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General Electric: A Modern Corporate Empire

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30 ROCK, SEASON 1, EPISODE 1:

Jack: The GE trivection oven cooks perfect food five times faster than a conventional oven because it uses three kinds of heat. Thermal technology for consistent temperature, GE precise air convection technology for optimal air circulation, and microwave technology for incredible speed. With three kinds of heat, you can cook a turkey in 22 minutes.

Pete: Wow. That is impressive.

Jack: The people upstairs think so. That’s why they promoted me, that’s why they sent me here to retool your show.

Liz: Retool what now?

Jack: I’m the new Vice President of East Coast Television and Microwave Oven Programming.¹

The pilot of NBC’s hit show 30 Rock pokes fun at the corporate culture and diverse businesses of General Electric, NBCUniversal’s parent company. With Alec Baldwin’s Jack Donaghy as the cutthroat GE executive chosen to oversee NBC television, the show openly jokes about the company’s jurisdiction over programming and its big-business stereotypes. Surprisingly, GE executives appreciate the show’s mocking tone, even though it accurately portrays the company as a profit-focused, global conglomerate. CEO Jeff Immelt recently said 30 Rock’s GE humor “adds to the humanity of the company.”² The series, therefore, acts as a means by which GE can both control and redefine the public’s perception and criticism of the company—just one example of GE’s corporate and cultural empire. With divisions in the defense, technology, and medical industries, a strong lobbying presence in Washington, and a history of criminal activity, GE’s additional involvement
in the media industry presents a clear conflict of interest that ushers it into the realm of imperialism. Since General Electric acquired NBC in 1985 the company has prioritized profit above all else, especially under the reign of former CEO Jack Welch. Throughout his 20-year tenure Welch strove for each of GE’s businesses to be number one in their particular markets.³ Through its control of popular media, news broadcasting, and advertising, GE can manipulate the information it presents to its audience, and, as 30 Rock demonstrates, even manipulate its criticism. Now, on the eve of General Electric’s sale of NBC Universal to Comcast [officially completed on Jan. 28, 2011⁴], it is apparent that in the past 25 years, media control has played a significant role in GE’s profit-making schemes, creating a cultural and corporate empire both domestically and internationally.

General Electric was established in 1892 when Thomas Edison merged the Edison General Electric Light Company with the Thomson Houston Electric Company. The new corporation, guided by Edison’s passion for invention, quickly grew into a model American business with many cutting-edge endeavors, ranging from refrigeration to electric locomotives.⁵ The relationship between General Electric and the media industry traces back as far as 1919 when, following the privatization of the wireless industry, GE helped to establish the Radio Corporation of America (RCA). Although initial plans were to corner off a portion of the radio receiver market, GE also experimented with broadcasting, creating the National Broadcasting Company (NBC) in 1926 under the RCA umbrella.⁶ Unfortunately, fears of monopoly forced GE to sell off its stake in RCA in 1932, removing NBC from GE’s influence for more than 50 years.⁷ Nevertheless, GE continued to grow. Its divisions now range from consumer products and military defense technology to insurance and finance.⁸ In the mid-1980s, GE’s influence became even more widespread as it ventured back into the world of broadcast media. As of November 2010, the corporation was ranked Number 4 on the Fortune 500 list and Number 2 on the Fortune 2000 list and, with more than 300,000 employees worldwide, took in revenue of more that $156 billion in 2009.⁹

