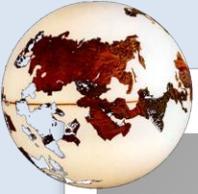




ECONOMIC GEOGRAPHY PART II

Commerce changes the fate and genius of nations.
-Thomas Gray



- [Location Theory](#)
- [Types of Economic Systems](#)



Economic Geography Part II



LOCATION THEORY

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- The costs of material, transportation, labor, etc are dominant in location decisions.
- Industrial Location: site and situation factors
 - raw materials
 - energy
 - labor
 - market
 - transport

In order to succeed, industries must have some comparative advantage in one or more of these factors and a demand must exist for the product.

Principals of Location

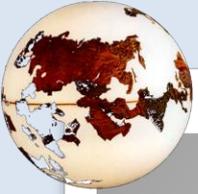
- 1 natural routes
- 2 power
- 3 raw materials
- 4 site and land

PHYSICAL FACTORS

INDUSTRY

HUMAN / ECONOMIC FACTORS

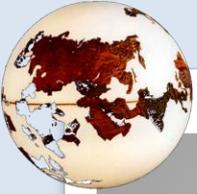
- 1 labour
- 2 capital
- 3 market
- 4 transport
- 5 government
- 6 geographical inertia
- 7 technology
- 8 leisure facilities



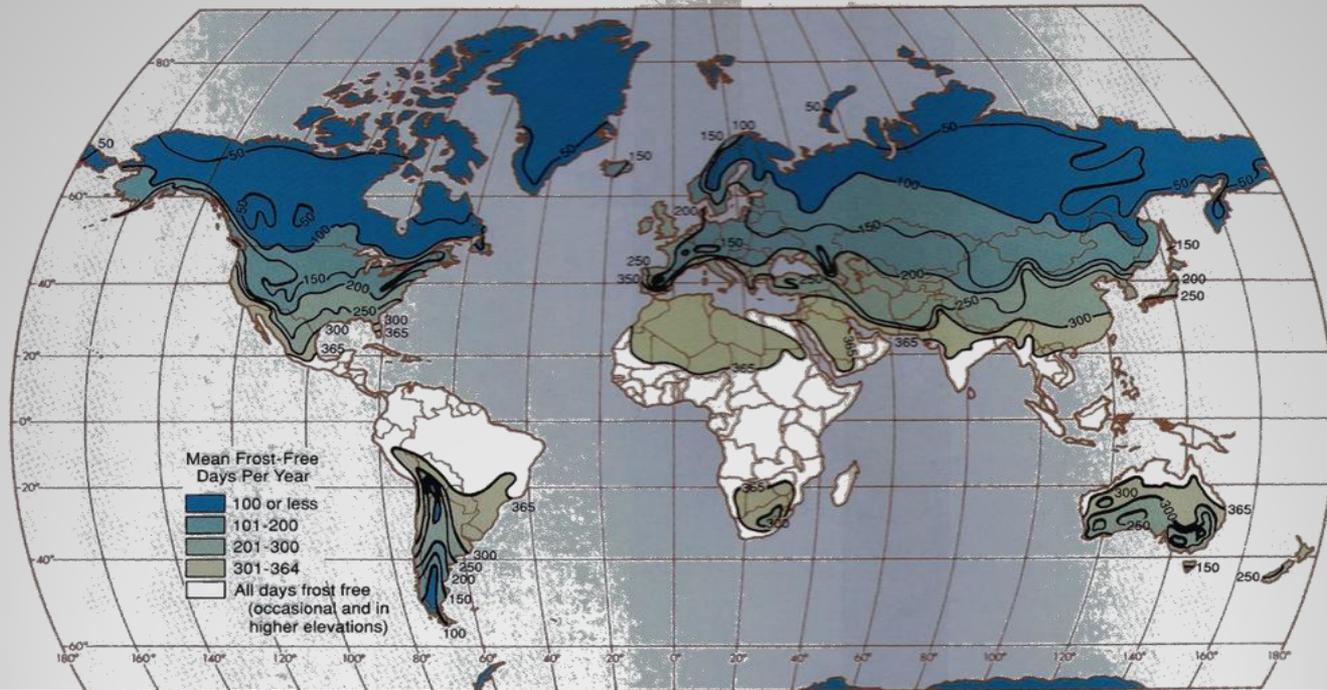
Accessibility is a key measure of economic development and of the degree to which a world region can participate in interconnected market activities. Isolated areas of states with **advanced economies** suffer a price disadvantage because of high transportation costs. Lack of accessibility in **subsistence economic areas** slows their modernization and hinders their participation in the world market.



