

Okishio on the Origins of Profits: A Sraffian Perspective

Heinz D. Kurz (University of Graz, Austria)
and Neri Salvadori (Pisa University, Italy)

Abstract :

There are significant similarities, but also noteworthy differences, between the analyses of the origins of Profits put forward by Nobuo Okishio ([1967, 1976] 2022) and Piero Sraffa (1960). In his book, Okishio does not refer to Sraffa's. This is somewhat surprising, because in the 1960s, when the first edition of Okishio's book was published and even more so in the 1970s, when the English translation of the second edition came out, Sraffa's book was widely discussed in economics, especially since it had fuelled the controversy in the theory of capital, also known as the "Cambridge controversy" (Harcourt 1972). Okishio does, however, refer to volume I of *The Works and Correspondence of David Ricardo*, edited by Piero Sraffa with the collaboration of Maurice H. Dobb (Okishio 2022: 289). In his Introduction, Sraffa drew the attention to Ricardo's early formulation of what became known as the Classical "surplus approach" to the theory of value and distribution in terms of the so-called "corn-ratio theory of profits". Yet this theory is not mentioned in Okishio's book¹; its author rather focuses attention on Ricardo's version of "Say's law", his reasons against Thomas Robert Malthus, why a "general glut" of commodities is taken to be impossible and the role of diminishing returns in agriculture (see Okishio 2022: 101-115).²

Hence we may infer from this that Sraffa's analysis of the origin of profits and of the level of the general rate of profits in competitive conditions played no role in the gestation period of

¹ Two other Cambridge economists are, however, referred to: Joan Robinson with *An Essay on Marxian Economics* (1949) and *The Accumulation of Capital* (1956) and Nicholas Kaldor with his essay on "Alternative theories of distribution" (1956), which, as we know, benefited greatly from Sraffa's comments and suggestions.

² The "machinery question" Ricardo tackled in the third edition of *The Principles* published in 1821, Okishio does not discuss in his book, although it can be shown that in the relevant chapter 31 Ricardo puts forward that form of technological progress, which underlies Marx's case of a rising "organic composition of capital". As is well known, this case Marx thought would imply a falling tendency of the general rate of profits and the unavoidable demise of capitalism. Hence its importance within Marx's scheme of thought can hardly be underrated.

Okishio's analysis.³ With no traces of one of the two original, independent and truly outstanding scholars influencing the work of the other, or even traces of mutual influence of the two, it appears to be all the more interesting to see to what extent they arrived independently of one another at the same or at least similar results and in how far they differed from one another, and why.

This will be studied in the present paper. Since Sraffa's contribution can be expected to be widely known a larger space will be dedicated to Okishio's. Section 2 resumes in utmost brevity Sraffa's resumption of the classical surplus approach.⁴ Section 3 turns to Okishio's analysis of the fundamental structure of the capitalist economy, as it is contained first and foremost in Chapter 2 of his book. The characteristic feature that distinguishes it from Sraffa's analysis of the origin of profits is that it seeks to combine, using Marx's terms, an answer to the problem of the "production of surplus value" and an answer to the problem of the "realization of surplus value", whereas Sraffa focuses attention only on the former. Section 4 gives a closer look to Okishio's respective argument; traces its sources of inspiration in Marx's works; and compares it to what is known as the Post-Keynesian theory of income distribution, championed by Nicholas Kaldor and Joan Robinson; see Okishio's reference to Joan Robinson's concept of "inflation-barrier" (Okishio 2022: 223) and the "widow's cruse" theorem (Okishio 2022: 232). Section 5 provides concluding remarks on the works of a remarkable Japanese Marxist economist with a strong Post-Keynesian inclination.

³ Nor could Okishio's analysis have played a role in the gestation period of Sraffa's, since his relevant works had not yet been published or were available only in a language Sraffa could not read. There is at any rate no evidence in Sraffa's Papers kept at Trinity College, Cambridge, that Sraffa was exposed to works by Okishio as early as the 1950s.

⁴ It goes without saying that readers are strongly recommended to read Sraffa (1960) and, of course, Okishio (2022). For a complete exposition of the modern classical analysis, see Kurz and Salvadori ([1995] 1997) and other writings by them mentioned in the paper.