

New York Times defends Bush on links to Enron corporate fraud

David Walsh
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True to form, the editors of the *New York Times* have rushed to the defense of President Bush against suggestions that his administration could be implicated in one of the largest corporate frauds in history, which produced the collapse of Enron Corporation, the energy trading giant.

Bush administration officials, and George W. Bush personally, had the most intimate ties to top Enron officials, including Chairman and CEO Kenneth Lay, one of the biggest fundraisers for the Bush 2000 campaign and the finance chairman of the Bush inaugural. The company filed for Chapter 11 status in December, the largest corporate bankruptcy in US history, leaving thousands of workers unemployed and with decimated retirement savings, and devastating thousands more small investors.

Ten congressional committees and federal agencies have announced investigations into suspected illegal activities at the once high-flying firm, which at one time ranked seventh on the *Fortune* 500 list of the largest companies in the US, and whose stock price, once more than \$90, had fallen to 66 cents a share by January 4. The Senate Governmental Affairs Committee, chaired by Joseph Lieberman, the Connecticut Democrat, will open hearings January 24.

A January 4 *Times* editorial, "The Enron Post-Mortem," noted: "No company has more generously backed President Bush throughout his political career than Enron," adding that company Chairman Kenneth Lay, "was among the influential advisers to Vice President Dick Cheney's secretive energy task force last spring."

Then the *Times* arrives at its central theme: "Democrats ... should resist the temptation to use the Enron saga for cheap political gain. Talk of a 'cancer on the presidency' [a reference to the Watergate scandal] and of a 'Bush Whitewater' is unwarranted at this point, and threatens to trivialize and unduly politicize an inquiry vital to the health of the American economy."

One has to rub one's eyes in disbelief. This comes from the newspaper that helped launch Whitewater—with a notorious article by Jeff Gerth in March 1992—and elevate it into a national scandal. Countless editorials appeared in the *Times* over the years portraying Whitewater as of monumental significance and declaring that every other scandal and misstep of the Clinton administration somehow flowed from it.

Looked at objectively, Whitewater was small change. The real estate scheme was liquidated years before Clinton entered the White House and involved a failed investment, on the Clintons' part, of less than \$100,000. It had no financial or political significance until the American media, led by the *Times*, and Clinton's far-right political opponents, seized on it as a pretext to undermine the Democratic administration.

The collapse of multibillion-dollar Enron, on the other hand, has vast implications. It is a serious economic blow to tens of thousands of people, its former workers first of all. As the *Washington Post* noted, "Enron's employees were encouraged to invest their 401(k) plans in Enron stock, which came to make up more than half the assets in the company's retirement system. Enron's collapse therefore left many of the 4,500 U.S. employees who were laid off pensionless as well as jobless." A 33-year-

old employee of the firm told senators in December that the value of his Enron stock had fallen from \$1.3 million to \$20,000. Charles Prestwood told his questioners, "I'm a very broke person. I lost everything I had."

Company officials, according to widely reported allegations, forced employees to hold on to their stock as its value plunged in October and November. Executives reportedly meanwhile sold their shares and, on the eve of the declaration of bankruptcy, distributed some \$100 million in bonuses to hundreds of high-level employees.

Everything one learns about the operation of this company, to put it bluntly, stinks to high heaven. And linking the scandal to the Republican Party and the current White House is not an exercise in partisan "politicizing," let alone "trivializing." Enron is itself the product of the policies pursued by the Republican right—and largely supported by the Democrats—over the past decade and a half, through the deregulation of energy markets. And the personal ties between Enron and the Bush administration are so extensive that one can only indicate them in outline form:

* Kenneth Lay, Enron's chairman, has been George W. Bush's chief financial supporter and key backer since the latter went into politics. The connection between Lay and the Bush family goes back to the administration of the elder George Bush. Lay, known to the current president as "Kenny Boy," was a White House guest during the first Bush administration, which sponsored the passage of the 1992 Energy Policy Act. This legislation compelled established utility companies to open their transmission lines to electricity distributed through Enron's speculative marketing.

* Lay and Enron together have given \$2 million to George W. Bush's election efforts. In 2000 a company memo "recommended" that employees contribute to the Bush campaign: low-level managers were urged to give \$500 and senior executives at least \$5,000. Lay was listed by the Bush-Cheney campaign in 2000 as one of the "Pioneers" who raised at least \$100,000, while Enron gave \$100,000 to the inauguration gala, a contribution matched by Lay and his wife personally.

* Lay was the only energy company executive to meet alone with Cheney when the latter was holding his secret discussion last year on a new energy policy. Cheney has so far rebuffed efforts by the General Accounting Office to reveal the others participants at those meetings and what they discussed.

* Between 1995 and 2000 Enron donated \$4.4 million to presidential and congressional candidates, more than any other company except UPS and Lockheed Martin. Enron contributed to the campaigns of 71 of the 100 current senators and nearly half the 435 members of congress. The investment paid off. In 2000 Enron secured exemption for its energy derivatives business under an act regulating commodity trading futures.