THE RISE OF AN EMPIRE

Jack: Oh no, no. GE could never make something so... unique. We’ll have to pass this off to one of our subsidiaries. [Jack rolls down a complex organizational chart.] You see, GE owns KitchenAll of Colorado, which in turn owns JMI of Stamford, which is a majority shareholder of Pokerfastlane.com which recently acquired the Sheinhardt Wig Company which owns NBC outright. NBC owns Winnipeg Iron Works, which owns the AHP Chanagi Party Meats company of Pyongyang, North Korea, and they will make the Meat Machine.¹⁰
Much of General Electric’s growth has come in the form of mergers and acquisitions. Perhaps most significant was the merger of GE with RCA in 1985, the biggest non-oil merger in the nation’s history.\textsuperscript{11} At the time, the $6.3 billion deal created the United States’ seventh-largest industrial corporation, according to a Dec. 12, 1985 article in the \textit{New York Times}. Reporter John Crudele cited the two corporations’ common dealings in the high-technology defense industry as the primary reason for the merger, along with GE’s plan to use RCA as a tool to expand the visual and audio equipment consumer goods market.\textsuperscript{12} RCA’s media holdings were also important—another \textit{Times} article from Dec. 12 postulated that RCA’s broadcast operations at NBC were the “jewel” of the merger.\textsuperscript{13} In any case, Welch wanted to “develop General Electric’s highest growth businesses,” and, after the merger, he expected to increase its earnings from the technology and service industries to 80 percent of total revenue.\textsuperscript{14} However, Crudele reported that the change in ownership was not expected to have a considerable effect on the network’s content. He added, “The network’s news operation, likewise, is not expected to change much.”\textsuperscript{15}

Surprisingly, the executives at NBC seemed to agree. \textit{New York Times} writer Geraldine Fabrikant reported that NBC employees were not worried about the future of the company.\textsuperscript{16} Larry Grossman, the president of NBC News, said, “I don’t detect any problem. NBC, after all, has been owned by RCA, and there is a long tradition of total independence from that. We’ve been given reason to understand that this will make no difference at all to news policy.”\textsuperscript{17} GE’s longtime history in broadcasting, dating back to 1919, helped to justify the acquisition of NBC to the public, the FCC, and employees. However, Fabrikant reported that prior to the 1985 merger GE had been trying to acquire broadcast properties to move into more profitable industries.\textsuperscript{18} This suggests that GE initially entered the NBC merger with an intention of extracting profits from its broadcasting and advertising outlets. Ultimately, profits were the primary motivator.

In 2003, GE expanded into the motion picture and theme park industry with its purchase of Vivendi’s Universal Studios. The result, NBC Universal, encompasses television, film, music, and online platforms on a global scale, with entertainment reach extending throughout the world. Lynette Clemetson of the \textit{Times} called the merger the rebirth of the old GE Empire, the empire that died when GE was forced to leave RCA in 1932. The lesson, she says, is that “media empires that die some day come back.”\textsuperscript{19} Though anti-trust Congressmen railed against GE’s Great Depression-era “radio monopoly,” the present-day corporation has faced far less criticism from monopoly whistle-blowers—probably because of the company’s lobbying presence on Capitol Hill.
GENERAL ELECTRIC’S PRESENCE IN WASHINGTON

Liz: So you’re putting one more nut-job – yeah, I said it, one more, I’m political – in Washington so you can advance your career? What is going on today, has everyone lost their moral compass?

Jack: You’re being awfully high and mighty for someone who once claimed her husband drowned so she could get out of a gym contract. The whole Kabletown deal is resting on this and Austin is pro-business.

Liz: Big business is what’s screwing up this country.

Jack: Please, Lemon, you work for General Electric!

The general lack of criticism from the government can most likely be attributed to the intense lobbying efforts of General Electric. GE maintains influence in the political realm through special interest groups designated for the aspects of its operations that require government support, including defense, environmental cleanup, energy science, technology, aviation, banking, and trade. A significant portion of GE’s business is tied to defense contracts with the U.S. military. GE’s defense business goes back as far as 1912, when the company developed the first electrically propelled ship for the U.S. Navy. GE’s military dealings grew throughout the century, and, in the last 10 years, the contracts continued to be a significant portion of GE business. In 2000, for example, GE was awarded a $2.6 billion contract to provide engines for Lockheed Martin-made Air Force jets. In 2003, Boeing received a $9.6 billion contract to build Navy jets, with General Electric again providing the engines. From September of 2002 to September of 2004, the federal contracts for GE totaled $3.8 billion, up from about $2.8 billion in the two-year period ending in September of 2000. According to the Center for Public Integrity, GE has also been directly involved in reconstruction activities in Iraq, citing media sources that reported GE was supplying temporary electrical generators to the U.S. military forces stationed at the Bagram and Kandahar airbases in 2003.

