterranean (and ‘Antiquity’) forever. To begin with, there was a long and peculiarly Mediterranean background to the Portuguese assault on Ceuta (1415). In 1087, the Genoese led a massive raid on Mahdia, seized the commercial quarter, and extracted the huge sum of 100,000 dinars.<sup>100</sup> Caesarea in Palestine was sacked in 1101 and 15 per cent of the vast booty reserved for Genoa’s captains and officers.<sup>101</sup> In 1148, Sfax and other Sahel ports were seized by the Normans.<sup>102</sup> In 1234, the Genoese laid siege to Ceuta, demanding vast sums in reparation for losses sustained in the harbour, and in 1260 the Castilians attacked Salé on the Atlantic coast. Clearly, by the twelfth century, the Christians had recovered control of the seas, indeed one aim of these expeditions was to secure dominance of the sea, but linked to that and driving many of these attacks were the commercial interests at stake, above all the drive to gain access to the ‘gold of Ghana’. The shortage of gold affected the European economies in waves all the way down to the mid-fifteenth century. By the last quarter of the twelfth century, the Genoese were heavily involved in northwest Africa, dominating the region’s external trade and directing the third largest share of their investments to the Moroccan port of Salé in a carefully concealed bid to open an Atlantic gold route.<sup>103</sup> As Watson notes, it was probably ‘this African gold reaching the shores of Italy which allowed Genoa to issue her precious gold coins at the end of the twelfth century or the beginning of the thirteenth.’<sup>104</sup> From the 1250s on, ‘the gold which flowed into Europe from the ports of North Africa and Spain *largely remained in Europe*’.<sup>105</sup> In the following decades and centuries, Genoese commercial exploration of the Atlantic expanded hugely, with major spin-offs for the problem of long-distance

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98. Cracco 1967, p. 58.

99. Lopez 1959, especially pp. 304–7.

100. Ibn Khaldoun 1969, Volume 2, p. 24.

101. Bautier 1971, p. 100.

102. Jaubert 1975, p. 257.

103. See Lopez 1936, especially p. 34ff.

104. Watson 1967, p. 14.

105. *Ibid.*, my emphasis.

shipping.<sup>106</sup> By the late thirteenth and fourteenth centuries, Genoa was receiving ‘enormous quantities of gold’, and during the whole of the fifteenth century ‘the “gold of Ghana” still reached Italy *mainly* through the port of Genoa.’<sup>107</sup>

Thus Genoa *prefigures* Portugal in interesting ways; indeed, it was Portugal that put a halt to Genoese expansion in Morocco in a veritable struggle for control of the gold routes.<sup>108</sup> The capture of Ceuta was a calculated move to subvert the entire balance of power in the Straits of Gibraltar, undermining the competition of the main Iberian powers (Aragon and Castile) as well as the Genoese,<sup>109</sup> without the clear perception at this stage of an ‘Atlantic’ strategy. The ‘calculated imperialism’ of the Portuguese monarchy which crystallised with Dom João II (1481–95) and his successor Dom Manuel was more a result than a cause of decades of exploration which were largely driven by private and commercial interests, such as those of the big Lisbon merchant Fernão Gomes or the Lagos merchants who organised the earlier expedition to the Rio Grande<sup>110</sup> and, of course, the private interests of the Infante Dom Henrique, who carved out a substantial maritime estate in the Azores, a strictly commercial enterprise, in the 1440s.<sup>111</sup>

### Company capitalism and the advance system

Portuguese maritime expansion *transformed* the nature of commercial capitalism, subsuming the legacies of the Mediterranean in a coherent imperial project of the expansion of capital as the ‘basis of a nation’s power and predominance in modern society’.<sup>112</sup> It was the Dutch and English Companies that embodied the new kind of (commercial) capitalism in its pure forms, but the *Estado da Índia*

106. Lopez 1936, p. 48.

107. Watson 1967, p. 16, 19, also Heers 1961, pp. 67–8, 477–9.

108. Heers 1961, p. 480f., adding the importance to Portugal of Morocco’s grain markets.

109. This is argued by Unali 2000, p. 209 ff.

110. Dias 1963, p. 168.

111. The best analysis of the evolution of Portuguese policy is Thomaz 1989, arguing that the Atlantic strategy emerged with considerable hesitation. Note Zurara’s comment in the *Crónica da Guiné*, ‘merchants only sail to places where they know the profit is sure’, cited Thomaz, p. 223.

