

Industry Terms

Need to Know

Bid Rent Theory

Def. Explains one pattern of urban land-use in which commerce is willing to pay the greatest rent to be located in the Central Business District (CBD).

Sig. Firms benefit from agglomeration and it's accessible for a large population. Therefore, firms "outbid" farmers and dwellers to occupy downtown.

Break-of-bulk Point

Def. The point at which the cargo mode of transportation is changed to another mode (e.g. a shift from truck to train)

Ex. Baltimore steel firm locates by the port where it gets iron ore by ship from South America & coal from the Appalachia by train

Deindustrialization

Def: The decline of industry in the core as firms relocate to the periphery

Ex: the rust belt has high unemployment leading many to migrate to the sunbelt

Industrial Location Theories

- Def: An industry will locate where it can minimize its costs and maximize its profits.
- Ex: Weber's least-cost theory

Industrial Revolution

Def: A series of improvements in industrial technology (e.g. steam engine) that transformed the process manufacturing & transporting goods.

Sig. England was the first to industrialize in the late 18th century. The US and Western Europe followed during the mid to late 19th century (initial advantage)

Globalization

Def: an increase of interaction among nations encouraged by international organizations (e.g. IMF & WTO) and transnational corporations

Sig: greater interdependency and cultural homogenization

Growth poles

Def: An economic hotspot that spurs additional industry such as the auto industry in Detroit (cumulative causation).

Sig: Governments often try to artificially create cumulative causation (France's *technopoles*)

Least-cost Theory

Def: Alfred Weber considered labor costs (1), transportation costs (2) & the benefits of agglomeration/cost of agglomeration diseconomies (3)

Sig: The rise of maquiladoras can be explained by their proximity to US markets, lower labor costs & agglomeration economies.

Market Dependent Industry

Def. An industry in which the product gains volume or weight during production (e.g. soft drink)

Ex. These firms would then locate near the market to minimize transportation costs (AKA market-oriented or bulk-gaining industry)

Resource Dependent Industry

Def. An industry in which the final product weighs less or comprises a lower volume than the input (e.g. steel)

Ex. These firms would then locate near the resources to minimize transportation costs, e.g. iron ore mine (AKA resource-oriented or Bulk-reducing Industry)

Industry Terms

Should Also Know

Agglomeration Economies

Def. When many firms from one industry locate in the same region to “share” labor pools, office parks, and R&D (technology spillovers).

Sig. It spurs growth for the region through cumulative causation by attracting backward linkages, forward linkages, & ancillary industries.

Ancillary Industries

Def. Businesses that assist firms in a key industry (e.g. Repair shops, security, recycling)

Sig. they appear in greater numbers when firms agglomerate (part of cumulative causation)

Backward Linkage

Def. Firms move in to support the initial industry with components and supplies

Sig. part of cumulative causation

Backwash Effect

Def. The negative spiral for the periphery due to job seekers and firms going to the core to benefit from its agglomeration (e.g. brain drain).

Ex. It's a negative result of cumulative causation.

Canadian industrial heartland

Heartland: St. Lawrence Valley in
Southeastern Canada along the US border.

Sig. Abundance of raw materials and it's
close to major markets.

Carrier Efficiency

The positive and negative attributes of different methods of transportation (Ship, air, truck, or rail)

Sig.

- Air - all distances; quick, but expensive
- Truck - short distance
- Rail - long distance, inexpensive
- Ship - long distance, cheapest

Commodity Chain

Cottage Industry

Def: Manufacturing based in homes rather than in a factory (commonly found before the Industrial Revolution)

Ex: English textile industry (as late as the 19th century)

Cumulative Causation

Def: The spiraling buildup of advantages in certain places (initial advantage leads to more advantages)

Ex: An initial industry will attract other industries (agglomeration effect)

Deglomeration

Def: The movement of industry away from areas of concentration when it gets too expensive (diseconomies of scale).

Ex: the deindustrialization of the Detroit & Pittsburgh due to high labor costs

Economic Base

Economies of scale

Def: refers to the lower costs firms achieve when they produce at higher levels

Sig. it is used to lower costs in order to increase profits

Entrepôt

Def: a trading post where merchandise can be imported and exported without paying import duties (e.g. Singapore)

Sig: the reluctance of ships to travel the entire length of a long trading route, and selling to the entrepôt instead. The entrepôt then sells at a higher price to ships traveling the other segment of the route.

Export Processing Zone (EPZ)

Def: Area of a country where normal trade barriers such as tariffs and quotas are eliminated and bureaucratic requirements are lowered

Ex: Often found in developing countries in hopes of attracting FDI (e.g. China)

AKA: Special Economic Zone, Free Trade Zones & Export Promotion Zones

Footloose Industry

Def: An industry that is not tied to specific place due to low transportation costs

Sig. It will move to a low labor cost region if labor has a higher impact on profit than transportation

Fordism

- Assembly line production of standardized components for mass consumption.
- Sig. the mass production of identical goods reduced costs & led to mass consumption

Forward Linkage (Not on List)

- Firms that use goods and services from an initial industry for its own product
- Sig. Part of cumulative causation

Infrastructure

Def: The underlying framework of services and amenities to facilitate productive activity.

