

9 The Location of Production

I. The advantages of different localities

1. *Natural*: (a) Accessibility to raw materials and markets. With weight-losing production, transport costs are saved by producing where raw materials are accessible. With weight-gaining industries, it is cheaper to produce near market. (b) Climate. (c) Cheap, unskilled labour.
2. *Acquired or man-made*: supply of skilled labour, communications, marketing and commercial organisations, ancillary industries, training schools, reputation.
3. *Government-sponsored*: help to firms in 'Assisted Areas' (Chapter 28).

II. The level of rents in different areas

Firms compete according to the net revenue advantages of a site, and they have to pay the 'opportunity cost' – what the next-best use will pay. The firm which values the site the highest can pay the most. Thus it is *relative* advantages which decide land-use (as with occupations followed).

III. Conclusions

A firm will normally choose a site where benefits are greatest compared with costs. Acquired advantages may reinforce natural advantages, but many non-economic reasons may decide, e.g. chance, inertia, preferences of directors, their wives or key workers for a particular area.