Rudolf Hilferding (1877–1941) was, like Otto Bauer, born in Vienna into a prosperous middle-class Jewish family. He joined the Austrian Social-Democratic Workers’ Party (Sozialdemokratische Arbeiterpartei Österreichs or SDAP) in his student days. Whereas Bauer earned a Ph.D. in Law, Hilferding studied medicine at the University of Vienna. By 1902, however, his brilliance in economics was such that Karl Kautsky invited him to become a contributor to the SPD’s theoretical journal *Die Neue Zeit*.

In 1904, together with socialist friends from university days – Max-Adler, Otto Bauer and Karl Renner – Hilferding founded a socialist publishing enterprise called the *Marx-Studien* [Marxist Studies] series. This joint effort was the foundation of what later came to be known as Austro-Marxism, a socialist point of view midway between Russian Marxism and the reformism of the Social-Democratic parties during the first three decades of the twentieth century. The first published volume of *Marx-Studien* was Hilferding’s reply to Eugen von Böhm-Bawerk’s *Karl Marx and the Close of his System*.

Unlike Bauer, who stayed in Vienna, Hilferding moved in 1906, at Kautsky’s initiative, to Berlin, where the taught political economy at the SPD’s
party school. He was forced to give up this job because of a law forbidding the employment of teachers without German citizenship, but he remained in Berlin as editor of the SPD central daily paper Vorwärts and a regular contributor to both Die Neue Zeit and Der Kampf. There he completed his major work, Finance Capital, which was published in 1910. The work appeared initially as the fifth volume in the series of Marx-Studien and was later published separately as a book. A major theme of Hilferding’s thinking concerned the institutional changes that had transformed the competitive capitalism of the mid-nineteenth century into a new form dominated by big banks together with industrial trusts and cartels – ‘organised capitalism’ – which enjoyed the active support of the capitalist state in a programme of imperialist expansion. At the time, Finance Capital was widely regarded as one of the most important publications in Marxist economics since Capital, a reputation that it still enjoys a century later.

In his biography of Rudolf Hilferding, F. Peter Wagner states that

although Finance Capital was not published until 1910, the work ‘was ready in its main outlines’ by 1905, as Hilferding later admitted in the preface. These outlines can be traced in two of his early essays of the period: ‘The Functional Change of the Protective Tariff,’ published in 1902, and ‘German Imperialism and Domestic Politics,’ published under the pseudonym of Karl Emil in 1907.¹

In his 1902 article, Hilferding had argued that by the turn of the century tariffs no longer fulfilled an ‘educative’ role of protecting nascent industries against foreign competition; instead, they now enabled local capitalists to form a cartel in order to finance ‘dumping’ in the world market and win out over competitors. Hilferding continued:

…this sharpening of the struggle for the world market cannot remain without consequences for the foreign policy of the capitalist nations. They will increasingly aspire to appropriate pieces of the world market where competition is increasingly more difficult, costly and insecure, in order to annex them to the domestic market, eliminate foreign competition by political means and monopolise them for the native capitalist class. The consequence is an aggressive colonial and world policy. The interests of high finance,

¹. Wagner 1996, p. 72.