

in two different factories, but in the one factory, owing to improved methods and machinery less labor be involved in the production of a pair of shoes than in the other factory under less efficient methods. While the labor contained in these shoes would be different their exchange value in the open market would be the same. No more could be obtained for the shoes in which more labor is embodied than for the pair in which there is less, because no more labor is actually necessary to the production of shoes of that quality. This brings us a step further in our examination into exchange value. We now have the axiom that commodities exchange one with another according to the necessary labor involved in the production of each.

Another aspect of exchange value has yet to be considered. The labor involved in the production of a pair of shoes is no longer the labor of one individual, but of many. Primitive man made things for his own use himself. From the raw materials to his hand, he laboriously and painstakingly fashioned all the things he required. Not only did he complete each article himself but he made the crude tools wherewith he worked. This was individual production in its purest form. To-day, however, things are different. Individual production has disappeared, social production has taken its place. No individual produces any article in its entirety. It takes a multitude to make a box of matches. Not only are the leather, nails, thread etc., of which shoes are made the products of many hands but in the factory itself the shoe passes through the hands of a large number of operatives each of whom do a little to it until it is finished. Then it has yet to be transported and handled by the labor of others again before it reaches the consumer. So that, from the ox to the consumer, there is embodied in each pair of shoes a fraction of the labor of each of many individuals. All these transmigrations are a part of the process of production. The production of a commodity ends only where its consumption begins. Its exchange value is therefore incomplete until it reaches the consumer. That labor that is embodied in it is not individual but social labor, the collective labor of a large number of individuals. This completes our definition of exchange value, thus—The exchange value of a commodity is determined by the socially necessary labor embodied therein.

This socially necessary labor is the cost of production of each commodity. Each commodity being the embodiment of a certain amount of labor, it costs just that much labor to produce it. Commodities, therefore, exchange one with the other at cost. Which brings us face to face with the following problem. If everything is sold at cost and bought at cost; where does profit come in? For buying and selling, be it observed, is, in the final analysis, nothing more than the exchange of one commodity for another with money as the medium through which that exchange is made.

The generally accepted idea of profit is that it is made by buying