

Doing Business around the U.S. under the Articles of Confederation

You will not be able to answer many questions without your class NOTES on the Articles of Confederation.

1. Lets say you are a farmer in Connecticut in 1786 that hoped to make his living by producing tons of high quality grain, and that you did indeed grow acres and acres of it. You didn't grow all that grain to eat, you grew it because your soil, climate, and techniques could produce better grain than most areas of the country. But then the fact is, your general region (or county) is perfect for specializing in growing this great grain. So, most of your county is full of similar farms.
 - a. What is the likelihood that you could get a great price for you grain in **your** general area? Use the words "supply" and "demand" to help explain.
 - b. Generally, what are you going to have to do to get any kind of a good price for your grain?

2. Keep in mind the above scenario, where you are a grain farmer in Connecticut with a Supply v. Demand problem.

Switch, for a moment to look at (a fantasy version of) Massachusetts. Lets say that Massachusetts—a state that neighbors your Connecticut—had farms that do grow grain and sell it. However, lets say that Massachusetts does not have the soil and climate that you enjoy in your home county in Connecticut. Thus, Massachusetts farmers must work harder and longer and find ways to finagle a decent crop of grain to sell at market. Compared to your Connecticut grain production, the work and results of Massachusetts grain farmers would be interesting to you: It takes Massachusetts farmers more time, work and money to produce grain.

 - a. Thus, there are TWO reasons that Massachusetts is an opportunity for you. Name these two reasons and explain their significance. (Put another way, explain two reasons why you can sell your grain in Massachusetts even though farmers there sell grain too.)

3. Even though you will have to pay for some traveling expanses (like some food and shelter), you have determined that you can load up your horse-drawn cart with 150 sacks of your grain, travel to Massachusetts, sell it there for \$3.00 per sack, and still make an overall profit. (But, you can't sell for less then \$3.00 per sack. Any lower, and the trip would not be worth it.) So, you load up your horse-drawn wagon, put some coin in your purse for expenses, and off you go. Arriving at the first great market over the Massachusetts border, you see that grain is selling for \$3.20 per sack.
 - a. Keeping traveling expenses out of the equation, and keeping to your original price, how much money will you have after you sell all your sacks of grain?
 - b. At the first glance of the Massachusetts market (as shown in this scenario), how well should your grain sales do? WHY?

4. As you approach the public market, late in the afternoon, you find some problems for yourself.
- 1) You find that you must register at a state oversight office to do business in this Massachusetts county. Upon doing so, the government official explains to you that there is a 10% TARIFF in Massachusetts on all grain.
 - 2) You are cold, tired, and hungry. For this reason, and due to the time-of-day, you will not do business today. You try to go get a room at a bed & breakfast, but the owner takes a look at your currency and says she will not accept it.
 - a. Due to the tariff, how much will potential customers be FORCED to pay for your grain?
 - b. How will this inflated price compare to the local (lower quality) Massachusetts grain?
 - c. Who could you go and talk to about changing this dang tariff law? EXPLAIN.
 - d. Finally, why won't the lady at the bed & breakfast serve you? What is the **real** problem? What do you have to do to fix this problem?
5. You go to the local bank to correct your money problem. The teller there explains to you that exchanging your money is simply a courtesy that this border area provides in return for banks over the Connecticut border to do the same thing, and that maybe over time, two banks would even trade their out-of-state money with each other. Yet even that takes time, effort, and employees to accomplish. Thus, banks take a hit when they exchange your currency. SO, they will only give you an 80% exchange rate. That is, if you give the Mass. Bank one Conn. dollar, you will get 80 Mass. cents. With this being the case, you take some of your petty cash, exchange it, and you go pay for the bed & breakfast.
- a. What things s should be annoying you about your petty-cash situation?
6. The next day, you set up your cart at the public market, and manage to sell only five sacks of grain (out of your 150 sacks). You sold them to a baker who was obsessed with quality. But that is it. No one else in town was interested in paying for your grain. Yet, other grain farmers at the market that day did well, many selling out.
- a. Based on past information (in #4), why were you not so successful at selling your higher quality grain?
 - b. Why were other farmers at the market successful at selling a lot of their grain?

(If your answers for "a" and "b" have to do with price, then you will have to explain why there is a difference...)
 - c. If you move on down the road to another Massachusetts town, what will be the most likely results of your sales efforts? Why?

7. For obvious reasons (discussed earlier), you decide to leave Massachusetts and slip over the border to New York. At the nearest border town, you go to the public market to check the price of local grain. It is \$3.50 per sack! For a second, your heart skips a beat in excitement, but then you temper yourself, and head over to the Market Manager. You ask this man a very key question. He answers. Upon hearing his answer, you smile broadly, and rub your hands together in glee, and allow yourself to dream of the sales to come!

- a. how does the price of your grain compare to the local New York grain?
- b. What must have been your question to the market manager, and what must have been his answer? (Why were you momentarily concerned, and what must the man have told you that made you very happy?)

8. You tell the Market Manager that you are SO ready to set up a booth and sell your grain. He asks to see your toll receipt. "My what?"

"Your toll receipt, Sir. No out-of-stater can do business without one. You can go get one across the way at the government offices."

Though you are concerned about what this is, the price of local grain, the wonderful news about local tariffs (or lack thereof) have you hurrying over to the government office.

