

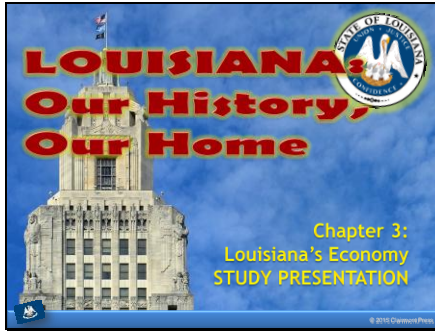
# Louisiana: Our History, Our Home

## Chapter 3: Louisiana's Economy

### Quick Notes



Slide 1

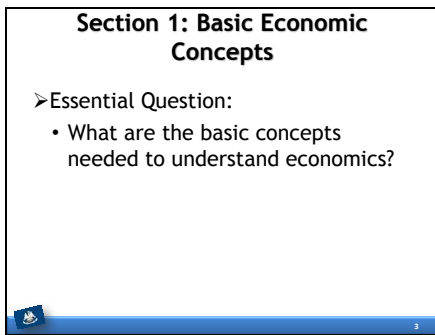


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Slide 3

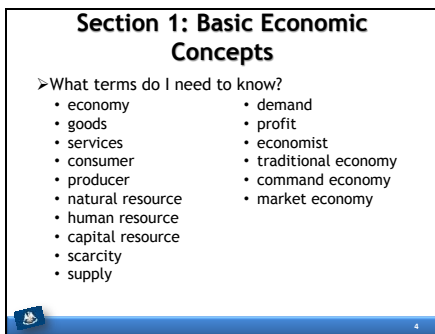


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Slide 4

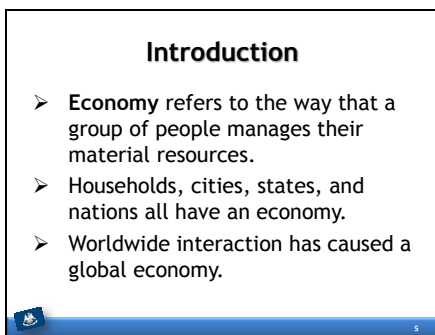


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Slide 5



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# Louisiana: Our History, Our Home

## Chapter 3: Louisiana's Economy

### Quick Notes



Slide 6

**Needs and Wants**

- Human needs include: air, food, water, shelter, and clothing
- Things we desire beyond basic needs are called wants. These wants include goods and services.
- **Goods** are things you can touch: food, clothing, cars, and houses.
- **Services** are activities performed for a fee, like a concert or an oil change.
- When you purchase a meal, you are a **consumer**: a person who satisfies a want or need by buying a good or service.
- A **producer** is the person or group who uses resources to make goods or provide services.

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Slide 7

**Resources and Scarcity**

- Resources satisfy needs and wants.
- There are different types of resources:
  - **Natural resources**: things that come from nature and include things like: water, trees, fruit, and precious metals.
  - **Human resources**: people who produce goods or provide services
  - **Capital resources**: the things and places used in the production of goods and services
- All resources are limited. Scarcity comes about when people try to satisfy unlimited demand with limited resources.
- Money limits the quantity of a good or service that a consumer is able to purchase.
- The amount of goods produced by a producer depends on the resources available.

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Slide 8

**Costs and Benefits**

- Each financial choice has a benefit and cost.
- If a consumer chooses to buy a hat instead of a scarf, the hat is the benefit while the scarf is the cost.
- Other things can have costs and benefits, such as time and resources.
- These two terms are also known as “opportunity benefit” and “opportunity cost.”

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Slide 9

**Trade-Offs**

- Trade-offs occur when an individual, a business, or a government chooses to have less of one thing to get more of something else.
- To evaluate trade-offs, you must compare costs and benefits.
- Sometimes compromises can be made, allowing the consumer an opportunity to get a little of both things.