In order to ensure these military-related contracts GE spends a significant amount in lobbying costs. In 1986, the year following the acquisition of NBC, the Times reported that GE’s Political Action Committee (PAC) was a leader in donations to congressional candidates. Throughout the campaign, GE and other large defense contractors gave a record total of $2.9 million in contributions, primarily to members of congress who were on committees dealing with military issues. The Boston Globe reported in July of 2006 that General Electric was the top corporate lobbyist for the previous year, spending $21.5 million “trying to influence the U.S. government.” The only organizations with higher lobbying costs were the U.S. Chamber of Commerce and the AARP. GE is still a lobbying superstar. In the first quarter of 2010, GE was once again the company that spent the most on
lobbying, reaching a total of $7.1 million. According to Timothy P. Carney at the Washington Examiner, “GE is extremely cozy with the administration,” explaining that the high-lobbying have continued costs despite Obama’s “rhetorical war against special interests.” However, GE’s involvement with the U.S. government goes beyond Capitol Hill to the federal courts, as criminal activities in the past 25 years have been a prominent issue.

CRIMINAL CHARGES WITH GLOBAL REPERCUSSIONS

Jack: It’s part of our new company wide global initiative. We’re going green, Lemon. And do you know why?

Liz: To save the earth?

Jack: So we can drain the remainder of its resources.29

While the U.S. government has been paying GE to further military interests abroad, the company has been charged in multiple federal lawsuits. Much of the domestic legal scrutiny has been environmentally related (for example, in 1993 GE paid $325,000 to settle a lawsuit regarding the dumping of photochemical waste in Fitchburg, Massachusetts30). Many of GE’s transgressions have had more widespread, international implications. Some have been military-related: in May of 1985, GE pleaded guilty to “falsifying claims on an Air Force missile contract,” and paid $1.04 million in fines.31 Charges included falsifying $800,000 in incorrect costs on employee time cards and lying to the government about work done on a nuclear warhead system.32 Four years later, GE simultaneously settled five lawsuits in a $3.5 million payout to the government. Four charges included military contract fraud; one was a claim of discrimination.33 In 1990, the company was convicted of defrauding the defense department by overcharging the Army for a battlefield computer system.34 The company was fined $30 million for that infraction and “other defense contracting overcharges.35 One of the most prominent cases came in 1992, when GE paid $9.5 million in criminal fines to the government and $59.5 million to settle a related civil case after pleading guilty to four criminal Federal fraud charges for its role in a scandal involving the sale of military jet engines to Israel. The Times reported that GE had conspired with an Iraqi Air Force general to submit fictitious bills to the U.S. government, who in turn paid GE for the nonexistent parts and equipment.36 And, just two years later, GE faced anti-trust charges involving a South African mining company controlling much of the world’s diamond production.37 Though GE was acquitted from its charges as a co-conspirator, in 2004 the mine eventually paid $10 million in fines for price-fixing.38 GE’s initial connection to the scandal and its history of illegal activity do not speak well of the company’s involvement in the region. In the past 25 years, GE has put profitability ahead of legality and ethics.

General Electric’s lawyers are clearly well practiced, and Arthur Kent, a former NBC journalist, describes the corporation’s legal policy as cutthroat
and unrelenting. Under Jack Welch, he says, GE enforced a rigid policy: “never admit fault in litigation, however damning the evidence against the company. And never, ever settle a lawsuit in favor of an adversary of GE until every attempt has been made to exhaust that adversary’s ability to reach trial.” However, despite their diligence in court, GE has repeatedly been proven guilty. Kent himself was involved in a long legal battle with GE, and spoke candidly of the corporation’s control of NBC news broadcasts. Despite GE’s attempts to exhaust Kent’s resources, he eventually won the case. It is here, in the realm of the media, that General Electric’s widespread influence truly reaches the level of empire. With control of NBC Universal—and its film studios, television shows, news broadcasts, and advertising markets—GE has the ability to manipulate the information shared with the public based solely on its own interests and profits.

MAINTAINING MEDIA CONTROL THROUGH NBC

Jack: Hello. For over 100 years, GE has been imagining the future today. And I’m here to talk to you today about a wonderful new synergy. It’s called product integration. It’s revolutionizing the way we monetize broadcast television. How does it work? Simple. All you have to do as the writing staff of an NBC show is incorporate positive mentions, or “pos-mens,” of GE products into your program. For example, you could write an episode where one of your characters purchases and is satisfied with... one of GE’s direct current drilling motors for an offshore or land based project. Product integration – setting a new standard in upward revenue-stream dynamics ... for all of us.