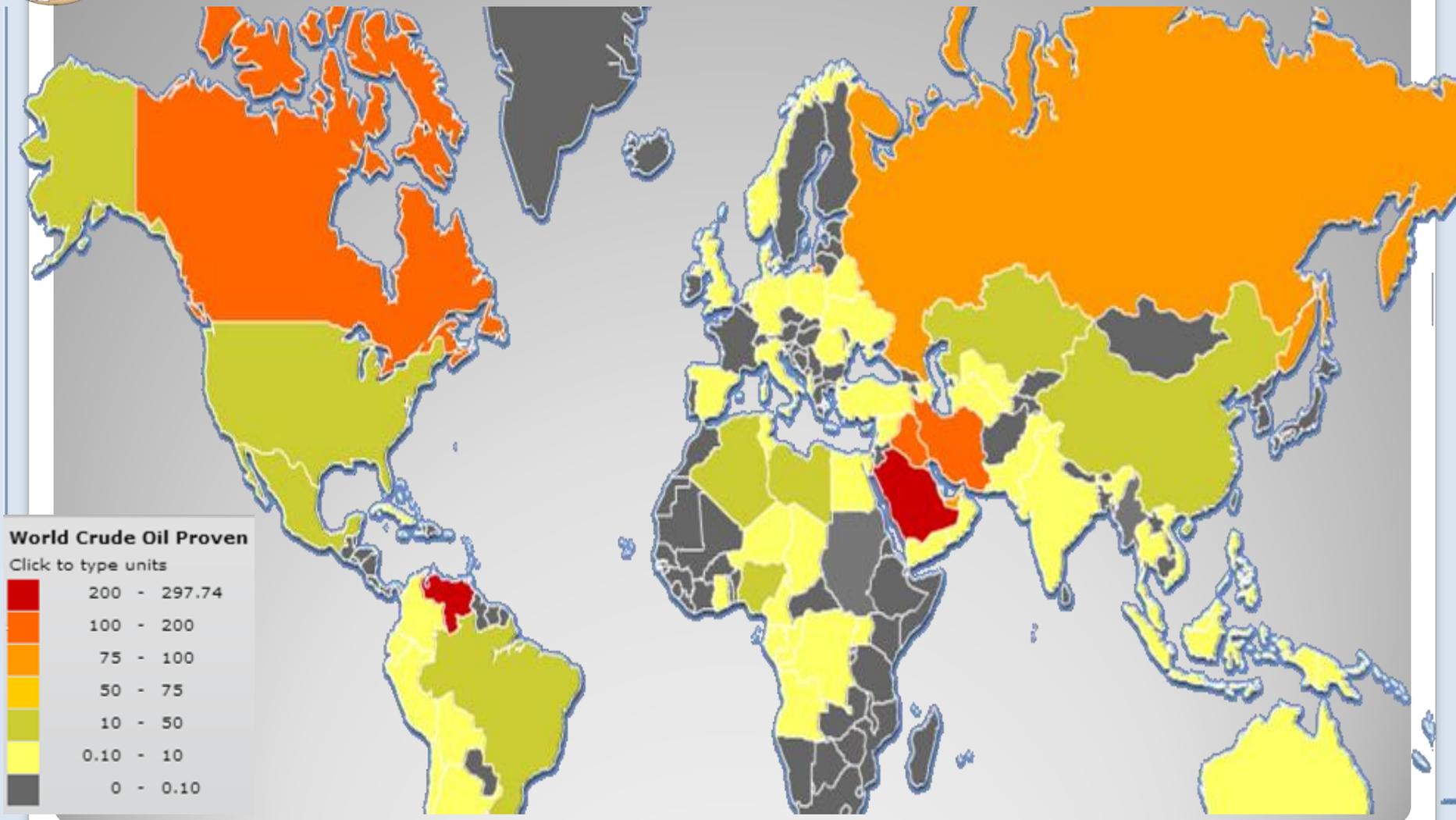
Patterns of Access and Isolation



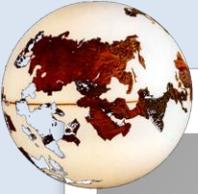
The number of frost-free days is an important environmental control. Agriculture is not usually practicable with less than a 90-day growing season. Large parts of Russia and Canada have only limited cropping potential. Except where irrigation water is available, arid regions are similarly outside of the margins of regular crop production.