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# Louisiana: Our History, Our Home

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### Quick Notes



Slide 10

**Supply and Demand**

- **Supply** is the quantity of a good or service that is available for sale, and supply affects prices.
- When the supply of an item is high, the price is low.
- When there is a limited quantity of an item, its price rises.
- **Demand** is the quantity of a good or service that consumers are willing to buy.
- Demand is based on the desires of the consumer, their ability to pay for it, and their willingness to buy it.
- As the price rises, demand usually decreases.
- When prices go down, demand increases.
- **Profit** is the amount gained by the producer after the resource costs are subtracted from the selling price.

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Slide 11

**Basic Economic Questions and Economic Systems**

- An **economist** is a person who studies the economy. Economists try to model different economic systems.
- There are four basic economic questions:
  - *What will be produced?*
  - *How will it be produced?*
  - *For whom will it be produced?*
  - *How much will be produced?*

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Slide 12

**Traditional Economy**

- A **traditional economy** is defined by three major things:
  - It is heavily dependent on agriculture.
  - People often barter (exchanging items of value for one another rather than money).
  - Economic decisions are based on tradition, beliefs, or habits.
- Changes are slow in a traditional economy, and a person is likely to do the same kind of work his ancestors did.
- Native American groups had a traditional economy in Louisiana before the French arrived.

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Slide 13

**Command Economy**

- The **government** is the director of the economy in a command economy.
- The **government** makes rules and regulations to control what, how, and where something is produced. This affects people's access to goods.
- France had a king when Louisiana was established. This type of government has a command economy.
- Under the French monarchy, the king and his advisors controlled the economy.

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# Louisiana: Our History, Our Home

## Chapter 3: Louisiana's Economy

### Quick Notes

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**Market Economy**

- Economic decisions are made by individuals in a market economy.
- Producers determine what, how, and where they produce a product based on how they believe consumers will respond to their product.
- Supply and demand determine what and how much of something is produced.
- If there is no demand for a product, a company could lose money or go out of business.

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Slide 15

**Mixed Economy**

- Most countries have a *mixed* economy located on a continuum between a pure market and pure command economy.

Click here to learn more about different countries and their economic freedoms.

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Slide 16

**Section 2: Louisiana's Economic History**

- Essential Question:
  - Which factors shaped the development of Louisiana's market economy?

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Slide 17

**Section 2: Louisiana's Economic History**

- What terms do I need to know?
  - commerce
  - mercantilism
  - smuggling

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# Louisiana: Our History, Our Home

## Chapter 3: Louisiana's Economy

### Quick Notes

Slide 18

**Introduction**

- Before the French arrived, Native Americans had a traditional economy, which focused heavily on agriculture and bartering.
- The French brought the concept of a command economy with them.
- The French economy was based heavily on commerce, which is the buying and selling of goods.
- **Mercantilism** is the idea that colonies are created solely to contribute to the wealth and power of the mother nation.

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Slide 19

**The Failure of Mercantilism**

- Colonists were expected to provide raw materials, like timber, tobacco, and deerskins, to be shipped back to their home country.
- By law, French colonists could only trade with other Frenchmen, and Spaniards only with other Spaniards.
- The governments failed to provide everything the colonists needed and wanted.
- People began to provide for themselves: they grew crops, made their own goods, and traded with neighbors.
- As necessary, the colonists also began to trade illegally with another nation. This secret and illegal trade of goods is called **smuggling**.
- For both the Spanish and the French, mercantilism failed.

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Slide 20

**Louisiana's Market Economy**

- By 1803, Louisiana had a market economy.
- Cotton and sugar were cash crops.
- The Mississippi River was used to transport crops to places where they could make a profit.
- New Orleans became a very large and busy port. Until 1860, only New York City's port could compete with it.
- New Orleans was of great economic importance until 1860, when the Civil War ruined Louisiana's economy.
- There was very little change for decades after 1860. Farmers came from other states to use Louisiana's rich farmland for rice.
- In the early 1900s, out-of-state companies cut down trees in Louisiana's forests to ship the timber elsewhere. Louisiana made very little money from these deals.