Jack: Now I’d be happy to answer any questions.
Liz: I’m sorry, you’re saying you want to use the show to sell stuff?
Jack: Look, I-I know how this sounds.
Liz: No, come on Jack, we’re not doing that, we’re not compromising the integrity of our show to sell –
Pete: Wow! This is diet Snapple?
Liz: I know, it tastes just like regular Snapple. Doesn’t it?
Cerie: I only date guys who drink Snapple.
Jack: Look, we all love Snapple. Lord knows I do, but focus here. We’re talking about product integration.40

Though GE has legally been held accountable for many of its transgressions, the constitutionality of its NBC holdings has not been officially questioned. According to the Federal Communications Commission and the Federal
Communications Act of 1934, the FCC should access the “character … of the applicant to operate the station” when a company applies for a television broadcasting station, or when a corporation takes over an already existing station. These “character” qualifications include felony convictions – and GE, with its fraud, environmental, financial, and employment violations, seems to be in direct conflict with FCC policy. However, the day before GE acquired NBC in 1983, the FCC relaxed its rules, “declaring that a large corporation could be held responsible for felonies only if the heads of the corporation or those directly involved in the broadcasting aspect were the wrongdoers.” It is hard to write-off the timing of this ruling as mere coincidence, especially considering GE’s many government connections.

According to accounts of former NBC employees, General Electric has taken full advantage of this FCC leniency. Larry Grossman, former president of NBC News, said that Jack Welch clearly articulated his expectations for NBC. Welch told Grossman not to use phrases like “Black Monday” to describe the 1987 stock market crash in fear that it would lower the price of GE stock, and even encouraged the weatherman to plug GE light bulbs during his forecast. Even when GE’s expectations for NBC were not explicitly enforced, NBC news programs tend to report favorably on their parent company—excluding GE from a segment on a nuclear weapon-based consumer boycott, or censoring references to GE in a story on defective bolts in airplanes, for example. General Electric’s interests and profits have always been the priority.

More recently, NBC has been the focus of a network feud involving Keith Olbermann of MSNBC and Bill O’Reilly of Fox News. Called “the fiercest media feud of the decade” by Times reporter Brian Stelter, the arguments included severe condemnations of General Electric from O’Reilly and other Fox News contributors. The attacks focused on GE’s military dealings, with O’Reilly going so far as to say, “If my child were killed in Iraq, I would blame the likes of [current GE CEO] Jeffrey Immelt.” Though the dispute was clearly inappropriate and exaggerated on both sides, some legitimate points were made with regard to GE’s control of NBC journalism. O’Reilly targeted NBC News as biased, with a “pro-Obama” agenda because of GE’s investments in green technology—if the cap and trade program was passed, they would compete for billions of dollars in government contracts to carry out the necessary changes. Columnist Glen Greenwald commented on the debate by identifying General Electric’s many conflicts of interest, and revealing that GE’s control of the editorial decisions of NBC and MSNBC “is an open secret in Washington.” Since so much of GE’s business, from wind power to military defense contracts, depends on the government’s support, O’Reilly and Greenwald are not alone in their allegations of biased, profit-seeking journalism.
Arthur Kent, a fired NBC journalist, also accused General Electric of prioritizing lucrative entertainment over legitimate journalism. He described NBC as part of GE’s corporate wheel, with the company establishing a profit-maximizing attitude toward NBC: “Program only the stories you can sell. Promotion policy becomes editorial policy. Entertainment in Burbank steers News in New York.” Kent had good reason for his negative portrayal of NBC under General Electric: As a correspondent in the Middle East and host of Dateline NBC, he was publicly slandered and fired after a contract dispute. Kent sued NBC for breach of contract, fraud, and defamation, and after a long court battle was rewarded an undisclosed settlement amount and received a public apology from NBC, who retracted all statements suggesting Kent had breached his contract. Following the settlement, Kent was quick to talk about the misguided management style of GE. He wrote, “my projects have been hampered by a confused, manipulative editorial process, one that threatens the standards and ideas that have been, until now, the bond that has held me to NBC News.” In his book Risk and Redemption, Kent nicknamed GE the “Evil Empire” and wrote about its “wall of censorship.” Citing specific events—including the GM crash-simulation incident—Kent went on to prove that profits influenced editorial policy. In a final display of GE corporate hypocrisy, the coverage of his case was abbreviated on NBC, further proving Kent’s case of corporate imperialism.

