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Lecture-8

Unit II

Locations of Business Enterprise (Weber's Theory)

Alfred **Weber** formulated a **theory** of industrial **location** in which an industry is located where the transportation costs of raw materials and final product is a minimum. He singled out two special cases. In one the weight of the final product is less than the weight of the raw material going into making the product.

He gave his ideas in his **Theory** of **Location** of **Industries**' which was first published in German language in 1909 and translated into English in 1929. His **theory**, which is **also known** as 'Pure **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. It is thus deductive in approach. In his theory he has taken into consideration factors that decide the actual setting up of an industry in a particular area.

Weber's Problems:

Weber was faced with many serious problems. He wanted to find out why did industry moved from one place to another and what factors determined the movement. After considerable thinking he came to the conclusion that causes be responsible for this migration could be Regional Factors Primary Causes and Agglomerative and deglomerative factors (Secondary Factors).

In so far as regional factors were concerned these, among other things, included cost of the ground, buildings, machines, material, power, fuel, labour, transportation charges and amount of interest that the capital would have earned.

i. Regional Factors (Primary Causes):

According to Weber transportation costs play a vital role in the location of an industry. Each industry will try to find location at a place where transportation charges are the barest minimum, both in terms of availability of resources and place of consumption. According to him transportation costs are determined by the weight to be transported on the one hand and distance to be covered on the other.

Then the cost will also depend on the type of transportation system available and the extent to which it is in use. the nature of the region i.e. whether rocky, plain, connected or unconnected with roads etc. the kinds of the roads in the area where the goods are to be transposed; nature of facilities required i.e. whether the goods are to be taken with great care, less care or even without any special care.

Locational Figure:

While discussing regional factors, Weber has discussed the idea of locational figure. According to him every industry will try to see that it is located at a place where raw material is available nearest to the place of consumption on the one hand and most advantageously located material deposits on the other. According to Weber, "Thus locational figures are created. These locational figures, therefore, represent the first and most important basis for formulating the theory.''

Classification of Material:

Weber, before proceeding further, has classified raw material into different categories e.g.:

(a) Ubiquities material; which is suitable everywhere e.g. bricks, clay etc., and

(b) Localised material e.g., iron ore, mineral etc. which is available in certain regions and not everywhere. Obviously the later play a bigger and important role than the former. He has also categorised raw material as 'Pure' and 'Weight Losing' raw material is one which impart its whole weight to the products e.g. cotton, wool etc. and weight losing materials are those in which only a part of the material enters into the weight.

Laws of Transportation:

Weber, while discussing the theory of location, has also discussed laws of transportation. According to him material index measures the total weight to be moved. From material index he understood the portion of the weight of localised material to the weight of the product. According to him, "All industries whose material index is not greater than one and whose locational weight therefore, are not greater than two lie at the place of consumption."

Causes of Deviation of Location:

Weber was faced with a serious problem namely why the industries deviate from the centre of least transport costs. One such reason could be differences in the labour costs. This labour cost can be cheap either because of differing levels of efficiency and of wages of labour or because of differing levels of efficiency in the organisation and the technical equipment which the labour is required to use. Labour cost can go up and come down due to distribution of population as well.

But whatsoever might be the reason for the low labour cost, According to Prof Kuchhal, deviation "will be possible only when the additional cost of transportation at the new centre is more than compensated by a saving in labour costs… When the labour costs are varied, an industry deviates from its transport locations in proportion to the size of its labour co-efficient".

Weber himself has said that, with a high index of labour costs, a large quantity of labour costs will be available for comparison with correspondingly high critical isodapanes, and therefore we shall find a high potential attracting powers of the labour locations and vice versa.

According to Weber's theory if the behaviour of each industry in respect of labour cost is to be measured than it is necessary to calculate the proportion of labour costs per ton of weight to be moved.

ii. Agglomerative and Deglomerative Factory (Secondary Causes):

We have so far been discussing primary causes of industrial location. Weber has also discussed secondary causes responsible for industrial location. He has taken into account agglomerative and deglomerative factors. An agglomerative factor, according to him is a factor which provides an advantage in production or marketing a commodity simply because industry is located at one place. On the other hand deglomerative factor is one which gives such advantage because of decentralisation of production.