Agricultural Location

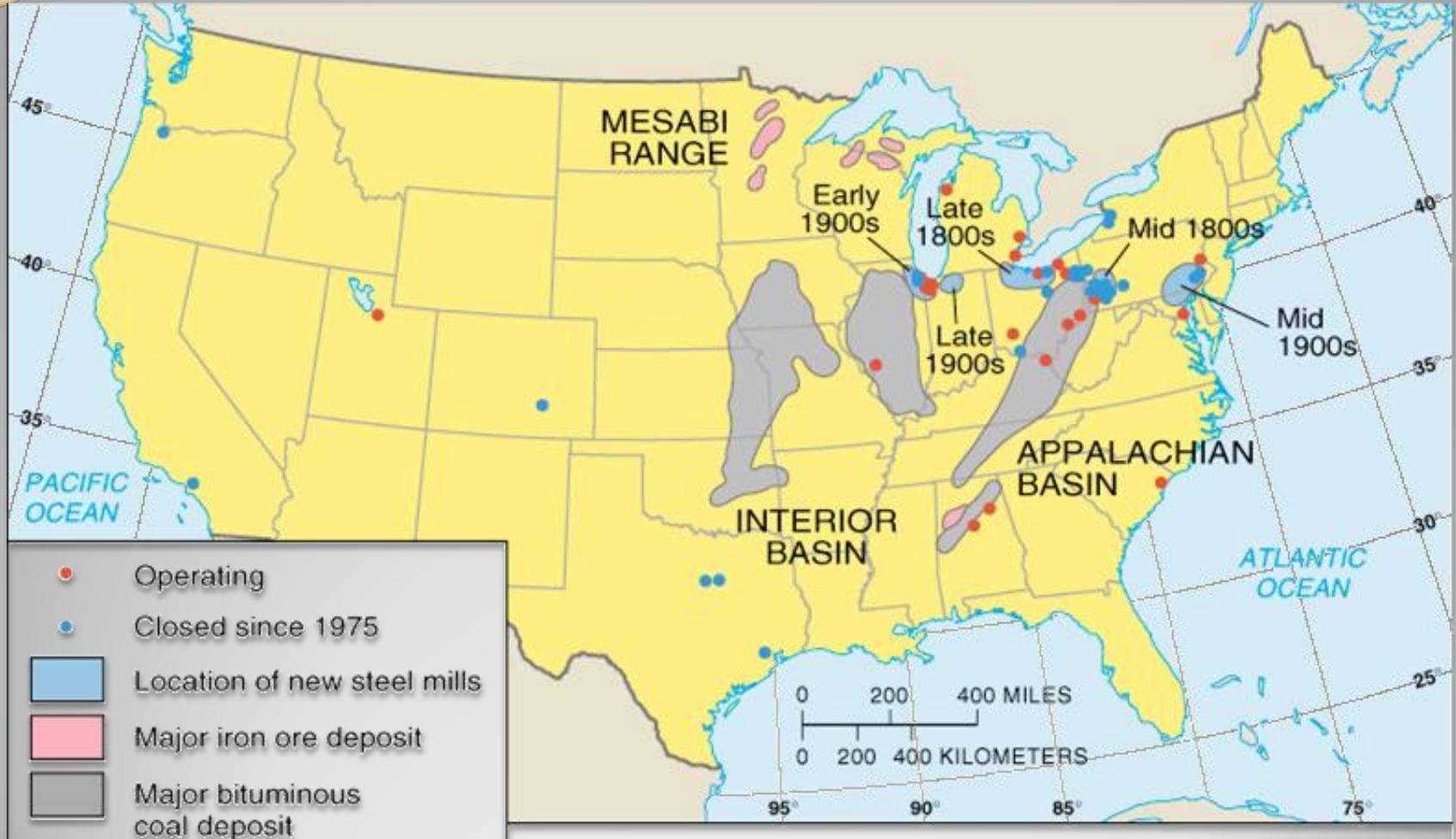


Oil Reserves Location



Most economic activities are relatively close to the natural resources they use ...
for example, coal/steel, grain/cattle,
fishing/ocean, hydroelectric
power/aluminum smelting.

Patterns of Land Use



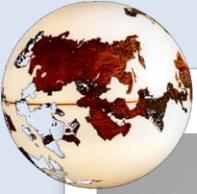
Industrial Location: Transport Characteristics (bulk-reducing)



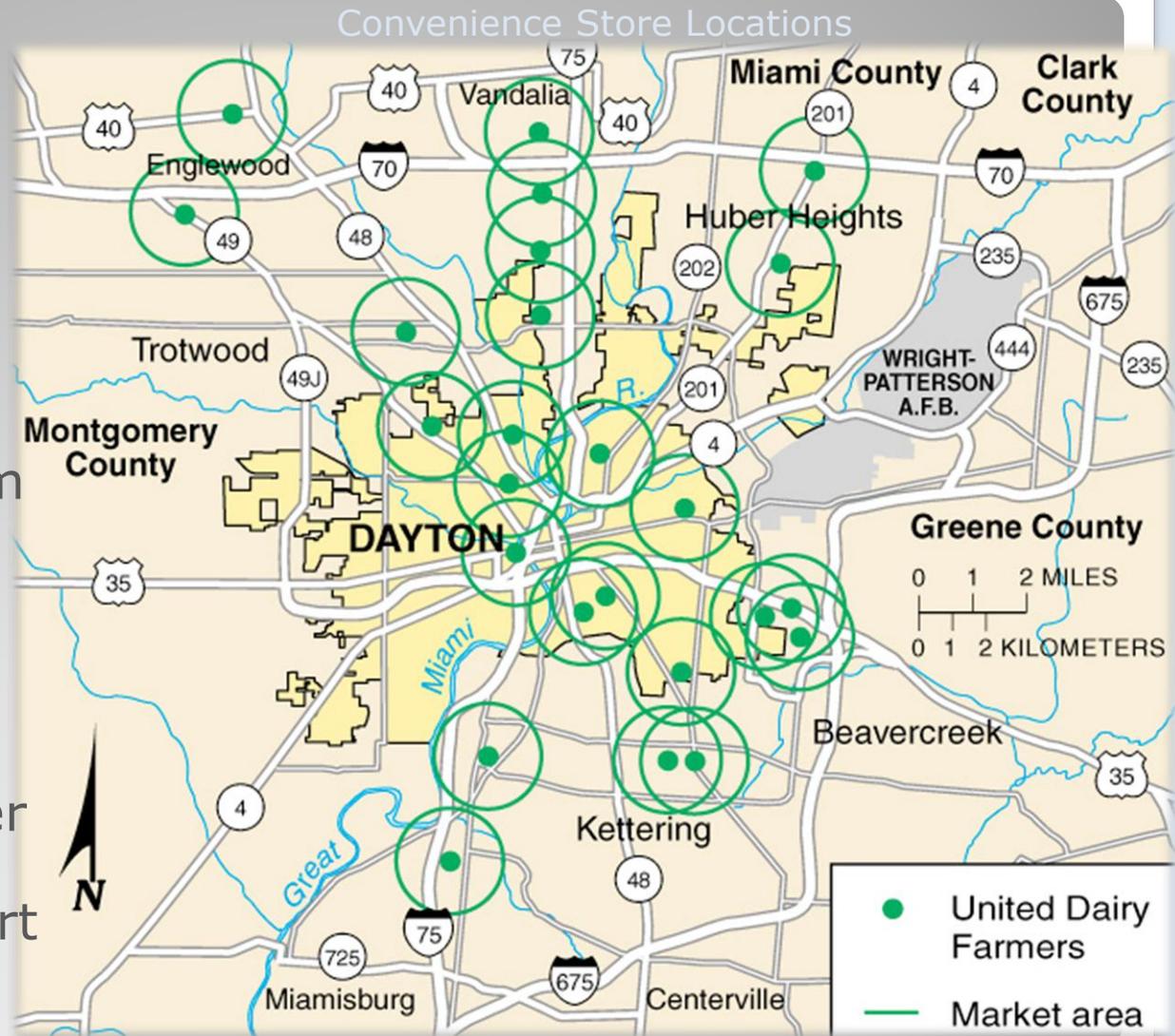
Industrial Location: Site and Situation Factors Transport Characteristics (Bulk-Gaining)



