Enron and the Bush administration: kindred spirits in fraud and criminality

David Walsh
18 January 2002

The collapse of energy trading giant Enron, with all its legal and economic ramifications, has obviously embroiled the Bush administration in a major scandal. A column in the *Los Angeles Times* last week referred to the affair as "Teapot Dome, the Sequel" (the Teapot Dome affair essentially brought an end to the Harding administration in the 1920s). It is pointless at the moment to speculate whether or not Enron will prove the present government's undoing. The more critical issue is grasping the extent to which Enron as a criminal and parasitic enterprise expresses the social essence of the Bush administration and the American ruling elite as a whole.

To speak of "connections" or "intimate ties" between Enron and the Bush regime nearly misses the point. To a large extent, the present administration is an extension of the Enron board of directors. This government, one might say, is Enron in office, not simply because numerous Bush cabinet members and other appointees (and other leading Republicans) have been employed in one capacity or another by Enron, but more profoundly in the sense that the social types found in Enron's boardroom and in leading government posts in Washington are interchangeable.

As evidence one might simply note that the top law enforcement official in the land, Attorney General John Ashcroft, was obliged to recuse himself January 10, along with his chief of staff, David Ayres, from the criminal investigation into Enron launched by his own department because he received tens of thousands of dollars from the company for an unsuccessful bid to hold onto his Senate seat in the 2000 elections. The Vice President of the United States, former oil man Dick Cheney, has been obliged, under pressure from congressional investigators, to acknowledge that he or members of his staff met six times with Enron executives last spring during discussions held by his secret energy task force. The only executive Cheney met with alone was Enron chief Kenneth Lay.

From this point of view, to debate whether Bush government officials "crossed the line" in their dealings with the energy trading firm results from a misunderstanding. There is largely no "line." Only a child would believe, for example, that former top executives of Enron—only a few months off the job—and their associates in the Bush administration would not have known of the company's financial crisis at least from last summer, as the company's stock continued its plunge which would wipe out the life savings of thousands. (The wife of Republican Senator Phil Gramm of Texas sits on Enron's board of directors!)

When Commerce Secretary Donald Evans tells interviewers that he received a telephone call from Lay in late October informing him that the company was in dire straits and that he told White House chief of staff Andrew Card of the conversation "several weeks" later, but that Card never informed Bush, there is good reason to be skeptical. In effect, one is being asked to accept that Bush's 2000 campaign manager (Evans) did not inform the president, or at least have him informed, that his long-time backer and largest financial contributor (Lay) was facing disaster. It is more likely that he didn't tell him because Bush already knew.

In any event, the very manner in which the Enron crisis has burst into the headlines has considerable significance. The marked rise of interest in Enron (which, after all, collapsed more than six weeks ago) largely coincides with the wearing thin of the non-stop propaganda about the "war against terrorism." In effect, the period during which the attention of layers of the population, confused and angered by the September 11 events, could be diverted by prospects of a decisive war in Central Asia and the capture of Osama bin Laden—with the additional mileage provided by the anthrax scare—has come to a close. Once again the underlying social issues in the US are coming to the fore.

This speaks to the reality that the war in Afghanistan has been driven from the beginning by the growing social and political crisis in the US. It is enough to ask: what would be the standing of the Bush regime if there had been no attacks in New York and Washington on September 11 and no war as a result? The administration, only eight months old, was increasingly beleaguered and unpopular at home and abroad by the end of last summer. It was threatening to unravel. There is every reason to believe that had it not been for the suicide hijackings and subsequent events, the standing of the Bush government might mirror the present condition of Enron on the New York Stock Exchange, where the price of one of its shares has fallen from $90 to under a dollar.

Enron's collapse, in its own fashion, gives some indication of the fragility of the political standing of the extreme right and the narrowness of its social base. It cannot be considered coincidental that the resignation of Jeff Skilling—one of the architects of Enron's meteoric rise—as chief executive in August (at a time when we now know a company vice president was warning that Enron was about to implode in "a wave of accounting scandals") was followed three weeks later by the announcement from Gramm, whose family fortunes (literally) have been bound up with Enron's fate, that he was bowing out of political life. The Texas Senator clearly saw the writing on the wall.

In the wake of Enron's spectacular demise, a whole host of media analysts are wagging their fingers at what they describe as the "excesses" of the 1990s. A *New York Times* column ("A Bubble That Enron Insiders and Outsiders Didn't Want to Pop") points out that Enron "was not much of a company, but its executives made sure it was one hell of a stock." Enron "has ... become an indictment of the anything-goes approach to business that characterized the late 1990s. The bull market convinced analysts, investors, accountants and even regulators that as long as stock prices stayed high, there was no need to question company practices."

