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GREATEST COMPANIES · RESEARCH SHEET · The Moat That Became the Trap

# General Electric

*The Moat That Became the Trap*

NYSE: GE · Industrial Conglomerate (dissolved 2024) · Founded 1892 · Boston, Massachusetts, USA

Dissolved into GE Aerospace, GE Vernova, GE HealthCare · v1.0 · July 2026

The most famous industrial company in the world could not pay its bills. Every day General Electric borrowed tens of billions of dollars in short-term IOUs called commercial paper, and every day it paid off the old IOUs by selling new ones, a perpetual motion machine that ran on one thing: the market's willingness to keep lending, every morning, forever. In the autumn of 2008, after Lehman Brothers collapsed, that willingness evaporated. What saved GE was not its turbines or jet engines, it was a phone call to Omaha and a change of the rules in Washington. Because by 2008, in every way that mattered to its survival, the bluest blue chip on Earth had quietly become a bank.

## Key Facts

| | |
|---|---|
| **Origin** | Formed 1892 from Edison General Electric and Thomson-Houston, financed by J.P. Morgan |
| **Sector** | Industrial conglomerate — power, aviation, healthcare, finance (now dissolved) |
| **The Myth-Maker** | Jack Welch, CEO 1981–2001, grew GE from ~$14B to over $400B |
| **The Hidden Engine** | GE Capital — over half of profits by the 2000s, borrowing cheap on GE's triple-A rating |
| **The Near-Death** | October 2008: commercial paper froze; rescued by a Buffett preferred stake and an FDIC guarantee |
| **The Cure** | A three-way breakup: GE HealthCare (2023), then GE Vernova and GE Aerospace (2024) |
| **Status** | Conglomerate dissolved; GE Aerospace (NYSE: GE) is the legal successor |

## By the Numbers

Peaked near $600 billion in value in 2000, then the world's most valuable company

Lost roughly 90% of its value peak-to-trough on a split-adjusted basis

Raised ~$12 billion in equity and sold $3 billion of preferred stock to Buffett at a 10% dividend, Oct 2008

Cut its dividend for the first time since 1938 in 2009, down 68%, later to a single penny by 2018

The federal government guaranteed more than $70 billion of GE's debt by mid-2009

Removed from the Dow in 2018 after being one of its original members since the 1890s

## The Moat

### A Fortress That Was Also a Cage

GE's finance arm existed originally to help customers buy GE's machines, but sitting inside a triple-A rated industrial company let it borrow more cheaply than almost any pure financial institution on Earth, and lend that cheap money into real estate, credit cards, leasing and insurance, booking the spread as profit. GE Capital was, in effect, printing profit out of GE's good name, and those flexible financial earnings let GE deliver Wall Street's exact expected number with almost supernatural consistency, quarter after quarter. But GE was now funding a giant lending operation with short-term commercial paper, borrowing short while lending long, precisely the fragility that destroys banks, without a bank's regulation or backstop. The diversification and scale that the market celebrated as GE's moat did not reduce risk; it hid it, bundling jet engines, turbines, scanners and a hidden bank into one entity so no investor could see clearly how fragile the whole had become.

## The 2008 Near-Death & The Decade That Followed

### Saved by the Machinery Built for Banks

In September 2008 Lehman Brothers failed and the short-term credit markets froze; the daily miracle that kept GE Capital funded stopped happening, and the stock collapsed. Having told investors there was no need to raise new equity, CEO Jeff Immelt reversed himself within days: on October 1, GE announced a $12 billion equity sale and, separately, sold $3 billion of preferred stock to Warren Buffett's Berkshire Hathaway at a punishing 10% dividend, the price you charge a desperate borrower. Even that was not enough, GE lobbied its way into an FDIC debt-guarantee program built for banks, and by the following summer the federal government was guaranteeing more than $70 billion of GE's debt. In February 2009 GE cut its dividend for the first time since 1938, and lost the triple-A rating that had made the whole GE Capital model work; the thing that made the trap profitable was gone, only the trap remained. The company ground lower through the 2010s, was removed from the Dow in 2018, and only recovered value when new CEO Larry Culp broke it into three separate companies in 2023–24, unlocking value the conglomerate structure had suppressed for a generation.