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Slide 21

**Oil and Manufacturing**

- 1901 - Oil was discovered in Louisiana bringing many jobs.
- The Standard Oil Company came to Louisiana and built a major refinery in Baton Rouge in 1909.
- Since the 1950s, Louisiana's economy has been dependent on the oil industry and petrochemical companies.
- Louisiana's goal is to diversify its economy and attract new kinds of businesses. This is important because the price of oil can rise and fall dramatically which can make life difficult for workers.



ExxonMobile refinery in Baton Rouge

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# Louisiana: Our History, Our Home


## Chapter 3: Louisiana's Economy

### Quick Notes

Slide 22

**Section 3: Louisiana's Resources**

- Essential Question:
  - What are Louisiana's important natural, human, and capital resources?



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Slide 23

**Section 3: Louisiana's Resources**

- What terms do I need to know?
  - biological resource
  - reforestation
  - habitat
  - mineral resource



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Slide 24

**Introduction**

- Resources are the foundation of an economy.
- An economic system uses human, natural, and capital resources for goods and services.



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Slide 25

**Natural Resources**

- Natural resources are products of Earth and its atmosphere, like air, water, and soil.
- Louisiana's has rich soil, which provides sugar cane, rice, soybeans, corn, and cotton.
- Soybeans can be used for food for livestock, soy milk, soy sauce, and tofu.
- Animal products are also a resource. The soil, climate, and abundant water sources contribute to cattle farming, which generated \$189 million in 2009.
- Dairy and poultry farming are also very profitable.



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# Louisiana: Our History, Our Home

## Chapter 3: Louisiana's Economy

### Quick Notes



Slide 26

**Biological Resources**

- Biological resources come from plants and animals and renew themselves over time.
- Sometimes humans must help the renewal process.
- Trees are a profitable crop for Louisiana. The pine is the most abundant type of tree.
- **Reforestation** began in 1921. This is when new trees are planted to replace the ones that were cut down. This is an example of humans helping the renewal process.
- Animals are also a resource.
- Cutting timber and clearing land for farming reduced Louisiana's wildlife **habitats** (places where plants and animals naturally and normally grow).
- The white-tailed deer and the alligator are both heavily hunted.

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Slide 27

**Biological Resources (Continued)**

- Louisiana has many different bodies of water: bayous, lakes, rivers, and man-made canals.
- The bodies of water and aquatic animals are resources.
- Recreational fishing and commercial fishing are both popular in the state. Commercial fishing is one of the most important sources of income for the state.
- Seafood from Louisiana is shipped all over the country.



Shrimp boat, Chauvin

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Slide 28

**Mineral Resources**

- **Mineral resources** are natural substances found inside the earth formed by slow geological processes. They are nonrenewable.
- Examples of mineral resources include silver, gold, and oil.
- Louisiana's most profitable resource is oil, but natural gas, sulphur, and salt are also important.
- Plants that decayed millions of years ago created the oil we use today.
- Louisiana is one of the top oil producing states in the nation. The most common product of oil is gasoline.



sulphur sample

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Slide 29

**Mineral Resources (Continued)**

- Natural gas from Louisiana provides over 25% of the nation's supply.
- Salt was first used by the Native Americans. During the Civil War, a large deposit was discovered at Avery Island. This mine still produces commercial quantities of salt today.
- Sulphur is used in medicine, plastics, gunpowder, and matches.
- The price of sulphur has recently dropped because the supply is very high. It is not very profitable in Louisiana.



Avery Island Salt Works

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# Louisiana: Our History, Our Home

## Chapter 3: Louisiana's Economy

### Quick Notes



Slide 30

**Capital Resources**

- Capital resources are used to process natural resources.
- Examples of capital resources found in Louisiana include: lumber mills, sugar refineries, rice mills, and oil refineries.
- The machines and equipment used inside buildings are also capital resources.