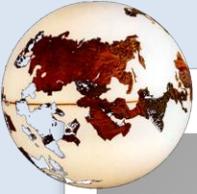
Secondary Activities: Manufacturing



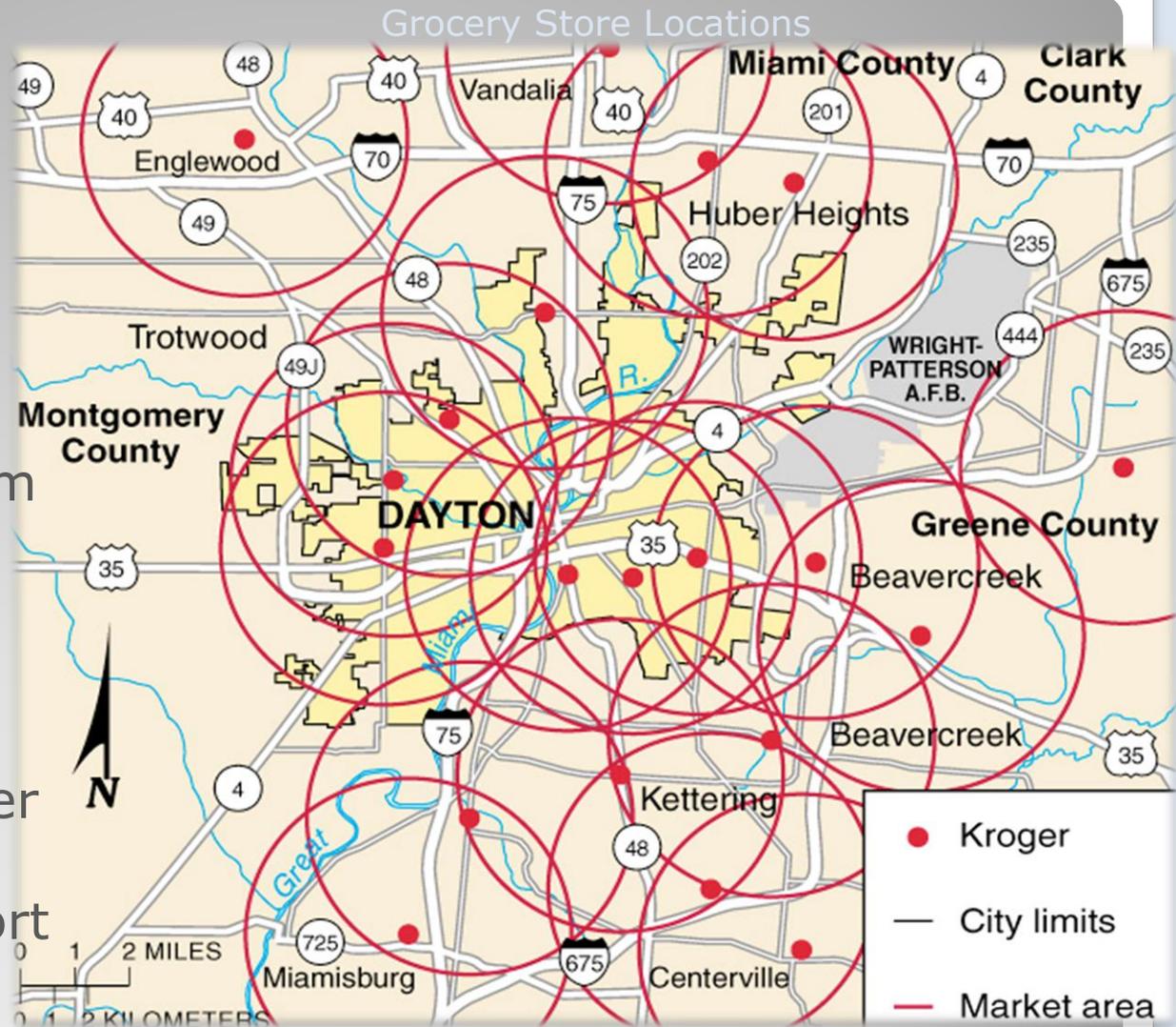
- **Market Area:** circular or hexagonal area from which customers are drawn
- **Range:** maximum distance people will go for a service
- **Threshold:** minimum number of consumers needed to support the service



Service Location Theory



- **Market Area:** circular or hexagonal area from which customers are drawn
- **Range:** maximum distance people will go for a service
- **Threshold:** minimum number of consumers needed to support the service

