

## Summary

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# Long-Range Growth: Economic Development in the Global Network of Air Links

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It is often said, to the point of being cliché, that we are living through an age of globalization. One key aspect of that is certainly a marked reduction in transportation costs of goods, of information, of people: a globalized world is an interconnected world, in all these dimensions. However, understood as such globalization is obviously far from new. Previous episodes of global integration, such as in the late 19th century, also witnessed a steep reduction in transportation costs over long distances, as steamships and railways sharply increased trade and migration across borders.

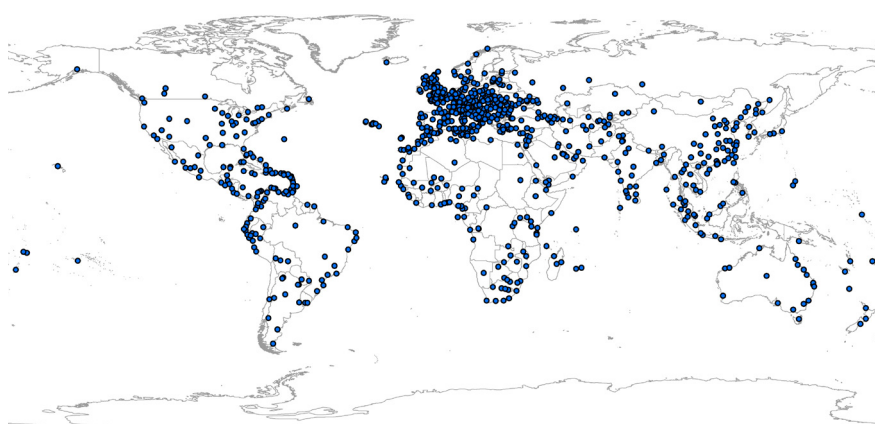
The current episode is unique, however, in that it is now far cheaper and faster than ever to transport people, and this has made it possible to travel back and forth between distant places. This is the direct consequence of the explosion in air travel. Of course, it was possible to travel long distances before air travel, but the cost was so high that few actually did, and those who did, for the most part, would not travel frequently. Now, for the first time in human history, the whole world is effectively connected in a global network of air travel, enabling a constant flow of people between countries and continents far apart.

This paper studies the impact of direct long-distance air links, to present the first evidence of causal effects

of that transformation on economic development. A long intellectual tradition has posited that proximity – and in particular its most fundamental aspect, face-to-face contact – is a key driver of the transmission of knowledge and information, which in turn underpins the increases in productivity without which sustained economic growth is impossible. While people have been able to move from Shanghai to London or New York for a long time, and goods have been moving for just as long, now people can, unlike ever before, go back and forth between these places. This opens up new possibilities of exchange and interaction, with potentially transformative effects for development.

In sum, the evidence suggests that increasing the number of direct connections between different places has a significant impact on development, as it increases economic activity at the local level. This seems to be driven by an intensification of business links, consistent with the idea that the ability to interact in person is crucial for the establishment of those links. In other words, the movement of people fosters the movement of capital, even though there is no technological reason why capital would need airplanes to move around. This suggests that policy interventions designed to increase the number of connections could potentially spur development, though at the price of increased spatial inequalities at the local level.

**Figure 1: Cities with Major International Airports**



Using a sample of cities with major international airports from the International Civil Aviation Organization, which are shown in the map, the authors can calculate the distance between all city pairs as well as the number of non-stop flights between cities.

**Notes:** The map plots the locations of the 819 cities in the sample, all with major international airports as defined by International Civil Aviation Organization (ICAO).

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