***" How do you tell the difference between a moat that is protecting you and a cage that is slowly killing you? "***

## The Legendary Scorecard

| Category | Score | Notes |
|---|---|---|
| **Founder Vision** | 9 | Edison's origins and Welch's reinvention were genuinely visionary |
| **Innovation** | 9 | A century of real engineering, from light bulbs to jet engines |
| **Execution** | 6 | Brilliant operationally for decades, then undone by financial engineering |
| **Moat** | 5 | Looked impregnable; was a cage that hid decay |
| **Capital Allocation** | 3 | The defining failure: a finance arm funded short, plus value-destroying deals like Alstom |
| **Wealth Creation** | 6 | Enormous for early holders; a generation-long loss for those who bought the 2000 peak |

| | | |
|---|---|---|
| **Durability** | **3** | The conglomerate did not survive; only the broken-up pieces did |
| **Historical Importance** | **10** | The defining American corporation, and the defining cautionary tale |
| **Overall Legendary** | **6.0 / 10** | **Indispensable to study, precisely as a warning: the safest-looking blue chip can be the most dangerous holding of all** |

*Scores are an editorial verdict on the standard eight-category Greatest Companies scale. The overall is a judgment, not a weighted average.*

## Timeline

| | |
|---|---|
| **1892** | Edison General Electric and Thomson-Houston merge to form GE, backed by J.P. Morgan |
| **1896** | GE is one of the original components of the Dow Jones Industrial Average |
| **1981** | Jack Welch becomes CEO; GE is worth about $14 billion |
| **1980s–90s** | Welch builds GE Capital into the company's profit engine and GE into the world's most valuable company |
| **2000** | GE peaks near $600 billion in market value |
| **2008** | Lehman fails; commercial paper freezes; GE raises equity and sells preferred stock to Buffett |
| **2009** | The FDIC guarantees GE debt; GE cuts its dividend for the first time since 1938 and loses its triple-A |
| **2018** | GE is removed from the Dow; outsider Larry Culp becomes CEO; the dividend is cut to a penny |
| **2023–24** | GE HealthCare, then GE Vernova and GE Aerospace, launch as separate companies, completing the breakup |

## Lessons — What This Means for You

**THE MOVE · Beware earnings that are too smooth**
A business that delivers Wall Street's exact number every quarter for years is not necessarily a better business; it may simply have found a way to manufacture the appearance of one. GE's flawless consistency was admired for decades and was, in the end, evidence of the financial engineering that hollowed it out. A real industrial business is lumpy, and a suspiciously smooth one deserves more scrutiny, not less.

**THE MONEY · The funding structure is the company**
GE looked like an industrial giant and was, in the part that nearly killed it, a bank that borrowed short and lent long while funding itself on the kindness of the overnight market. Cheap leverage borrowed against a great reputation is the most seductive and most dangerous money there is, because it works beautifully right until the market closes, and then it works not at all.

**THE MIND · Be most suspicious of the company nobody questions**
GE's invulnerability was a story so strong, reinforced by prestige and a celebrated CEO, that for years almost no one looked hard at what was underneath. The consensus "safe" holding, the one held precisely because no one feels any need to examine it, is often where the largest hidden risks quietly accumulate.

## Related Reading

Turned the panic into one of the great opportunistic deals, lending GE its lifeline: Berkshire Hathaway: The Dying Mill That Compounded for Sixty Years

Another giant that missed a turn and had to find its way back: Intel: The Empire That Owned the Future, Then Missed It

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## Read the Full Story

Read the full company story: General Electric: The Moat That Became the Trap

## Sources & Further Reading


William D. Cohan, Power Failure: The Rise and Fall of an American Icon (2022)

General Electric Company annual reports and SEC filings; contemporary reporting on the 2008 rescue and 2023–24 breakup

Greatest Companies (General Electric chapter), The Complete Trader's Edge


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