112. Marx 1981, p. 921, ‘The national character of the Mercantile System is therefore not a mere slogan in the mouths of its spokesmen. Under the pretext of being concerned only with the wealth of the nation and the sources of assistance for the state, they actually declare that the interests of the capitalist class, and enrichment in general, are the final purpose of the state... At the same time, however, they show their awareness that the development of the interests of capital and the capitalist class, of capitalist production, has become the basis of a nation’s power and predominance in modern society’ – a remarkable characterisation of mercantilism.

was not fundamentally different (*pace* Steensgaard), and Portuguese enterprise was clearly the frontrunner in this field. On the other hand, it was the Dutch company that embodied the logic of accumulation in its purest form, for only here, in the early seventeenth century, was there a conscious attempt to build a ‘permanent circulating capital’, that is, generate sufficient reserves for further expansion of the business.<sup>113</sup> By ‘permanent circulating capital’ Coen meant the permanent and expanded circulation of capital mainly in the form of commodities extracted from one end of Asia to the other and circulating *between* the different Asian markets where the VOC had factories.<sup>114</sup> He had visualised this quasi-multilateral trading system as based formally on barter, as a great deal of international commerce was at the time,<sup>115</sup> but, in reality, the Dutch required vast quantities of precious metals to sustain the Europe-Asia trade.<sup>116</sup> By the late seventeenth century, they dominated the trade in Spanish silver, so that Amsterdam was the world’s leading centre in the trade in precious metals.<sup>117</sup>

Now, given that the age of company capitalism (sixteenth to eighteenth centuries) was one of ferocious commercial rivalries and repeated recourse to violence and the annexation of territories, it seems unreal to suppose that the self-expansion of commercial capital was simply grounded in some simplistic formula like ‘buying cheap and selling dear’. *The stronger the competition of commercial capitals, the greater is the compulsion on individual capital to seek some measure of control over production.* Marx was clearly aware of this when he referred to the ‘colonial system’ and the VOC in particular as a ‘striking example’ of the ‘manner and form in which commercial capital operates where it *dominates production directly*’.<sup>118</sup> Here, the abstract antithesis between circulation and production is abandoned in a realisation that mercantile companies might be involved in production in ways that contradict the concept of merchant capital as a mere mediation between extremes. But, of course, today it is not sufficient to limit ourselves to a general characterisation of this kind, we need a more precise morphology of the possible ways in which ‘merchant entrepreneurs’<sup>119</sup> have sought control over production or organised the production of capital, that is, of the forms in which circulation has dominated production. Here, it is crucial not to confuse scale with centralisation. ‘Scale’ refers to the volume of capital

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113. Steensgaard 1974, pp. 136–41, arguing that the English, by contrast, were interested in ‘quick returns’.

114. Steensgaard 1974, p. 406.

115. For example, Davis 1967.

116. Om Prakash 1985.

117. Van Dillen 1923.

118. Marx 1981, pp. 446–7.

119. Mandel 1968, Volume 1, p. 112.

deployed by the individual capitalist, not the degree of dispersal or centralisation of the labour force.<sup>120</sup> The mercantile houses which dominated the trade of colonial India in the late eighteenth and nineteenth centuries were relatively large units of capital, but typically the mass of labour-power which they exploited was hugely dispersed. The ‘advance system’ was the crucial mechanism which allowed this paradoxical and seemingly fragile combination of large-scale enterprise and dispersed labour-power, and Bengal in particular provides us with some fine research on how it worked for commodities like indigo<sup>121</sup> and cotton piece-goods.<sup>122</sup>

Thus the ‘circulating capital’ visualised by J.P. Coen as the basis of the Dutch commercial capitalist system would to a certain if not very large extent have involved the circulation (investment) of capital in the form of advances. Van Santen has shown this for Dutch exports of indigo from northern India in the 1620s and 1630s, when, according to an English estimate, the VOC had 100,000–150,000 rupees invested each year in the variety known as Bayana indigo, that is, in the advances [*voorschotten*] themselves.<sup>123</sup> It was through a system of advances that commercial capital controlled almost every commodity within Europe or outside in which it had substantial business interests. The chief exceptions to this pattern were those enterprises, relatively centralised, where merchants integrated vertically through direct ownership of fixed assets, as happened in the Cuban sugar mills in the mid-nineteenth century.

Our intellectual prejudice against commercial capitalism is so deeply rooted that whole swathes of the history of capitalism are ignored by Marxists, with the result that there *is* no specifically Marxist historiography of capitalism. This must surely count as one of the strangest intellectual paradoxes of all time, but it was not one that Mandel contributed to. *Marxist Economic Theory* is one of those rare texts that attempts to integrate history in an understanding of Marx’s economic theory. Mandel was thoroughly familiar with some of the best work in medieval and early-modern economic history, citing a very wide range of sources including writers like Armando Sapori, Robert Lopez, and Raymond de Roover. His chapter on the development of capital is one of our best short histories of early capitalism and assigned a major role to the ‘expansion of trade from the eleventh century onward’. Certainly, Mandel did not subscribe to the schematic contrast between ‘exchange’ and ‘production’ that so fascinated Dobb, and

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120. The distinction derives from Sombart 1891, the best discussion of ‘domestic industry’ akin to Marx’s own understanding (e.g. Marx 1976, Volume 1, pp. 462–3; Marx 1978, pp. 318–19).

