Quadrant II – Transcript and Related Materials

Programme: B.Com.

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Unit: I-Locational Theories: Significance and their applications

Module Name: Industrial Location Theory: Alfred Weber I

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Notes

- The most important theory based on least cost is proposed by Alfred Weber in his book "Theory of Location of Industries".
- Alfred Weber, a German economist was the first who gave scientific exposition to the theory of location.
- He propounded his famous industrial location theory in 1909 which was published in German language, book entitled *'Uber den standart der Industrien'.*
- The theory was translated into English language and was published as' The Theory of the Location of Industries' in 1929.
- Weber's theory is also known as 'Pure Theory' and 'Least Cost Theory' has analytical approach to the problem.
- The basis of his theory is the study of general factors which pull an industry towards different geographical regions.
- In his theory, he has taken into consideration factors that decide the actual setting up of an industry in a particular area.

Assumptions of the theory

1. The area is uniform in terms of climate, topography, soils, technical skills of the people, population distribution and is under one political authority.
2. Transport costs are uniform and tends to increase with increasing distance and weight of the material to be transported.
3. Costs of land, building equipment, interest and depreciation of fixed capital do not vary regionally.
4. Raw materials are not evenly distributed in area. The locations of sources of raw materials are assured to be known. These raw materials are found only in some specific locations.
5. The size and location on centers of consumption of the industrial products are given. These markets are known as fixed at specific places.
6. The distribution of labour is geographically fixed, as are wages at any specific location.

Factors affecting location of industries

According to Weber, factors affecting location of industries may be classified in to two categories:

1. Regional factors or Primary causes of regional distribution of industry. Regional factors included cost of the land, buildings, machines, power, fuel, labour and transportation cost etc.
2. Agglomerative and degglomerative factors or Secondary causes responsible for redistribution of industry.

1. Regional factors

- After examining the cost structure of different industries, Weber concluded that cost of production varies from region to region.
- Therefore, the industry is located at a place or in a region where the cost of production was the minimum.
- According to Weber, there are two general regional factors which affect cost of production and the location of industries:

i) Transportation Cost

ii) Labour Cost

i) Transportation Costs

- Transportation costs play an important role in location of an industry.
- Transportation costs are influenced by the weight of the raw material to be transported and the distance to be covered.
- Generally, industries will have a tendency to localize at a place where material and fuel are not difficult to obtain.
- Weber has further given that the basic factors for location of an industry are the nature or type of material used and the nature of their transformation into products.
- Weber has divided raw material into two categories: Ubiquitous (that is found everywhere) and Fixed raw material (that is found in a particular place).
- Likewise, material may be pure raw material and gross raw material.
- Pure raw material is one which does not lose its weight during production process.
- The gross raw material is that which loses considerable weight in the transformation process.
- The finished product is less in weight than the weight of raw material used in its manufacture.
- Examples of this type of material are sugar cane and iron ore.

ii) Labour Cost

- Labour costs also affect the location of industries.
- If transportation costs are favourable but labour costs are unfavourable, the problem of location becomes difficult to have a readymade solution.
- Industries may have tendency to get located at the place where labour costs are low. But labour and transportation costs should be low for an ideal location.

2. Agglomerative and degglomerative factors

- Agglomerative factors make industries centralise at a particular place. Such factors may include banking and insurance facilities.
- Degglomerative factors are those which decentralise the location of industries. Examples of such factors are local taxes, cost of land, residence, labour cost and transportation cost.
- Such factors decentralise because the cost of production stands reduced due to decentralization of shift in location.