

## ► DEFINITIONS OF KEY TERMS

**Agglomeration Economies** Cost savings resulting from location near other firms.

**Basic Industry** An industry producing goods or services for sale to other regions.

**Break of Bulk** The stage of transportation when a bulk shipment is broken into smaller lots and/or different modes of transportation.

**Capital Goods** Goods used to produce other goods.

**Cost Minimization** An industrial location strategy that seeks to minimize what the firm pays to produce and distribute its products or services.

**Division of Labor** The specialization of workers in particular tasks and different stages of the production process. The *spatial* division of labor is the specialization of different regions in different stages of the production process.

**Economic Base Model** A demand-driven model in which exports to other regions drive regional development.

**Economies of Scale** Lower production costs as a result of larger volume of production.

**Externalities** Effects that extend beyond any single company. External economies of scale, for instance, are cost savings due to a larger volume of production in the region as a whole rather than a large volume within any one company.

**Industrial Economy** The dominant mode of production and consumption of the late nineteenth and early twentieth centuries, emphasizing large domestic corporations engaged in food processing, heavy equipment manufacturing, and energy products.

**Labor Productivity** Amount produced per worker per hour.

**Localization Economies** Savings resulting from local specialization in a particular industry.

**Market Oriented** The tendency for an industry to locate near population centers in order to save on transport costs, which usually occurs when the final product is more expensive to transport than the raw materials.

**Nonbasic Industry** An industry producing goods or services for sale within the local region.

**Postindustrial Economy** The emerging mode of production and consumption of the late twentieth and early twenty-first centuries, featuring huge transnational corporations and localized agglomerations that produce and/or utilize information technology and telecommunications, with greater employment in tertiary and quaternary services.

**Primary Activity** An economic activity that directly extracts or harvests resources from the earth.

**Producer Services** Services provided by businesses to other businesses. Also known as *business services*.

**Quaternary Activity** Highly skilled, information-based services.

**Raw Material Oriented** The tendency for an industry to locate near the source of raw materials in order to save on transport costs, which usually occurs when raw materials lose weight in the production process.

**Regional Multiplier** A numerical relationship showing the number of total jobs created for each new basic job in a region.

**Secondary Activity** An economic activity that transforms raw materials into usable products, adding value in the process.

**Services** Tasks done for consumers or businesses for a fee.

**Technological Spillovers** Leakage of technological know-how to other people and firms usually located in close proximity.

**Tertiary Activity** An economic activity that links the primary and secondary sectors to the consumers and other businesses either by selling goods directly or by performing services utilizing those goods.

**Transaction Costs** The unseen costs of doing business; the costs required for gathering information about, negotiating, and enforcing contracts in the exchange of a product or service.

**Urbanization Economies** Savings resulting from locating in or near urban areas that have a large and diverse labor pool, large markets, developed infrastructure, and availability of a wide variety of goods and services.

## ► FURTHER READINGS

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