121. See Chowdhury 1964.

122. Hossain 1988.

123. Van Santen 1982, Chapter 4.

because he was too well-read in European history he refused to minimise the role of commercial capitalism. That much of this history was seen as a ‘primitive accumulation’ of capital stems, of course, from the almost universal orthodoxy that writes the history of capitalism as a genealogy of industrial capital. That this is not necessarily the best perspective to adopt is suggested by the history of industry itself. Thus *traders* dominated the English coal industry in the seventeenth century, one of the most heavily capitalised sectors of the British economy in that period.<sup>124</sup> They invented the ‘factory system’ by concentrating labour in the large silk mills of northern Italy in the same century. That was itself only possible because of technological changes in silk spinning and the more advanced technology of the Bologna silk mills.<sup>125</sup> They controlled the very advanced forms of enterprise found in South-German mining in the sixteenth century,<sup>126</sup> and were responsible for the ‘dramatic technological revolutions’ that sparked the Central-European mining boom of the fifteenth century.<sup>127</sup> Finally, they floated agricultural holding companies in Cuba in the mid-nineteenth century and moved actively into the production of sugar through the rapid accumulation of mills, plantations and labour forces at a time when international competition made technological advances imperative.<sup>128</sup>

### Concluding note: merchant capitalism and labour

In short, the contrast between capitalism as a ‘commercial system’ and capitalism as a ‘mode of production’ is schematic and overstated, and a major reason why Marxists have paid so little attention to merchant capital. In the more developed forms of commercial capitalism, circulation dominates production in the sense that production is controlled by a class of capitalists who *remain* merchants and cannot properly be classified as ‘industrialists’. The subsumption of labour into merchant capital is thus irreducible to any single formula, even though Marx tended to associate it primarily with the ‘stage’ of manufacture. Merchant capitalists controlled a variety of enterprises from putting-out networks and peasant agriculture to slave plantations and factories in the modern sense. The North-Italian silk mills of the seventeenth century were among the earliest embodiments of the factory system, based on fourteen-hour shifts and a tight

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124. Neff 1929, p. 422 ff.

125. Poni 1976, esp. pp. 467–71 on the leadership of the *grandi mercanti*.

126. Strieder 1914; Braudel 2002, pp. 321–5.

127. Munro 1998, pp. 35–50, underlining the role of the ‘German merchant-financiers’.

128. Bergad 1990, esp. pp. 132ff, 170ff.

regulation of labour.<sup>129</sup> On the plantations, the rapid depreciation of slave labour forces ensured that resident planters piled up mountains of debt, financed, again, by merchants.<sup>130</sup> As Braudel said about the Brazilian sugar plantations, 'It was European trade that commanded production and output overseas.'<sup>131</sup> If we understand this literally, it means that the subsumption of slave labour into capital involved both merchants and planters. Merchant capital *shared* in the economic exploitation of slaves through 'merchant economic control over the planters', for example, through the *refacción* contracts which financed the Cuban sugar industry of the second quarter of the nineteenth century, before the spate of acquisitions which put the Havana merchant houses in more direct control.<sup>132</sup> The 'articulated' nature of merchant capitalism is even more evident in the forms in which it typically established control over the labour of artisans and small peasants. Under company capitalism, the circuit of merchant capital acquired its moment of reality when the money capital financing the 'investment' (the annual list of orders sent out by the company's directors) circulated in the form of *advances*. Since these were usually disbursed by the company's commercial agents through local capitalists (merchants or, less often, commission agents),<sup>133</sup> the organisation of production acquired the appearance of a chain, a hierarchy of capitals connecting a dispersed mass of labour-power to the company across a series of 'intermediate agents'.<sup>134</sup> When the free merchants (i.e. European private traders) intruded into this system, they operated on exactly the same basis, merely intensifying competition and the drive to enforce tighter control on the 'producers'.<sup>135</sup>

Analysing the relationship between merchants and weavers in a system roughly comparable to this, Marx wrote that this method of exploitation 'simply worsens the conditions of the direct producers, transforms them into mere wage-labourers and proletarians under worse conditions than those directly subsumed by capital'.<sup>136</sup> In other words, he saw merchant capitalism transforming whole

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129. Poni 1976, pp. 483ff.

