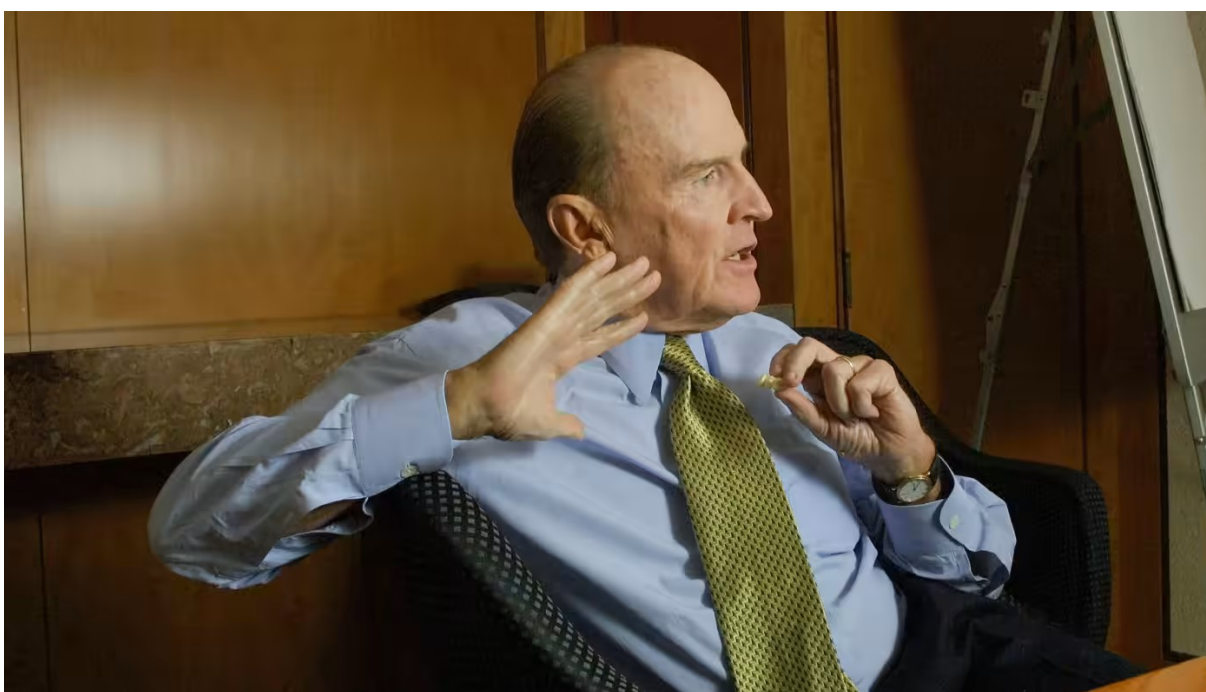


**Non-Fiction**

## The Man Who Broke Capitalism – did Jack Welch destroy corporate America?

In his sharp, provocative book, David Gelles argues that the GE boss's brutal efficiency drive led to long-term decline



Jack Welch in 2001, the year he retired © New York Times/Redux/eyevine

#### **Andrew Hill** YESTERDAY

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Even in the late 1990s when Jack Welch was riding high, General Electric’s chief executive was a divisive figure.

He had been dubbed “Neutron Jack” for the brutal job cuts he instigated in the 1980s, the first of his two decades in charge at GE. He had turned the conglomerate, nicknamed “Generous Electric” in the 1920s for its benevolence, into a byword for ruthless techniques such as “rank and yank”, his unbending policy that the lowest-performing 10 per cent of any team should be dismissed annually.

Yet he was also on the brink of being named “Manager of the Century” by Fortune magazine. His undoubted success in adding value for shareholders was much admired. His methods were copied by his corporate peers. In the US and beyond, it was hard to understand rampant corporate capitalism and fast-spreading globalisation without knowing about, or referring to, the rise of GE under Welch, a small man with a powerful international reach.

Even so, it is a leap to hold [Welch](#) largely responsible for the evisceration of corporate America and the corruption of its body politic. David Gelles has a good try in *The Man Who Broke Capitalism*. He equates “Welchism”, a Darwinian creed of “downsizing, dealmaking and financialisation”, with imperialism. He describes it as a virus, whose genetic origins lay in economist Milton Friedman’s theory of shareholder primacy.

In Welch, the scrappy Boston-born outsider who was the surprise choice for GE CEO in 1981, this “insidious ideology” found a perfect host, argues Gelles. The group, founded by Thomas Edison, was then a revered but bureaucratic manufacturer of fridges, lightbulbs, motors and wiring. It was in turn the ideal incubator for a vast experiment in the sort of hard-edged cost-cutting and restructuring that has since become familiar across the global corporate landscape.

Since Welch retired in 2001, Welchism has “left a trail of destruction” over today’s corporate economy, from Amazon’s working practices to Kraft Heinz’s drastic efficiency drive, writes Gelles, a New York Times (and former FT) reporter.