Agglomerative factors include gas, water etc. and are conducive for concentration of industry and deglomerative factors include land values and taxes and lead to decentralisation. Pulls of

agglomerative factors are index of manufacture and locational weight. According to Weber ratio of manufacturing cost of locational weight is co-efficient of manufacture.

According to Weber Agglomeration is encouraged with high co-efficient and deglomeration with low. According to him, We shall do well to bear in mind that labour orientation is one form of deviation from the minimum point; agglomeration to another.

When agglomerative forces appear in an industry oriented towards labour, there takes place a competition between the agglomerative deviation and the labour deviation, a struggle to create, locations for agglomeration, as compared with labour locations, both bearing upon the foundations of the transportational ground work.

Split in Location:

Weber has considered the possibility of location of an industry at more than open one, particularly when production in an industry can be carried independently at more than one place. According to him in fact single location is an exception and split a rule. It is essential, according to him that all productive processes must go on at one and the same place and it is better that these be carried out at different stages and at number of places. Split is to occur in two stages. In the first stage it is elimination of waste and in the second working up of pure material.

Locational Coupling:

Weber along with split in location has also given the idea of locational coupling, meaning thereby that different types of industries can be coupled in one and the same locality. According to him it is just possible to combine production of different articles in one plant because of the availability of several raw materials from the same source.

This coupling can be possible either due to economic or technical reasons. It is also possible due to connection through material e.g., if the byproduct of one industry happens to be raw material for another then the two industries may select a single place of location. Locational coupling can also be due to market connection between two industries. In such a case product of one industry may enter into another industry without being used as material or half finished product.

Criticism of Weber's Theory:

Weber's Theory of Industrial location has been put to several criticisms.

Some such points of criticism are:

1. Unrealistic Assumptions:

According to critics of this theory, Weber has unrealistically over-simplified the theory of industrial location. Many assumptions in the theory are unrealistic. According to them Weber has taken only two elements for determining the cost of transportation namely weight and distance. He has not given due to place to the type of transport, quality of goods to be transported, topography, character of region etc.

2. Labour Centres Notion Defective:

Weber's ideas about labour centres have also not been accepted. He has started with the presumption that there are fixed labour centres with unlimited supplies of labour in each of them. Obviously both these assumptions are not correct. There cannot be fixed labour centres, because each industry creates new labour centres. Similarly there can never be unlimited supplies of labour in any centre.

3. Ideas about Fixed Points of Consumption:

It is argued that Weber's this idea does not work well with the market conditions in a competitive structure. Consumers are always scattered all over the country and thus consumer centres always shift with a shift in industrial population. There can therefore be no fixed point of consumption.

4. Vague Generalisations:

Weber, while expounding his theory of industrial location, has introduced, it is believed, certain vague generalisations. He has given no due place to non-economic factors of industrial location, which play a big role in this regard. Who can deny that there are certain historical and social

forces which go a long way while deciding industrial location of an industry, but he has completely ignored them, which has made his theory very unrealistic.

5. Not a Deductive Theory:

Andreas Predohl is of the view that Weber's Theory is only selective and not deductive. According to him he has made an artificial distinction between general and special factors which influence location of an industry. Such a distinction, in fact, has no logical significance. According to Weber transport costs and labour costs are only general costs. He has failed to explain why capital costs and management costs cannot be included or covered under it.

6. Defective Method of Analysis:

Weber has tried to classify material into ubiquities and fixed material. Again the division is arbitrary. According to Robinson who does not know that in actual practice materials are drawn from a large number of alternative fixed points.

7. Overburdened with Technical Considerations:

Dennison is of the view that Weber's theory is heavily over burdened with technical considerations. It has not laid due stress on costs and prices and has over stressed technical coefficients. According to him, "The most important criticism about Weber's analysis is that it is lamentably removed from all considerations of costs and prices and it is formulated mainly in terms of technical coefficients."

Utility of the Theory:

value, importance and significance. It is primarily because the alternatives given are neither comprehensive nor complete. So far it is the only theory which is capable of universal application.

Andreas Predohl has also given his ideas about industrial location and has come to the conclusion that every change of industrial location involves a change in the combination of

means of production. But this theory obviously does not provide any guidelines for locating new industries.

No doubt theory suffers from some serious defects, yet it cannot be denied that it has its own