130. Pares 1960, pp. 38–40.

131. Braudel 2002, p. 273, about the export merchants of Lisbon.

132. Bergad 1990, pp. 65–6.

133. Om Prakash 1985, p. 102f., describing the Dutch procurement of textiles in Bengal.

134. Marx 1978, p. 319.

135. For the methods used to bind Bengal weavers to their contracts, see Mitra 1978, pp. 66ff, 78ff.

136. Marx 1981, p. 453, about the French silk industry, etc.; it is possible that Marx was less convinced by his earlier suggestion (in the 'Appendix', Marx 1976, p. 1023) that merchant domination of production was still not tantamount to the formal subsumption of labour under capital.

swathes of rural workers<sup>137</sup> into *wage-labourers*. So, too, in the *Grundrisse*, where he wrote,

The way in which money transforms itself into capital often shows itself quite tangibly in history; e.g. when the merchant induces a number of weavers and spinners, who until then wove and spun as a rural, secondary occupation, to work for him... but then has them in his power and has brought them under his command as wage labourers.<sup>138</sup>

In short, the *dispersal* of production was no indication that these forms of domestic industry were not part of a network of *capitalist* enterprises.<sup>139</sup> For Marx, the crucial mechanism in the subsumption of labour was the merchant's ability to undermine the independence of small producers by restricting them 'little by little to one kind of work in which they become dependent on selling, on the *buyer*, the *merchant*, and ultimately produce only *for* and *through* him.'<sup>140</sup> For Sombart, this was possible because the key 'production factor' which merchants controlled was not so much the means of production as the market.<sup>141</sup> The attractive feature of this conception is that it yields a model applicable to both the *Verlagssystem* and peasant agriculture. The *Verlagssystem* was the dominant organisational form of early capitalism,<sup>142</sup> and characterised by an almost exclusive predominance of circulating capital, severe competition between capitalists, domestically dispersed labour, and the sustained use of piece rates. It was almost certainly as widespread in the Islamic world as it became in Europe.<sup>143</sup>

Referring to the 'well-known form of advance-payment', Marx seemed to define the standard case as one where, in the transaction M-C, 'money functions only in the familiar form of means of purchase', adding, 'Of course capital, too, is advanced in the form of money and it is possible that the money advanced is

137. Marx 1978, pp. 318–19, about the merchant-controlled cottage industries of Russia.

138. Marx 1973, p. 510.

139. See Braudel 2002, p. 316ff.

140. Marx 1973, p. 510; Marx's emphasis.

141. Sombart 1891, p. 117.

142. Cf. the title of Fridolin Furger's study, *Zum Verlagssystem als Organisationsform des Frühkapitalismus im Textilgewerbe* – Furger 1927.

143. Note al-Dimashqī's term for the export merchant, the third of his three kinds of merchants, viz. *mujabbiz*, 'supplier of equipment' (noted by Rodinson 1970, p. 25) and his reference to advance payments [*salaf mu'ajjal*, lit. 'prepaid advance'] as one of the three main forms of contract used by merchants, cf. Ritter 1917, p. 58.

capital advanced.<sup>144</sup> I have argued that, under commercial capitalism, advances were the major form in which capital circulated, and that the transactions between merchants and artisans, etc. surpassed the scope of simple circulation. The dynamic at work was one that Marx himself outlined in the *Grundrisse*:

He [the merchant] bought their labour originally only by buying their product; as soon as they restrict themselves to the production of this exchange value and thus must directly produce *exchange values*, must exchange their labour entirely for money in order to survive, then they come under his command, and at the end even the illusion that they *sold* him products disappears.<sup>145</sup>

By analysing the advance system as a circulation of capital, we can extend this to the way in which capital took hold of agriculture. Take India for example. If we exclude the more substantial sections of the peasantry and the purely proletarianised strata, such as the sharecroppers of Sind or the lower tenantry of the United Provinces, much of the remaining agricultural population conforms to this model of a class subject to capitalist domination by a *multitude* of commercial interests, from the export houses and large wholesalers [*mahajans*] to the primary merchants and local moneylenders.

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144. Marx 1970, p. 140 and note; cf. Marx 1971, p. 188, ‘[profit] is called *interest* when, for example, as in India, the worker (although nominally independent) works with advances he receives from the capitalist and has to hand over all the surplus produce to the capitalist’; so too in Marx 1976, p. 1023, ‘The exorbitant interest which it [the capital of the usurer]... extorts from the primary producer is just another name for surplus-value’; also about India.

145. Marx 1973, p. 510; Marx’s emphasis.



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