HOOVER’S THEORY OF LOCATION

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MAIN THEORY

- Hoover put forward a least cost theory of location in order to remove the problems associated with Weber’s theory of location
- Hoover assumed that perfect competition exists between producers or sellers at any one location
- He assumed that there is perfect mobility of factors of production
- He considers transportation costs and production or extraction costs as the determinants of location
- He considers extractive industries first, with the location of deposits given and attempts to find the area that each producing point will serve. The delivered price for any buyers will be the cost of extraction plus transport costs
- He has represented this by a system of isotims, radiating from the point of production and joining places of equal delivered price

- Buyers will obtain the commodity from the source that offers the lowest delivered price and the boundary between the market area of two producers will be a line joining the points at which the delivered price is the same from both sources
- Transport costs are the only variable affecting price as long as the costs of extraction does not vary with output. He also includes the influences of diminishing returns to scale
- The least-transport-costs location is found by drawing isotims around given material and market points, from which lines of equal total transport costs(isodopanes) can be constructed
- He also shows how different sections of the market will be served by different producing points

- Hoover differs with Weber’s emphasis on least transport cost points within locational triangles. Even with the assumption of uniform transport costs, the possibility of a separate minimum point not at one corner of the triangle is much less than might be thought at first sight. The chance of a location not at one corner is even less likely, if the fact that transfer costs are actually less than proportional to distance is also considered
- If a separate point away from material sources and market does occur, Hoover suggests that perhaps this is a sign that industry is not primarily transport oriented at all and that possibly a low labour cost location enters into the picture
- He claims that in practice the influence of transfer costs tends to locate production at markets, at sources of raw material, or at junction breakpoints in the transport network
- If production costs are considered then he views it as a possible production point if the saving in labour cost compensates for increasing transfer charges
- Hoover considers economies of concentration as a part of production costs

LIMITATIONS

- He mostly emphasised on transport costs as determinants of location
- He did not integrate other causal factors into his theory
- He made references to market areas but he was much concerned with cost than with the demand factor
- He did not take into account locational interdependence