

# General Electric's Jack Welch and the corporate plundering of America

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Divorce papers filed in court earlier this month against retired General Electric Corporation Chairman and CEO John F. Welch Jr. provided a glimpse into the lifestyle of America's corporate elite. In her suit to dissolve their 13-year marriage, Jane Beasley Welch complains that the \$35,000 per month offered by her husband is nowhere near enough to maintain the "extraordinary" standard of living that they enjoyed together.

Her papers quantify \$126,820 in monthly expenses incurred by the couple, not counting sizable additional amounts paid by General Electric as perks to its former chief executive. Among the most significant items, GE provides a company-owned luxury apartment at the Trump International Hotel and Towers on Central Park West in New York City. Besides allowing Welch to live there rent-free, GE picks up the tab for such additional necessities as fresh flowers, wine, laundry and dry cleaning services, a cook and wait staff, a housekeeper, and every other detail down to toiletries, newspaper and magazine subscriptions, even postage. GE also pays a portion of Welch's dining bills at the exclusive restaurant Jean Georges, which is located in the building.

Additionally, Welch receives a free grand tier box at the Metropolitan Opera, memberships at four country clubs, including Georgia's prestigious Augusta National, court-side tickets to New York Knicks basketball games, box seats behind the dugout at Yankee Stadium plus a skybox for the Boston Red Sox, prime tickets to the French Open, Wimbledon and US Open tennis tournaments, VIP tickets to all Olympic events, and unlimited use of a corporate Boeing 737 jet. The cost of this last item alone is estimated at \$291,869 a month.

The list goes on. GE pays for Welch's limousine and

driver in New York, bodyguards when he travels abroad, satellite TV installations in his New York apartment and his three other homes in Massachusetts, Connecticut and Florida. And, Mrs. Welch reports, GE contributed \$7.5 million over the course of their marriage to help furnish the four homes with appliances, security systems and sophisticated computer and telecommunications equipment, with GE employees assisting with the installation.

All of these "fringe" benefits supplement a retirement agreement that includes a pension of over \$9 million a year and a health insurance and life insurance package that Welch negotiated with the GE board of directors in 1996 when he agreed to extend his tenure as chief executive until age 65. The contract specified that upon retirement, Welch would retain "lifetime access to company facilities and services" comparable to those made available to him as CEO. Welch formally retired on September 1 of last year, but, in addition to everything else, he receives a consulting fee of \$86,535 for his first 30 days of work each year, plus \$17,307 for each additional day.

Yet another company-paid perk is the cost of financial planning services to help Welch manage his fortune, estimated at \$900 million.

In statements released on September 6, neither Welch nor General Electric disputed the extent of the perks, most details of which had never been revealed to shareholders. GE spokesperson Gary Sheffer insisted that the company had complied with all legal disclosure requirements, while Welch asserted that the arrangement had "worked to the benefit of all constituencies."

Welch has been lionized as the model corporate executive for producing higher profits year after year. He is credited by his corporate admirers with almost

single-handedly turning GE from a company valued at \$15 billion when he took over to one valued at over \$400 billion when he retired a year ago. Since then, the company stock has declined some 25 percent, in spite of reporting a 15 percent increase in six-month profits this year to \$7.94 billion.

His ruthless methods earned Welch the nickname “Neutron Jack” among GE workers, due to the layoffs he carried out soon after taking over. In the course of the 1980s Welch cut some 100,000 jobs.

He established the principle of selling off any subsidiaries that failed to maintain a number one or number two market share in their respective industries, while meeting profit expectations. General Electric owns businesses that range from its traditional lighting and appliance production to aircraft engine manufacturing, electric generating systems, financial services and insurance, and the major broadcast network NBC.

This latter enterprise provided Welch with exceptional political clout. Analysts point to the kid glove media treatment of George W. Bush during the 2000 presidential election campaign, after his top advisor Karl Rove promised Welch and other media moguls that, if elected, Bush would carry out a major deregulation of the broadcast industry.

Welch reportedly took a keen personal interest in the NBC News division. He had fired its president Lawrence Grossman in 1998 after the latter spoke of the news as being a “public trust” that should not be subjected to the profit requirements of the other GE operations.

It was widely reported that on election night 2000, Welch made a personal visit to NBC’s New York studios and used his influence to get NBC News to reverse its initial announcement that Democratic presidential candidate Al Gore had won the state of Florida. NBC was the second major network after Fox News to announce Bush’s “victory” in the early morning hours of November 8, only to retract the call later and declare Florida “too close to call.”

At congressional hearings in February of 2001, Representative Henry Waxman (Dem.-Calif.) asked the then-president of NBC News, Andrew Lack, to produce a promotional videotape filmed in the studio on election night that could prove or disprove Welch’s presence. To date, despite numerous follow-ups, NBC

has failed to turn over the tape in question.

Soon after the Supreme Court decision giving Bush the presidency, Welch was included on an elite panel of business leaders assembled to help shape the new administration’s pro-business agenda. Two days after his inauguration, Bush appointed Michael Powell, son of US Secretary of State Colin Powell, to head the Federal Communications Commission. Powell subsequently announced a comprehensive review of media ownership rules to allow an even greater concentration of outlets in the hands of a few giants, including overturning the current prohibition against mergers among the four major television networks—ABC, CBS, NBC and Fox.

Welch’s lavish lifestyle—at company expense even in retirement—is typical of the elite group who dominate the world’s economic life. The bursting of the stock market bubble has brought into the open numerous other instances of top executives looting corporate assets for personal use.

While both Welch and GE claimed that his retirement compensation package was completely legal, the Securities and Exchange Commission announced last week that it would investigate the deal, and Welch wrote a column in the *Wall Street Journal* Monday announcing that he was relinquishing many of his company-paid perks.

Examples have been made of a few executives, such as Tyco’s deposed CEO, Dennis Kozlowski, under indictment for tax evasion and outright fraud in charging \$135 million in personal expenses back to shareholders. But the revelations about the sums spent on Welch, perhaps the most celebrated business leader of the last decade, underscore the fact that the plundering of society by the corporate elite in the US is not some aberration, but rather a systemic feature of contemporary capitalism.



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