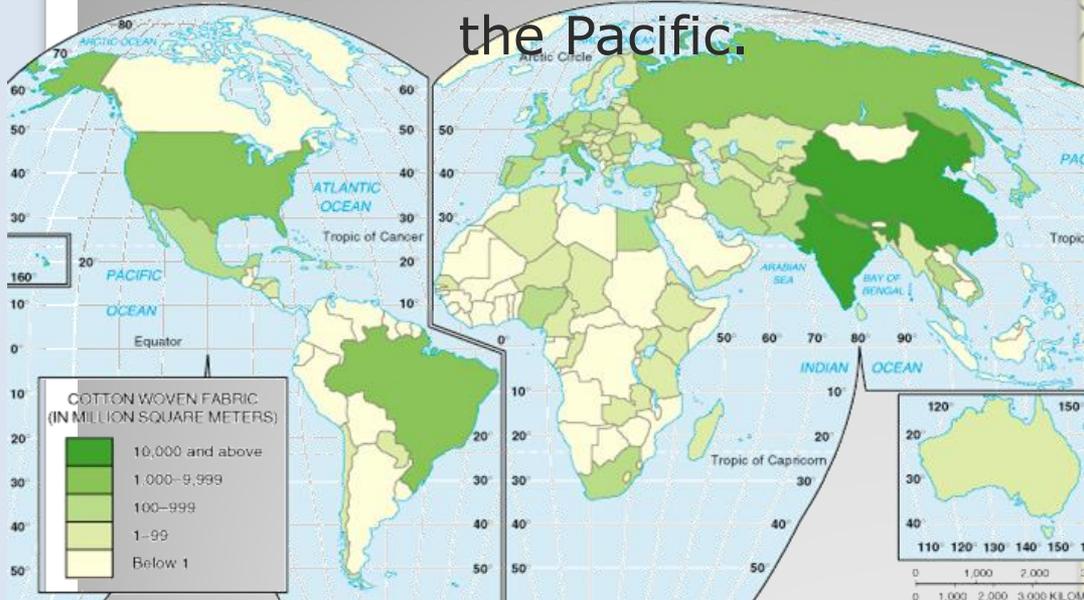


Service Location Theory



Labor Supply vs. Access to Markets

Japan's industrial centers, for example, depend on imported raw materials and access to markets via the Pacific.



Woven Cotton Production

Why are so many wovens produced in the less developed world?

East Asian Manufacturing Centers

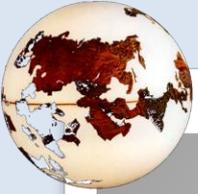


Industrial Location: Site and Situation Factors



TYPES OF ECONOMIC SYSTEMS

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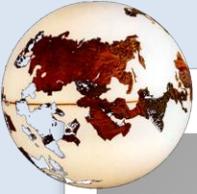
families

produce for personal consumption

surplus
(sometimes)

exchange of goods
(sometimes)

Traditional Economy Barter System



- ...an economic system of relatively simple technology in which people produce most or all of the goods to satisfy their family's needs
- Portions of crops or domestic animals are often bartered to fill gaps but little exchange occurs outside the immediate or extended family.



Water Buffalo plowing rice fields near Salatiga, Central Java, Indonesia



Bolivian women gathering food for their families



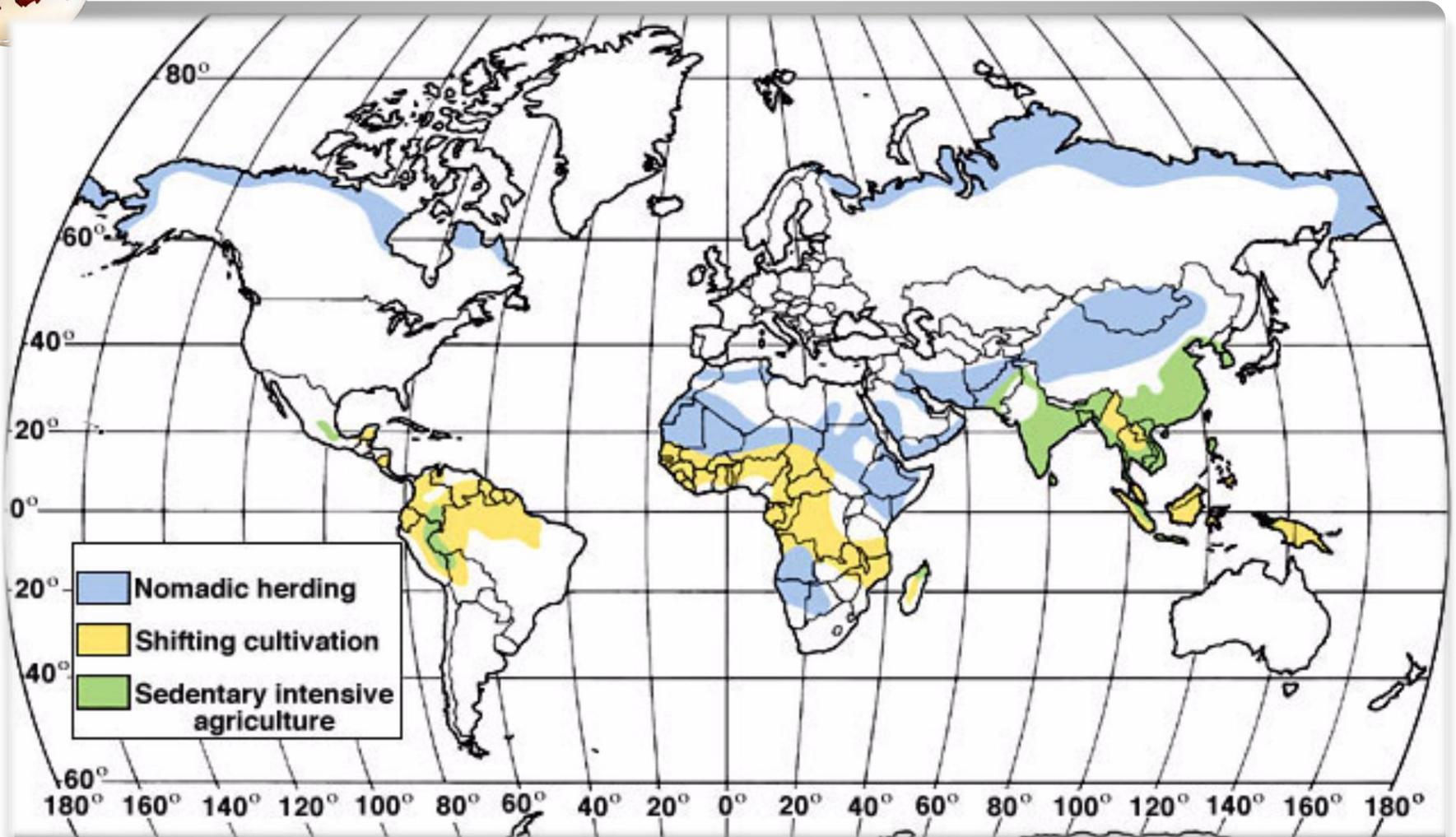
African woman making pots for trade

Traditional Economy

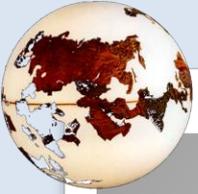


- Based on traditions, customs and beliefs.
- There is little to no uncertainty.
- Everyone knows what role to play.
- Life is generally stable and predictable.
- **example:** Inuit of northern Canada, Aborigines, Amazon tribes, most subsistence economies