Ex. Roads, railways, telecommunications, power, etc.

Labor-intensive Industry

Def: An industry for which labor costs make up a high percentage of total expenses (as opposed to capital intensive).

Ex: LDCs often hold a comparative advantage in these industries

Major Manufacturing Regions

1. Western Europe (UK, Rhine-Ruhr Valley, Mid-Rhine & Northern Italy)
2. Eastern Europe (Russia, Silesia & E. Ukraine)
3. North America (Great Lakes, New England, Mid-Atlantic & Canada's St. Lawrence-Ontario)
4. East Asia (Japan, E. China, S. Korea & Taiwan)

Locational Interdependence Theory

Def: competitors in trying to maximize sales, will seek to constrain each other's territory which will lead them to locate adjacent to one another in the middle of their collective customer base

EX: Fast-food and gas stations (AKA Hotelling Model)

Maquiladora

- Factories built by US & Japanese companies in Mexico near the US border to take advantage of cheap labor costs.
- Sig: near the border = lower transportation costs

Multiplier Effect

- Expansion of economic activity caused by the growth or introduction of another economic activity.
- Ex: a new basic industry will create jobs directly or indirectly in the non basic sector
- The production of microchips draws workers beyond microchip production, (home construction, etc.)

North American Free Trade Agreement (NAFTA)

Def: (1994) a free trade area among the US, Canada, and Mexico (provides for the tariff-free movement of products)

Sig: Cheaper to grow corn in US than in Mexico so labor comes here as a result

Outsourcing

- A decision by a corporation to send jobs or parts of production to a cheaper location. Back offices are located in the periphery of the city's headquarters or abroad (offshoring)
- Ex: US car companies outsource car parts production and assembly

Post-Fordism

- Post-1970 manufacturing practices with more *flexible* production methods than traditional Fordism (including just-in-time delivery) .
- Sig: This has contributed to the new international division of labor & decentralization. (AKA neo-Fordism.)

Post-Industrial

- DEF: Economies where the tertiary and quaternary sectors have grown to dominate the workforce, with smaller but highly productive secondary sectors.
- EX: United States, Canada, and most of Europe and Japan. (the highest levels of per capita GDP is associated with the post-industrial countries)

Refrigeration

- SIG: Allows firms to be located far from market, but it adds to the cost of the transportation.
- EX: Argentina was able to join the global beef market with refrigeration because it was able to keep its meat fresh.

Research Triangle

- Def: A region of North Carolina with a high concentration of high tech businesses (e.g. IBM) that were attracted there because of the large number of local universities (e.g. Duke).
- EX: It is an example of a growth pole and the agglomeration effect.

Reshoring

- Def: The recent return of manufacturing to the core from traditionally lower labor-cost regions due to higher labor and transportation costs.
- Sig: This has boosted the manufacturing sector in the South and Mexico. Often the factories rely on capital rather than labor.

Right-to-work laws

- DEF: A U.S. state that has passed a law preventing a union and company from negotiating a contract that requires workers to join a union as a condition of employment.
- SIG: The South has lower percentage of union workers than elsewhere in the U.S.

Silicon Valley

- Def: The region below San Francisco with a high concentration of tech firms (e.g. Google).
- EX: This is an example of a growth pole and the agglomeration effect.

Site Factors

Def: Location factors related to the costs of factors of production inside the plant, such as land, labor, and capital.

Sig: the most important factor is labor.

Situation factors

Def : This refers to whether the firm is closer to the market or to the inputs (resources). It's determined by transportation costs.

Ex : Steel companies located near its resources to minimize transportation costs (bulk-reducing). Others, like the Coca-Cola locates near the market to minimize costs (bulk-gaining).

Spatially Fixed & Variable Costs

Spatially variable costs are expenses that change depending on where the firm locates (labor costs).

Spatially fixed costs are the same no matter where it locates (water costs).

Spread Effect

Def : Forces of de-concentration of wealth

Sig : High density, high labor costs and environmental decay in the core and the diffusion of technology to the periphery also encourage the outward dispersion of growth to the periphery

Ex : diseconomies of scale, de-agglomeration, creative destruction

Substitution Principle

- Def: To find the location where the net profit is the greatest, firms will substitute one factor of production (e.g. labor) for another (e.g. capital for automated equipment).
- Ex: Firms may pay higher transportations costs in order to locate where labor is cheaper

Techno pole

- Def: Refers to the agglomeration of high tech manufacturing and information-based quaternary firms
- Sig: Developed by private sectors or partnership of public and private sectors

Textile Industry

- Def: manufacturing of clothing
- Sig: associated with early stages of industrialization (early industrial UK or Taiwan, China, & India today). Industry is female intensive.

Time-Space Compression

Def: the reduced time it takes for social interactions due to improved transportation and communication systems

Ex: the railroad and the internet both reduced the “relative distance” between places