* Another major beneficiary of Enron financial generosity has been Senator Phil Gramm, the Texas Republican right-wing demagogue, who pushed through the 2000 legislation just cited and whose wife Wendy sits on the company's board of directors. Wendy Gramm served under the

first Bush as chair of the Commodity Futures Trading Commission at the time it allowed for an exemption in the trading of energy derivatives, which later became Enron's most lucrative activity. Gramm resigned from her government position to take a seat on Enron's board. In November 1998 she sold \$276, 912 in Enron stock.

* A number of other members of the first Bush administration joined Enron after Clinton's victory in 1992, including James Baker (who helped mastermind the hijacking of the Florida vote in 2000) and Commerce Secretary Robert Mosbacher.

* Numerous officials went directly from Enron to the new administration in 2001, following the installation of George W. Bush. For example, Thomas White Jr., Bush's secretary of the Army, had been Vice Chairman of Enron Energy Services; he also served as a member of Enron's Executive Committee and Chief Executive Officer for Enron Operations Corporation. Bush's top economic adviser, Lawrence Lindsey, was an Enron consultant. Trade representative Robert Zoellick, an official in the Reagan administration and former counselor to Baker when he was secretary of the Treasury, served on Enron's Advisory council. Chief White House political adviser and dirty tricks operator, Karl Rove, at one time owned Enron stock worth \$250,000.

* In December Bush named former Montana governor Mark Racicot, and a registered lobbyist for the firm of Bracewell & Patterson where he personally represented Enron, as chair of the Republican National Committee. Racicot insisted that he would continue representing Enron and his other corporate clients—with the blessing of the White House—even while heading the Republican Party, making him “instantly,” in the words of one commentator, “the most powerful influence peddler in Washington.”

There is another sense in which the Enron collapse is connected to the White House. Both the Houston-based corporation and the Bush administration have engaged in massive misrepresentation of their financial books. Enron systematically shifted debts to off-book partnerships set up by company executives, to disguise the fact that it had relatively few assets. The Bush administration engaged in financial flimflam on an even larger scale in pushing through its record tax cut for the wealthy.

What if the spectacular collapse of a massive corporate enterprise, operated by one of the president's closest cronies, had occurred under the previous administration? Columnist Molly Ivins legitimately asks her readers to imagine that “Clinton's long-time, all-time biggest campaign contributor, a guy for whom Clinton has carried water over the years, a guy with unparalleled ‘access,’ a shaper of policy, a man with a veto on regulatory appointments affecting his business, with connections at every level of the administration, a political fixer beyond the wildest dreams of James Riady—imagine that this guy's worldwide empire has tumbled into bankruptcy in just three months amid cascading reports of lies, monumental accounting errors, evasions, iffy financial statements, insider deals, a board of directors rife with conflicts of interest, top executives bailing out with millions while regular employees see their life savings shrink to nothing—imagine all this back in the day of Bill Clinton.... [W]e'd have four congressional investigations, three special prosecutors, two impeachment inquiries ... by now.”

This seems perfectly obvious, but not to the *Times* editors. As a corporate entity, Enron proved to be a criminal conspiracy. It shares this characteristic with the Bush administration. Indeed Enron's fingerprints are all over the present regime; its officials have helped draw up policy; its former officials are running important departments of the US government. In the face of this, the *Times* editors caution the Democrats against seeking “cheap political gain” from the affair. (The *Washington Post* editorialized January 6 along the same lines, chastising Democrats who “seem tempted” to focus “on links between Enron and the Bush administration.”)

Times ~~the~~ ^{to} minimize the political significance of the Enron disaster and thus render aid and comfort to George W. Bush is consistent with the rightward turn by what passes today for American liberalism, a thoroughly rotten and compromised political force.

Throughout the Clinton administration, the *Times* collaborated with ultra-right-wing forces in keeping the pot boiling in a series of largely concocted scandals, which did not lead to criminal charges but disrupted the administration politically, culminating in Clinton's impeachment and Senate trial. The *Times* joined in the witch-hunt over Clinton's affair with Monica Lewinsky, giving a political cover to Independent Counsel Kenneth Starr, the congressional Republican leadership and a cabal of right-wing lawyers, judges and political operatives.

While the *Times* warns today about “trivializing” the Enron collapse, it engaged in just such conduct throughout the Whitewater-Lewinsky years, insisting that the central issue was always the minutiae of Clinton's financial dealings in the 1980s, or his sexual activity in the 1990s, or whether he lied about one or the other, and not the right-wing campaign to stage a political coup d'état and oust an elected president. This campaign culminated in the theft of the 2000 presidential election and the installation of Bush in the White House by the Supreme Court.

Having fueled the anti-Clinton fires and having accepted the hijacking of last year's election with barely a murmur of complaint, the *Times* editors have a vested interest in covering up for the regime that has come to power in part as the result of their own reactionary and cowardly positions. Moreover, their support for Bush's war in Afghanistan would be further discredited if they were obliged to admit that it was being run by the associates of corporate gangsters.

In general, the *Times* editors react with hostility to anything that might encourage the growth of political and social opposition to the established order. Their January 4 editorial begins by referring to the need “to restore confidence in American capitalism and in the integrity of its financial markets.” A dishonest and ill-fated project. The *Times* editors know—as well as anyone, for this is their milieu—that the American corporate and Wall Street establishments are corrupt to the bone and wracked by crisis. It will take considerably more than this kind of cynical and hypocritical editorializing to put that Humpty Dumpty together again.



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