Advantages of a Traditional Economy



Areas with Traditional Economic Systems



laws of supply and demand

consumers

private enterprise

Private industry
assumes production
risks and so gets profits.

government regulations

all above determine prices and production

Capitalism:
Market (*demand*) Economy



- ...a system of production of goods and services for exchange in comparative markets where price and availability are determined by supply and demand forces
- Supply and demand determine price and quantity.
- Market competition is the primary force shaping production decisions and distribution.



Market Economy



When companies compete with each other, there are many benefits such as these:

Light in weight

Smaller in size

Higher quality

Higher performance

Performance improvement

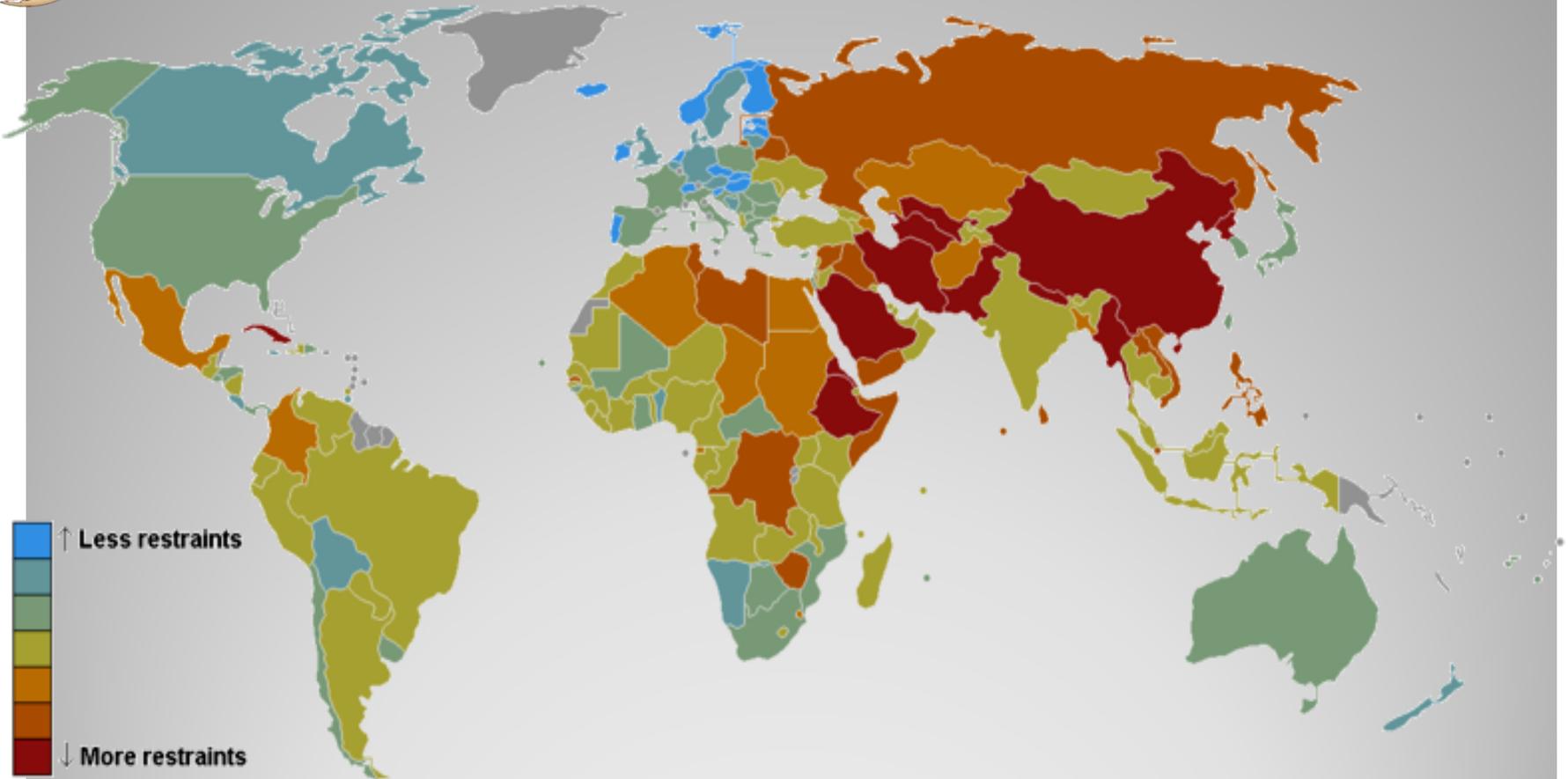
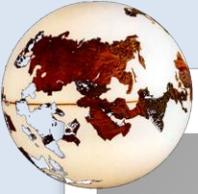
Service improvement

Lower prices

Because the products become more accessible, it gives us easy to shop and use them.

Which one should I choose?
We have so many choices!

Advantages of Market Economy



States with Market Economic Systems
(mostly greens and blues)



government

Government controls everything, even profits.

