

August Losch's Theory of Location:

Christaller's (1933) and August Losch's (1940) approach has recognized the locational interdependence of firms indicated that the proximity and size of market were chief determinant of location of industry. Loach rejects least cost approach by producing a theory of location with demand as a major spatial variable. The right approach to him is to find the place of maximum profits, where total revenue exceeds total cost by the greatest amount. Losch recognized that different industries would pass different size hexagons which in turn would generate different intra industry concentrations. But differential intra industry cost would arise as a result of different agglomeration. He failed to combine an analysis of intra industry cost and demand differential in one model. He concentrated on demand as sale determinant of location and neglects special variations in costs. Transport cost has the effect only limiting the size of the market area.

Profit Maximization approach (Theory) : The least cost approach and demand or market approach are one sided approach. Walter Isard and Melvin Greenhut have tried to integrate both least cost and demand approach to find the profit maximization location. Greenhut's theory of Industrial Location incorporate cost factor, demand factor, cost reducing factor, Revenue increasing factor etc. He says transportation cost influencing location only when the cost of transportation forms a substantial part of total cost. His approach incorporates both major elements, demand and cost for location, therefore it is a more general theory of location. 57 For integrating the 'least cost' and 'location interdependence' approaches, Greenhut adopted maximization of revenue as the criteria for finding the optimum location. Despite Greenhut's emphasis on the demand factor, both theoretical and empirical inquiry have subsequently remained preoccupied with the cost approach. Greenhut (1964) again urged that attention be given to the demand factor. He says that demand is dependent on the choice of location and also influences it and more variable than cost. He makes useful distinction between demand as an area determining factor of location selecting one area for location instead of others because of the greater size of the market in the one and demand as the site determining factor of location which involves choice in relation to the location of competitors. He stated that empiricists have failed to take into account the site determining effect of demand that is, they failed to recognize role of locational interdependence in site selection.