

# European Highway Networks, Transportation Costs and Regional Income

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## Abstract

To what extent do highways promote economic growth in the European Union? To answer the question, this paper uses detailed data on the expansion of highways in Europe between 1990 and 2020 combined with data on more than 2.3 million roads and 1400 ferry connections. I construct a network database of highways, roads and ferries depicting a 31-year evolution of the lowest transportation costs between 55 000 region-to-region routes. Reduced-form estimations suggest that through decreasing transportation costs highways increase aggregate regional income. The study determines that transportation infrastructure policies can generate substantial economic benefits.

**Keywords:** infrastructure, travel-times, road safety, market potential, regional economic growth;

**JEL classification:** H54, L92, R11, R40

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