At the time I first met, interviewed and wrote about Welch, in 1999, he was the dominant exemplar of the cult of the CEO, exuding a fierce charm and undoubted charisma. Business journalists certainly contributed to the hero-worshipping.

### **One former GE executive says: ‘If Jack jumped off a bridge, half the Fortune 500 would have been jumping off bridges’**

Yet Welch’s reputation started to crumble almost as soon as he handed the reins of GE to his successor Jeffrey Immelt. Beginning with the collapse of the energy group Enron, a spate of US scandals exposed chief executives’ excesses. Welch caught the backlash, having to renounce some of the previously unquestioned perks in his retirement package, which included tickets to a box at Fenway Park, where his favourite

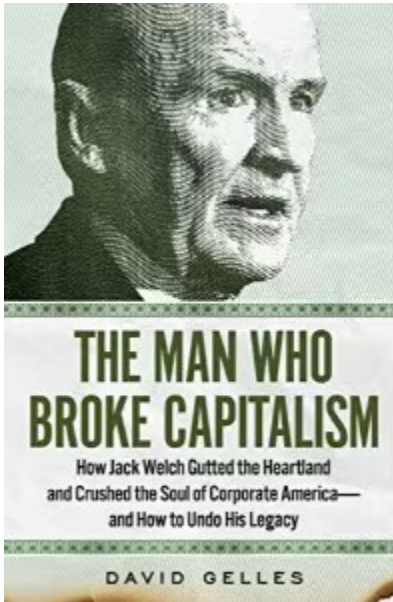
Red Sox played baseball, and an apartment at the Trump International Hotel & Tower overlooking Central Park.

Welch did not slip quietly out of the limelight. Almost until [his death in 2020](#), he continued to be in demand for his forthright soundbites on CNBC, the business channel once controlled by GE. He added business lustre to Donald Trump’s candidacy and presidency by endorsing his fellow businessman. He set up [an MBA programme](#) in his own name.

His direct legacy at GE was tarnishing fast, however. GE Capital, the vast financial business he had built inside the conglomerate, lived on to haunt his successor Immelt into the financial crisis of 2008 and beyond. GE’s eerily smooth double-digit increases in earnings under Welch proved impossible to sustain. The group’s longstanding reputation as a hands-on school for future CEOs finally disintegrated in 2018, when the board appointed an outsider, Larry Culp, as chief executive. He is in

the process of [dismantling the house that Jack built](#).

Gelles ably chronicles this decline. But according to his account, the spread of Welchism depended less on the dwindling influence of GE than on the diaspora of Welch's imitators and admirers, many trained by the man himself. *The Man Who Broke Capitalism*, which will be published in the UK next month, is good at tracing former GE executives' trajectories after they moved on to run other companies: a sharp upward tick in the short term, as job-cutting and GE-style efficiency measures took hold, followed by a slow decline in the share price, the culture, or both.



GE alumni tried to apply Welchist management at organisations as varied as Boeing, manufacturer 3M and do-it-yourself chain Home Depot. At the last, Bob Nardelli, a runner-up in the race to succeed Welch, oversaw a decline in the retailer's share price and a surge in his own pay, culminating in the award of a \$210mn exit package.

Gelles even finds the former GE boss's fingerprints on the chain of mistakes that led to the fatal Boeing 737 Max crashes in 2018 and 2019. Former GE executives occupied key roles at the aircraft maker. One, Dave Calhoun, took over as chief executive after the crashes. He described Welch as his "forever mentor" in an interview with Gelles the day after Welch's death in 2020. Boeing workers, the book claims, had been put under "the same sort of pressure Welch had brought to bear inside GE's factories".

In laying out a prescription for curing Welch's legacy, Gelles suggests a dose of broader stakeholder capitalism, from profit-sharing and worker representation on boards to higher taxes and executive pay caps. Some of these measures are already features of European corporate capitalism. As the recent [pushback against this movement](#) suggests, though, in the US at least, Welchism is hard to reverse.

.Jack Welch held a uniquely influential position at a pivotal moment in American

Jack Welch held a uniquely influential position at a pivotal moment in American capitalism. But he was not alone in pushing for greater efficiency in the face of overseas competition. Even his critics admit that a shake-up was overdue at many US blue-chip companies. It seems doubtful that all the postwar collectivist virtues that Gelles extols would have survived if Welch had somehow lost out in the race to run GE.

One former GE executive interviewed here says: “If Jack jumped off a bridge, half the Fortune 500 would have been jumping off bridges.” In his absence, though, someone else would probably have led the charge. Future anthropologists will wonder why we once worshipped our bosses, Gelles writes at the beginning of this short, sharp, provocative book. But if Jack Welch had not existed, Americans might well have found it necessary to invent him.

**[The Man Who Broke Capitalism](#): How Jack Welch Gutted the Heartland and Crushed the Soul of Corporate America — and How to Undo His Legacy** by David Gelles, *Simon & Schuster*, £19.99/\$28, 272 pages

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