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The Airbus lesson: How new companies can be generated to aid Europe's post-Covid reconstruction



Covid-19 has given rise to a heated debate within the EU over debt mutualisation. Drawing lessons from the creation of Airbus, [Daniele Archibugi](#) argues the EU would be better served by focusing on how member states could pool their resources to create new companies capable of competing in emerging sectors.

If the European Union is truly aiming at reconstruction, it would be better to quarrel less over the various forms of debt (be they the European Stability Mechanism or the Eurobonds) needed to increase liquidity, and instead think about investment plans.

More than half a century ago, Airbus started its business. The initiative came from the French and German governments, who subsequently managed to involve Britain and Spain as well. The purpose of the new venture was more than difficult: to manufacture and sell non-military planes while challenging the supremacy of the United States seemed impossible.

The United States had won the Second World War thanks to its dominance in the skies and in the post-war period it had used its technology to conquer the nascent civilian aircraft industry. Boeing, Lockheed and McDonnell Douglas fought among themselves for the world market. All three American companies, all three strongly supported by their government, all three getting very rich orders from the Pentagon.

Was there room for a fresh European company? Was it possible to create a new business that was neither French nor German, but born from a consortium of various European countries? And, above all, was it conceivable to pursue the production of planes without support from the military?

As risky as the gamble was, in 2019 Airbus became the world's leading aviation company. It was not easy: to continue with its leadership, the United States went through a process of industrial concentration, so much so that both Lockheed and McDonnell Douglas merged with Boeing, which since 1997 has been the only American corporation left on the market. The experience of Russia was even worse, as the civil aviation industry did not survive the end of the Cold War. That there is at least one European air carrier competitor is not only good for Europe but for the whole world, including the United States: can you imagine what the prices and quality of the planes would be if there was only one monopolist? And we can assume that the features and convenience of the products would be better if instead of a duopoly there was at least an oligopoly.



A China Airlines Airbus A330-300 over Taipei, Credit: [Hsinyu Chuang](#) (CC BY-SA 2.0)

Airbus' success was studded with difficulties. European and American governments have had fierce disputes over the public aid that each of the two companies received. The United States has reproached Europeans for giving too many tax exemptions and giving incentives for Research & Development. Europeans have pointed out the degree to which military orders that Boeing received were hiding subsidies. Washington and Brussels have conducted diplomatic negotiations and challenged each other at the World Trade Organization. And it could not be otherwise in such a commercial dispute. But today, in addition to an American giant, there is also a European one.

The lesson of Airbus should be remembered now that the strategy of European reconstruction after the Covid-19 crisis is being discussed. One of the problems of the old continent, which justifies the very ugly appellation of 'Eurosclerosis', is that Europe as a whole has no longer been able to generate new continental businesses in emerging sectors. After the crisis of 2008, many companies were born and grown that have successfully ridden the wave of new digital technologies: the top five companies in the world by capitalisation are Microsoft, Apple, Amazon, Alphabet and Facebook. All American, none European. All in digital technologies.

If in 2008 Europe had remembered the lesson of Airbus, instead of insisting on a frenzied austerity policy, it would have understood that prosperity was associated with the ability to enter emerging sectors and – when it was struggling to chase the United States – it should have invested to enhance its human and technological resources. China, which also started from much further back than Europe, understood this well: for each American giant, it tried to create national companies that, at a minimum, competed with US competitors to serve its internal market, with the aim of also becoming a world leading company. Companies such as Alibaba, Huawei, Tencent and Baidu are now keen to improve their positions in existing products and to establish themselves in emerging ones such as artificial intelligence. In Europe, we have not even managed to get a fair amount of taxes from the big tech companies.

None of the European countries, not even Germany, have the muscle to compete in emerging sectors. But if it were done as part of a European project, new successful companies could be created, as occurred with Airbus more than fifty years ago. There is widespread agreement that Europe must bridge the gap in digital technologies, that it can become a world leader in environmentally-friendly innovations, and that it could use its robust health system to develop new skills in genetics and diagnostics. But these objectives cannot be created without companies: lacking Airbus, there would have been no European planes. There is now the opportunity to use the resources of the European Investment Bank to start new firms in these areas.

It will rightly be stated that without strong political support, large companies cannot be created from scratch since they will be easily crushed by better supported competitors. This is true. But this should be an additional incentive to strengthen the political power of the European Union, which is so often evoked but has been so underdeveloped.

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Note: This article gives the views of the author, not the position of EUROPP – European Politics and Policy or the London School of Economics.

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