

Hilferding, Rudolf (1877–1941)

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Rudolf Hilferding was born in Vienna in 1877. He studied medicine at the University of Vienna and obtained his doctorate in 1901. However, after 1906 he devoted himself exclusively to politics and research in political economy. In the period 1904–1923, he published the *Marx Studien* in Vienna, along with Max Adler, as a forum of the emerging Austrian Marxism.

In the first issue of this journal, the Hilferding's first important monograph was published, under the title *Böhm-Bawerk's Criticism of Marx* (1949 [1904]). It was a rejoinder to Böhm-Bawerk's paper (originally published in 1896), *Karl Marx and the Close of his System*. Hilferding puts forward a thorough critique of orthodox (neo-classical) economics. According to Paul Sweezy, Hilferding's analysis "is probably the clearest statement we have of the fundamental difference in outlook between Marxian economics and modern orthodox economics" (Sweezy, 1949: xix).

After the publication of his major work, *Finance Capital*, in 1910, Hilferding was praised as one of the most pre-eminent Marxist theoreticians since Marx's death and was appointed (in 1910–1911) to the German-Austrian scientific committee that formulated the editorial principles for the publication of the *Collected Works* of Marx and Engels.

In his *Finance Capital* (1981 [1910]), Hilferding developed new insights on money and finance (Sotiropoulos, 2015), the economic role of the state, and internationalization of capital. Transcribing and further developing, in a Marxist way, the basic ideas of Hobson's *Imperialism*, he introduced the notion of a "latest phase" of capitalism, which is characterized by the following features: the formation of monopolistic enterprises (which put aside capitalist competition); the fusion of bank and industrial capital (leading

thus to the formation of finance capital, which is considered to be the ultimate form of capital); the subordination of the state to monopolies and finance capital; finally, the formation of an expansionist policy of colonial annexations and war (Hilferding, 1981 [1910]: 301–326).

Hilferding's analysis also considers *capital exports* to be an inherent characteristic of capitalism in its monopolistic stage, emanating from the "cartelisation and trustification" of the economy and from the need "to annex neutral foreign markets... above all overseas colonial territories" (Hilferding, 1981 [1910]: 326, 328). More specifically, he comprehends capital export on the basis of a twofold approach: On the one hand, the *surplus of capital* approach, which claims that in developed industrial countries "investment opportunities contract" (234); on the other hand, the approach of *colonial extra profits*, supposedly accruing from low wages in colonial territories.

The idea of a "latest," monopolistic-imperialist stage of capitalism, possessing the features described above, was adopted by Nikolai Bukharin, V.I. Lenin, Karl Kautsky, and others, thus shaping what are called the Marxist theories of imperialism and monopoly capitalism, which for decades dominated most Marxist streams of thought, and especially Soviet Marxism. At the same time, Hilferding's elaborations on the determinative role of gigantic enterprises in economic development, on technical change, credit money, and the distinction between the entrepreneur (manager) and the capitalist (owner or principal creditor) also influenced non-Marxist economists, as, for example, Joseph Schumpeter (Michaelidis and Milios, 2015).

Hilferding believed that a possible consequence of monopoly capitalism could be the transition to socialism in terms of a simple handover of the state apparatus from the financial oligarchy to the popular majority (Hilferding, 1981 [1910]: 367).

Although the theoretical paradigm introduced by Hilferding's analysis dominated Marxist theories for nearly eight decades, it may be argued that nearly all its postulates have been refuted by economic and historical development:

- The domination of bank over industrial capital does not reflect the reality of postwar multinational corporations.
- The era of expansionism ended soon after World War II. The same is true of protectionism.
- As industrial countries account for the greater part of worldwide foreign direct investment, Hilferding's theses on capital exports have also been rebutted.
- The idea that capitalist development implies an element of state planning which facilitates transition to socialism has also been proven wrong.
- Finally, the very analysis of monopoly predominance over the whole capitalist economy may be disputed on the basis of considerations derived from Marxian theory. (Milios, Dimoulis, and Economakis, 2002: 111–130)

Finance Capital was Hilferding's last book, as he fully devoted himself to politics soon after its publication. In 1914 he voted against war credits, and by doing so joined the left wing of the SPD, which, after the party's split in 1917, formed the Independent Social Democratic Party of Germany (USPD). However, in 1922 Hilferding returned to the SPD. He edited the party's theoretical journal, *Die Gesellschaft*, and was uninterruptedly elected a MP from 1924 to 1933. He also served twice as Minister of Finance, in 1923 and 1928–1929.

When Hitler came to power in 1933, Hilferding, being both a socialist and a born Jew, fled to France. In February 1941, while planning his escape to the United States from the city of Arles, he was handed over to the Gestapo by the Vichy authorities. He either committed suicide in his

Paris captivity or was tortured to death, probably on February 11, 1941.

SEE ALSO: Marx; Imperialism; Schumpeter

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Further Readings

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