Rudolf Hilferding: The Tragedy of a German Social Democrat
WILLIAM SMALDONE

Rudolf Hilferding: The Theory and Politics of Democratic Socialism
F. PETER WAGNER
Atlantic Highlands, NJ: Humanities, 1996

Reviewed by CHRIS HARMAN

During the heyday of Eurocommunism in the 1980s, it was fashionable on the academic Left to say that the argument over reform and revolution – and with it, the great split which took place in the world working-class movement during the First World War – was no longer relevant. A similar claim is being revived today among some sections of the ‘globalisation’ movement. A section of the movement sees its goals as simply anti-neoliberal rather than anticapitalist, and prominent intellectuals claim it can achieve victory without fighting for state power. At the same time, the growth of the movement has led to a new airing of the issues of imperialism and finance capital.

All this makes the study of the life and thought of Rudolf Hilferding particularly worthwhile. He was one of a handful of Marxists who produced work of immense theoretical value in the first decades of the twentieth century. His major work, Finance Capital, published in 1910, was an important development of Marxist thought, in the same league as Rosa Luxemburg’s The Accumulation of Capital (which appeared in 1912), Bukharin’s Imperialism and the World Economy (finished in 1915), and Lenin’s Imperialism, the Highest Stage of Capitalism (1916). Like the others, Hilferding was horrified by the barbarity of the First World War. But, unlike them, he claimed it was possible to avoid the choice between reform and revolution.

Two recent intellectual biographies provide a valuable opportunity to re-evaluate his theory and his political practice – and, in so doing, to throw some light on current discussions both of imperialism and of socialist strategy. F. Peter Wagner and William Smaldone seem to have produced their biographies completely independently – such is the fragmentation of academic life even on the Left! But they cover very much the same ground, giving thorough accounts of his intellectual and political development, so providing a chance for a new generation of readers to know some of the most important theoretical debate of the first half of the last century in detail. They also adopt a similar, sympathetic, stance to Hilferding’s attitude to the reform-revolution...
debate while honestly, and perhaps, paradoxically, developing the impasse which Hilferding was eventually led into by his stance.

The Hilferding who wrote *Finance Capital* was very definitely on the Left of the German socialist movement. In the debates over the mass strike in 1905, he took a position close to that of Rosa Luxemburg. Wagner quotes him as criticising the politics of the German Social-Democratic leaders because ‘[they] does not know when to let the masses act for themselves’. He also quotes Trotsky to the effect that, at this time, he shared a ‘political friendship’ with Hilferding, who was then ‘at the peak of his revolutionism’.

*Finance Capital* set out to explore the impact on the dynamics of capitalism since Marx wrote – the rise of the joint stock company in place of the individual entrepreneur, the growing importance of the banks as a source of investment, and the role of the state in protecting the markets of already mature national capitalisms.

This resulted in Hilferding expounding Marx’s own theory, which he did in a much more rounded way than most other accounts at the time, trying to integrate the theory of the tendency of the rate of profit to fall from Volume III of *Capital* into the account of the circulation process in Volume II and the theory of value and money in Volume I. By contrast, Rosa Luxemburg, Bukharin and Lenin played very little attention to the trend in the rate of profit.

Still, what Hilferding is most noted for is his examination of the rise of what he called ‘finance capital’. There was, he argued, a merging together of financial capital and industrial capital to produce a synthesis of the two. On this basis, giant trusts and cartels that could dominate whole sectors of industry were appearing. They leaned on the state to protect their domestic markets: the state would enable them to raise their prices at home and to put up with the reduced profits they received as they attempted to conquer foreign markets with lower prices.

This began to change the whole attitude of capital towards the state. ‘It is not free trade England, but the protectionist countries, Germany and the United States, which become the models of capitalist development’, wrote Hilferding. Far from continuing with the traditional liberal notion of a minimal, ‘night-watchman’ state, the great trusts wanted it to have the power to widen its boundaries so as to enlarge the market and gain monopoly profits. ‘While free trade was indifferent to colonies, protectionism leads directly to a more active colonial policy, and to conflicts of interest between different states’. The drive for empire was endemic to the most modern forms of capitalism and, since British, French and, to a lesser degree, Dutch and Belgian capitalism had already carved the world up between them, the expansion of German capitalism would inevitably lead to military clashes.

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