There, an officer tells you must pay a road toll.

"A what?"

"A tax we charge out-of-staters who want to do business here. They help pay for the roads that we make. After all, pal, we didn't pay for all these wonderful roads for the benefit of out-of-state businessmen. You want to travel on our roads and do business here? –Then you get to help pay for the roads."

"How much..."

"Twenty-four bucks, and I give you a toll receipt and you can go sell whatever you want in the local market."

You cringe, as you think of how much of your profit will be eaten by this, but you know that if you can get to market, you should make a killing. So, you lay down \$24.00.

The officer looks at the \$24.00 and refuses to take it. And, you get no toll receipt. And you can't do business ...yet.

- a. Lets back up a bit to the road toll. Why do YOU have to pay a toll and New Yorkers don't?
- b. New Yorkers did indeed pay some money toward that road, but not a toll, like you. When or how did New Yorkers pay money for the road?
- c. How many sacks of your grain is the toll worth? (Or, how much of your profit is being cut by having to pay this?)
- d. Finally, why won't the officer at the government offices take your \$24.00, and what are you going to have to do in order to pay this toll?
- e. During the course of fixing whatever is wrong so that the officer will take your money, before you even pay him, what will have happened to the amount of your petty cash? Explain. (Put another way: If you know how to fix it so that the officer will take your money, and you go ahead and fix it, then before you even pay the officer you will have lost some money. Why?)

9. You finally get the toll paid, it is late, too late to start at the market, and so you pay for shelter and food. The next day, you show the Market Manager your toll receipt and you are given a booth at this New York Market. --Yea!
You check the quality of grain being sold by New Yorkers. Hmm... Theirs is pretty good quality, almost as good as yours. So, you are not going to get sales based on quality. Regardless, you end up selling 52 sacks of grain that day! Oh yes! The next day you sell 25 sacks, and the day after that, you only sell one sack. No, New Yorkers have NOT lowered their price. You have actually far outsold any New Yorker. The reason your sales have declined is that you have actually “saturated the market” with your grain. Everybody who needed grain in that area has purchased more than enough from you. People around there will not be buying grain for another month.
- As has been noted in previous New York questions, why were you able to sell so much grain there?
 - Based on the answer to “a” and other information, what could you get away with doing to the price of your grain?
10. Due to the market saturation that your sales have brought, you decide to move on to another New York town. Unfortunately, a few miles down the road, your horse throws a shoe and slightly injures a foot. You lead your limping horse back to the New York border town you just came from and pay to have a new shoe attached. Your horse is still limping, however. Going deeper into New York under this circumstance would be foolish. Losing your horse to what might become a totally lame leg would blow any profits of the journey out of the water. But, sitting in this New York town for a week or more waiting for the horse to completely heal would cost you money (food and shelter). Thus, you decide to stay there two days, give the horse some rest, and forget about going further into New York. You decide that you will head south a few miles and cross into the corner of Pennsylvania on your way back to Connecticut. The food and shelter and the shoeing has cost you all the rest of your petty cash. Anything you buy now will come out of the money you have gotten from selling your grain. You had intended that your petty cash would last for the entire trip, but lots has happened to cut into it. Instead, you intend to make a roundabout route toward home in Connecticut.
- List the things on which you have had to spend money in this latest situation.
 - What expenses do you know must await you in this upcoming last part of your journey?
11. Days later, with your horse doing great work, you are making progress toward getting to a border town in Pennsylvania. Seven hours after leaving the New York town, the road you are on gets smaller, crummier, and finally just disappears. You find yourself in a wilderness, with your weak horse pulling a cart through rough terrain. You stop, get down from your wagon, and scout around. You find the road you were on, leading back toward the New York town that is now a day away. But, sure enough, there is no continuation of this road anywhere. You did not get lost.

The road really did end. You realize that you must be at the border between New York and Pennsylvania. The town you are heading for can't be far away. You decide to walk your horse through this terrain. An hour into it, ...CRACK! A wagon wheel has split upon hitting a small rocky depression in the terrain. You have a spare wooden wagon wheel tied to your cart, and you spend time changing it. While working on the wheels and axle, you notice that with all the rough jostling, you have lost a few sacks of grain along the way. Uuuuugh! It is just getting dark as you straggle into the Pennsylvania town. It is too late to do business, the local marketplace is closed. As you turn toward an inn and restaurant and feel for the money from your grain sales, you grimly realize you cannot pay for a room and food this night.

You sleep outside in your wagon, and eat a little grain from one of your sacks. Man, this just sucks...

- a. Why in the heck did the road end at the border of New York and Pennsylvania?
- b. Under the government system of the Articles of Confederation, what would have to happen for the road to continue into Penn. or to be completed?
- c. Though a repeat question here, why couldn't you pay for room and board late that evening when you rolled into town?
- d. From the setting I've put into #11, tell why you can't remedy your money problem before sleeping, like you had done in the past?

12. Time to check out the local Pennsylvania market. You find:

- price of local grain is \$3.15 per sack.
- there is a five percent tariff on all out-of-state grain.
- no road toll has to be paid (as should be obvious by your experience today).
- money exchange rate is 95%.

- a. Explain your plusses and minuses for this town?
- b. If you do sell the rest of your grain there, what things and expenses are you facing during your final journey home?