Still, some at NBC defend General Electric. Michael Gartner, Grossman’s successor, provides an opposing perspective. He wrote, “For five years, I was president of NBC News, which is owned by General Electric. Not once did GE boss Jack Welch or anyone else at GE ask me to put something on the air – or not to … Jack Welch, tough and some say ruthless, does not use NBC to further the gains of GE.” Some may argue that this “ruthless” policy worked initially, especially in terms of mere profits. By the fall of 1997, NBC was ranked as the number one American network. In the last few years, however, both ratings and profits have fallen, and, although NBC Universal’s cable networks have been strong, NBC has fallen from number one in Nielsen Co. audience ratings in 2001-2004 to number four last year. In fact, cable programming may actually be the future of the NBC—within the next few months, cable powerhouse Comcast will officially acquire NBC Universal.

COMCAST, CABLE, AND THE FUTURE OF GE

Jack: *In order for this merger to stay attractive to our friends at Kabletown we have to seem like a sexy and profitable company and we’re almost pulling it off. The Harry Potter theme park is a huge hit with both anglophiles and pedophiles, the movie division has a James Cameron movie the whole world will see whether they like it or not.*
Only NBC continues to be the engorged whitehead on the otherwise flawless face of Universal Media. Lemon, why are you spending so much money on wigs?\textsuperscript{58}

In its current state, General Electric, as evidenced by its lobbying influence, criminal history, and editorial control at NBC, can definitely be considered a modern corporate empire. With media influence both domestically and internationally, and complete editorial control over a number of cable channels, news reports, movies, and television shows, GE manages a significant amount of information received by the public. Furthermore, it can manipulate this information to cover up misdeeds, advertise products, or, as it does in \textit{30 Rock}, control outside criticism. However, GE is about to lose its media division. On December 3, 2009, a $37.25 billion deal with Comcast was announced.\textsuperscript{59} By the end of the transaction, Comcast will obtain a 51 percent controlling interest in NBC Universal, with GE holding onto the remaining 49 percent.\textsuperscript{60} Vivendi has sold its entire 20 percent stake in NBC Universal to General Electric.\textsuperscript{61} However, the FCC is still scrutinizing the transaction, and some experts expect it will only be approved with specific limitations on Comcast’s market power in cable television and the Internet.\textsuperscript{62} [The FCC approved the merger on Jan. 18, 2011, with specific conditions to prevent severe conflicts of interest.\textsuperscript{63}]

Predictably, the basis for sale seems to be the potential for future profits in other General Electric divisions. GE hopes to shift its resources away from media into areas that are expected to have greater future growth, such as power generation, aviation, and medical-imaging equipment – conveniently at a time when revenue from advertising and traditional media is under threat.\textsuperscript{64} GE will also net about $8 billion in cash when the transaction is complete.\textsuperscript{65} Though this may mean the end of a true empire for General Electric, it ironically may set in motion another type of empire, one in which Comcast has control over both “what we watch and how we watch it.”\textsuperscript{66} With the potential for higher cable and Internet prices, fewer program choices, the prioritizing of NBC shows, and forcing subscribers to pay for cable to watch NBC shows online, a new, media-specific form of empire is in the making.\textsuperscript{67} This raises many questions on the future of big business in America and abroad, the usefulness of the FCC, and whether the expansion of American corporate empire is preventable. Unfortunately, if the GE/Comcast transfer of NBC Universal proves anything, it is that large conglomerates will continue to grow and expand their influence, usually with many conflicts of interest. Unfortunately, under the current corporate and federal climate there seem to be few solutions. Perhaps our only response can be the wise, oft-repeated words of Tina Fey’s \textit{30 Rock} character, Liz Lemon: “Blerg.”
ENDNOTES


6. Rothman, 57


14. Slater, 32

15. Crudele

16. Fabrikant, “At NBC Network …”

17. Fabrikant, “At NBC Network …”

18. Fabrikant, “At NBC Network …”


21. Rothman, 56


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