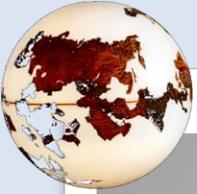
owns all businesses

determines production ...
type, location, amount

operates businesses,
decides wages of workers

all profits
go to government

Command Economy



- ...a system of production of goods and services usually consumed or distributed by a governmental agency, in quantities, at prices and in locations determined by the government
- ...rigidly programmed by a central planning department without benefit of the cost or demand information a free market economy regularly supplies

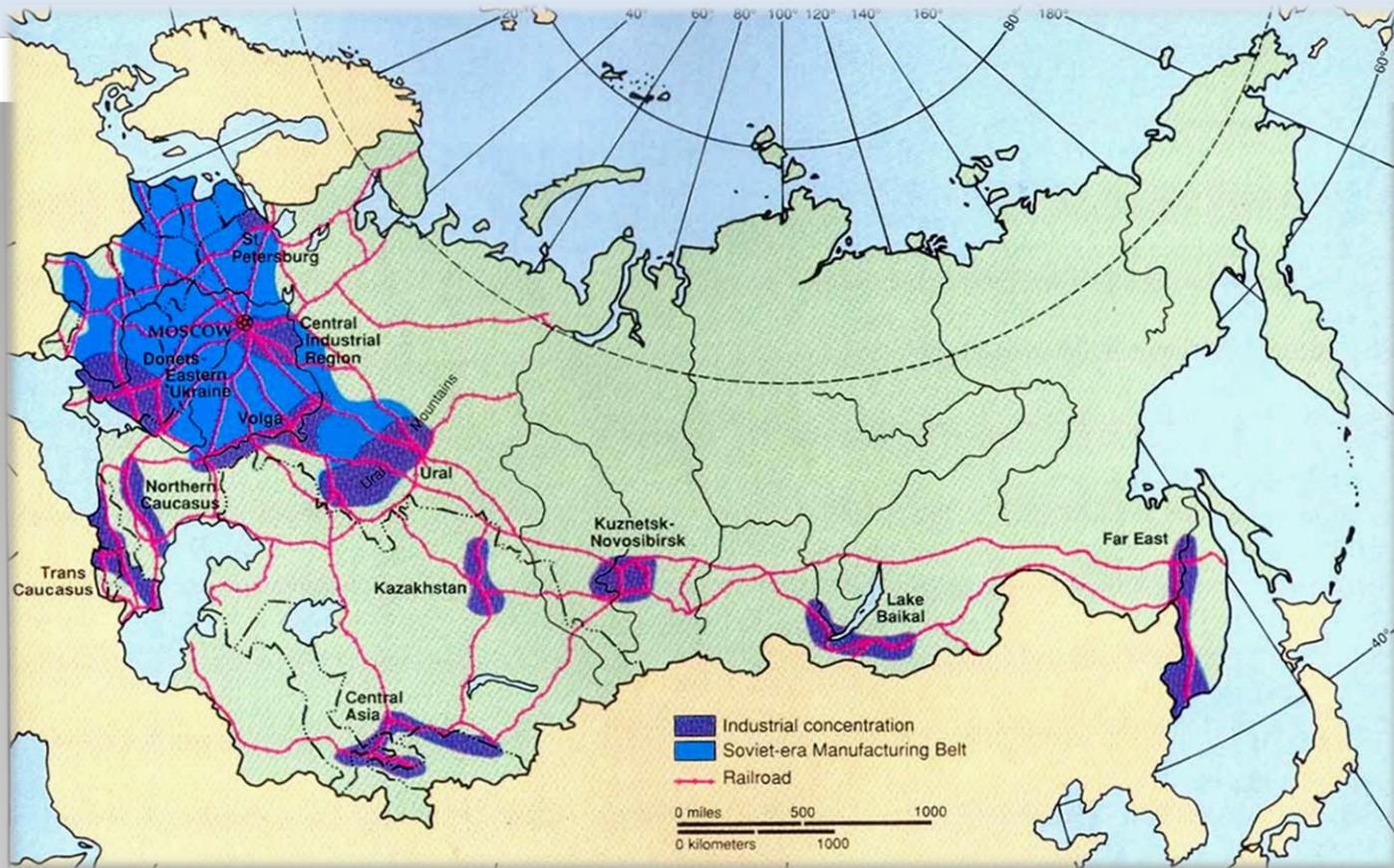
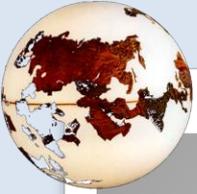


Command Economy



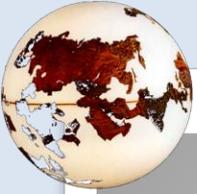
- There is little uncertainty.
- Economy can quickly change direction in a short period of time as the government controls all means of production.
- Guarantees equal standards of living for everyone.
- There is less crime and poverty.
- Needs are provided for by the government, provides basic levels of education, health and other services at little to no cost to its people.
- The government controls prices and buying which can keep people out of debt.
- There is less unemployment since the government provides jobs.
- There is none of the waste that results from competition.