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Slide 31

**Human Resources**

- When humans supply the labor (physical or mental) into a good or service, they are an economic resource.
- Laborers are paid for the work they do.
- Today's diverse and interconnected state, national, and global economies require new skills and specialization.
- People who want good jobs need to have education and specialized training to make them attractive to employers.

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Slide 32

**Section 4: Louisiana's Modern Economy**

- Essential Question:
  - Which factors are the most influential on Louisiana's economy today?

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Slide 33

**Section 4: Louisiana's Modern Economy**

- What terms do I need to know?
  - corporation
  - right-to-work laws
  - tariff
  - Gross Domestic Product (GDP)
  - Consumer Price Index (CPI)

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# Louisiana: Our History, Our Home

## Chapter 3: Louisiana's Economy


### Quick Notes



Slide 34

**Manufacturing**

- Louisiana is home to many types of manufactured goods, including ships, trucks, electrical equipment, glass products, and mobile homes.
- Some of these products are shipped to other states; some are shipped to other countries.
- Oil refineries create gasoline, fertilizer, and plastics.
- Louisiana ranks second in the production of petrochemicals.



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Slide 35

**Service Industries**

- Tourism is a major service industry in the state. People come to experience the culture and sights that make Louisiana unique.
- The people of Louisiana benefit from the money travelers spend on food, outdoor activities, sightseeing, and lodging.
- In recent years, Louisiana has become a very popular place for film and television production.



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Slide 36

**Economic Institutions**

- An economic institution is a group of people who have come together to focus on economic activities.
  - Examples include banks, small businesses, corporations, and labor unions
- Banks hold and loan money to customers, which can be an individual or a business.
- Small businesses usually have fewer than 50 people and are owned by one person or a very small group.
- **Corporations** are large complex businesses with investors called shareholders.



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Slide 37

**Economic Institutions (Continued)**

- Labor unions are formed by people who do the same kind of work. They come together to negotiate safe working conditions and fair wages between themselves and their employers.
- In the early 1900s, unions were very influential. When the **right-to-work laws** went into effect in 1976, labor unions became less powerful.
- These laws stated that no one could be forced to join a union to get a certain kind of job.



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# Louisiana: Our History, Our Home

## Chapter 3: Louisiana's Economy

### Quick Notes



Slide 38

### Louisiana in the U.S. and Global Economies

- The Mississippi River and the Gulf of Mexico provide excellent means of importing and exporting goods.
- Louisiana has two major deepwater ports, New Orleans and Baton Rouge, and four deep draft ports.
- The state has one superport located off of the Lafourche Parish dedicated solely to transporting oil. Supertankers, which are too large to come into any other port, deposit their oil into pipelines and it is taken inland underground.

[Click to learn more about Louisiana ports](#)



Port of Baton Rouge

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Slide 39

### Trade Policies

- The North American Free Trade Agreement (NAFTA) ended restrictions, like tariffs, on US trading with Mexico and Canada.
- As a result of NAFTA, many businesses moved their textile companies in Louisiana to Mexico where the labor was cheaper.
- Canada can now send oil through pipes to the U.S.
- **Tariffs** (taxes placed on imported goods) once protected U.S. producers from losing business due to cheaper prices for goods abroad.
- The U.S. is now moving toward a market based on free trade.

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Slide 40

### Measuring the Economy

- Economists gather information to determine an economy's strength. Businesses and governments use this to make decisions and plan their budgets.
- **Gross Domestic Product (GDP)** is one of the best economic indicators. It is the amount of goods and services produced in a year in one country.
- **The Consumer Price Index (CPI)** is also a good economic indicator. The CPI measures prices and compares them to previous months.
- The unemployment rate is also an important economic indicator.

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