

The Transportation-Communication Revolution: 50 Years of Dramatic Change in Economic Development

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Abstract

The Industrial Revolution resulted in a remarkable transformation from subsistence to opulence, but this was true for only about 15 percent of the world's population. The change was minimal in the rest of the world. By 1950, the mean per capita GDP in the developing world was still less than \$4 per day. However, the situation has changed dramatically since 1960. A second economic revolution, the Transportation-Communication Revolution, has propelled historically high growth rates among developing countries with fewer geographic (location and climate) disadvantages. The foundation of this revolution is a huge reduction in transportation and communication costs that generated a large increase in international trade, enhanced entrepreneurial activity, improved economic institutions, and triggered demographic changes that accelerated economic growth. Between 1960 and 2015, the per capita GDP of the less geographically disadvantaged developing countries (approximately 70 percent of the world's population) increased by a whopping 549 percent, an even larger amount in just 55 years than the West during the 130 years following the Industrial Revolution. Compared to the Industrial Revolution, the changes accompanying the Transportation-Communication Revolution have been broader, promoted more rapid economic growth, and reduced worldwide income inequality rather than increased it.

Key Words: Transportation-Communication Revolution, Industrial Revolution, transportation costs, communication costs, international trade, development, economic growth, economic institutions, entrepreneurship, the virtuous cycle of development, demographic transition, income inequality