Advantages of a Command Economy



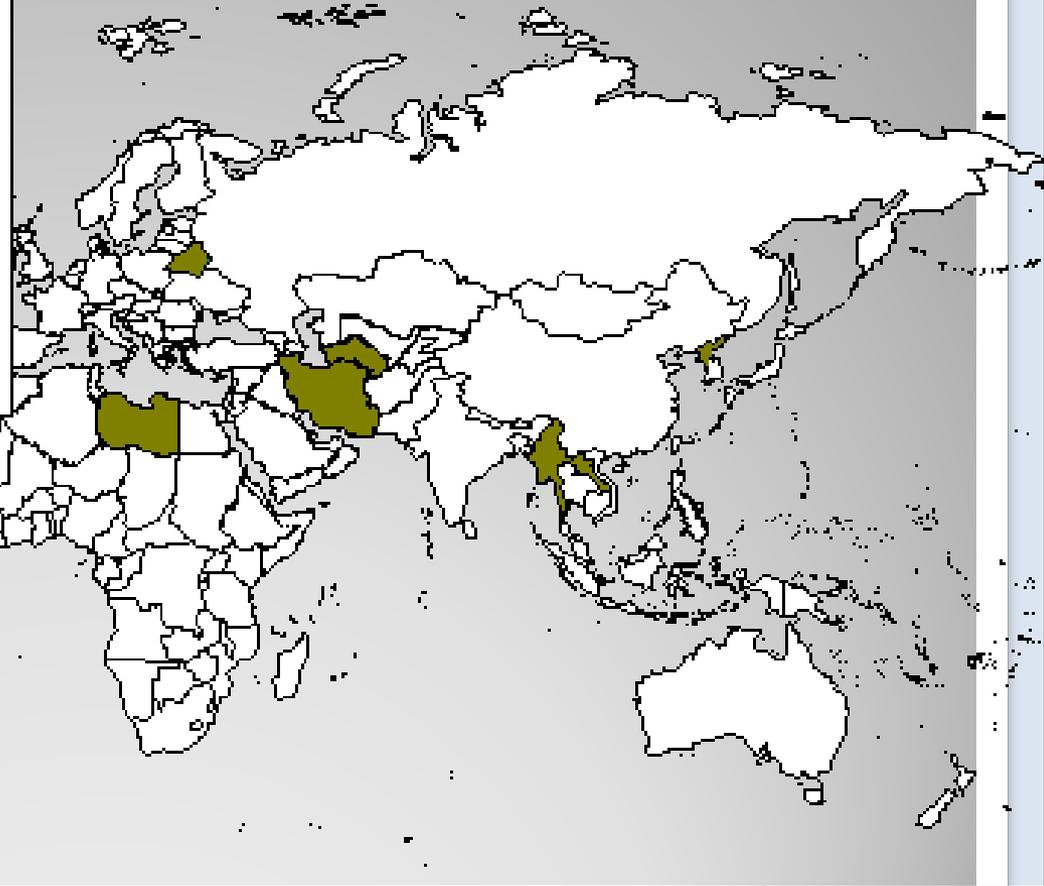
The Volga, Central Industrial and St. Petersburg (Leningrad) concentrations within the former Soviet manufacturing belt were dependent on transportation, labor and market pulls. Other planned industrial regions had a strong orientation to materials and were developed despite their distance from population centers and western markets.

Command Economy Industry



COMMAND ECONOMIES

North Korea	Belarus
Cuba	Laos
Turkmenistan	Libya
Myanmar	Iran



States with Command Economic Systems



government

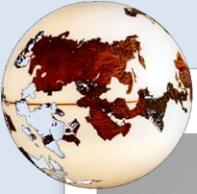
free market
(private industry)

joint economic decisions ...
government decides
industry ownership

state provides
certain benefits and services for all ...
sometimes called *welfare state*

private industry
keeps profits

Socialism: Mixed Economy



No Government
Control

Total Government
Control



Lots of Economic
Freedom

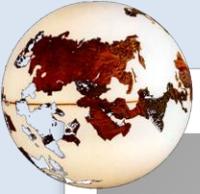
No Economic
Freedom

Although in theory we talk about pure economic systems, there are no such things in the real world.

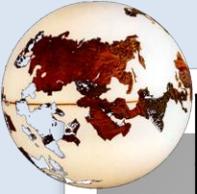
A state's economy may be mostly command or mostly capitalist but *pure* economic systems exist only in theory.

Real economies exist along a continuum.

**Governments Take a Different
Role in Each System**



The move toward capitalism is a global trend.



CHARACTERISTIC	COMMAND ECONOMY	MARKET ECONOMY
ownership of resources	government ownership	private ownership
decision making	centrally planned	by the market
motivation	social good	self interest and profit
prices & wages	set by the government, often distorted	set by the market, change with market
result	inefficient full employment low inflation low standard of living shortages more equal distribution	economic efficiency periods of unemployment periods of inflation high standard of living wide range available unequal distribution
problems	corruption = self interest lack of incentives distorted prices inefficiency	monopoly = inefficiency inequality changing prices instability pollution
OVERALL	LESS FOR MORE (INEFFICIENT)	MORE FOR LESS (EFFICIENT)

Market vs. Command Economy

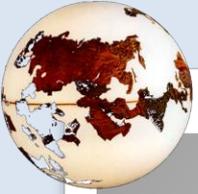


In order to move toward capitalism, states may implement structural adjustment policies such as:

- privatize state industries
- promote competition
- limit and reorient role of government
- price reform
- join world economy through freer trade
- increase imports from core (product dumping)



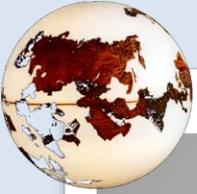
Move toward Capitalism: Structural Adjustment Policies



In order to move toward capitalism, states may implement structural adjustment policies such as:

- devalue currency to increase exports
- increase macroeconomic stability
 - lower government budget deficits
 - lower government spending, including social programs
 - reduce inflation and promote private investment

Move toward Capitalism: Structural Adjustment Policies



1. Government workers are laid off.
2. Prices rise for privatized goods (fuel, water, medicine).
3. Domestic goods are overwhelmed by imports as subsidies are eliminated for domestic producers.
4. Population is less able to purchase goods.

Move toward Capitalism: Results of Adjustment Policies



Continued in
Economic Geography Part III

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