The *Times* cites comments by the president of a money management firm, who suggests that Enron was "the prime example of all the things that were allowed to go wrong during the stock market mania.... This wall got built brick by brick in broad daylight in the 1990's by companies doing whatever they had to do to make their numbers, being willing to sacrifice the long-term well-being of the company so that executives could get rich."

The *Times* piece is useful as far as it goes, but it is intended to leave the impression that there was something aberrational about the conditions which made Enron's growth possible and about the company's operations themselves. One is presumably meant to conclude that, finally, cooler heads have prevailed.

On the contrary, Enron is a paradigm for American capitalism in the era of Reagan, Clinton and the two Bushes. As we have previously noted on the *WSWS*, the deregulatory policies of Republican and Democratic administrations alike created conditions where profits could be accumulated, not through the construction of new facilities and the organization of new energy supplies, but through manipulations in the energy market. Enron acted like a financial speculator, purchasing and selling energy contracts extending months and even years into the future.

Enron was not an excrescence, some entity peripheral to the workings of American and global capitalism. Through its drive for shareholder value at any cost, the company became the universal "business model." Lay may have been a *parvenu*, but his firm enjoyed the most fruitful relations with "old money." The Securities and Exchange Commission is investigating Enron's ties to Wall Street and the most respectable American financial institutions. Regulators are probing to see whether banks such as J.P. Morgan Chase & Co. and Citigroup helped Enron carry out its massive fraud.

The *Wall Street Journal*, in a piece suggestively titled "How Wall Street Greased Enron's Money Engine," writes: "The upshot: Some of the world's leading banks and brokerage firms provided Enron with crucial help in creating the intricate—and, in crucial ways, misleading—financial structure that fueled the energy trader's impressive rise but ultimately led to its spectacular downfall. Indeed, without the financial grease from Wall Street, Enron wouldn't have grown into the nation's biggest energy trader and seventh-biggest company. In return Wall Street firms earned hundreds of millions of dollars in fees—$214 million in underwriting alone, and much more in lending, derivatives trading and merger advice."

Enron rose to the top of the heap over the past decade through corrupt, reckless and socially destructive methods. The firm created a market for energy futures where none existed or needed to exist. Its role in California was particularly disastrous, where it deliberately manipulated energy prices, helping to nearly bankrupt the state. Some of its activities were openly criminal. It was apparently assisted in its shady operations by accountants at Andersen, whose officials have now acknowledged that the firm shredded or deleted thousands of potentially incriminating documents as the roof was falling in last autumn.

Enron essentially produced nothing and served no legitimate economic purpose. Skilling believed, in the words of a *Journal* analysis, "that a company didn't need a lot of hard assets to thrive.... Hard assets, Mr. Skilling said, tied up cash that could be more profitably deployed trading." He "emphasized divesting Enron of 'big iron' [i.e., machinery and equipment] and instead putting the money to work trading everything from electricity to Internet bandwidth, from memory chips to advertising space."

Enron became a giant confidence scheme, in which elaborate and "opaque" accounting methods were used to hide massive losses and continue attracting credit. In the end, Enron's "asset-light" approach led to disaster, when disclosures of its web of transactions with related partnerships, some headed by company executives, shook investor confidence. Of Enron's reported $60 billion in assets, only about $10-15 billion is still in physical plant and equipment, according to estimates.

Enron's methods accumulated fantastic wealth in the hands of top executives and have now wrought devastation on its workforce and those taken in by its promises.

Bush officials see nothing extraordinary about Enron's rise and fall. Treasury Secretary Paul O'Neill, who has also acknowledged receiving calls from Lay last October about Enron's financial crisis, stated in a television interview last weekend that he was not surprised by the company's demise. Demonstrating utter indifference to the fate of thousands of Enron workers and small investors who have been ruined by the collapse of the firm, the treasury secretary—doing his best Marie Antoinette impression—continued: "I've watched lots of corporations come and go.... There are very few companies that have been around for 40 or 50 years.... Companies come and go. It's part of the genius of capitalism. People get to make good decisions or bad decisions, and they get to pay the consequences or to enjoy the fruits of their decisions. That's the way the system works."

This comment ignores the small, nagging fact that Enron employees and those who invested in the company had no say in or foreknowledge of the "decisions" made by Lay and other executives that devastated their lives, even as company officials were rewarding themselves with tens of millions of dollars in salaries, bonuses and the sales of stock. Moreover, it is a distinct possibility that many or all of those who operated in a fraudulent manner will "pay" no legal or financial "consequences" and continue "to enjoy the fruits" of their criminality. That, in fact, is "the way the system works."

There are many obvious parallels between Enron and the Bush regime. On the one hand, a corporation with no assets, and on the other, a government with no legitimacy. The political faction now in power in Washington first came to prominence under Reagan. After the defeat of the elder Bush in 1992, they chafed under Clinton, despite all his best efforts to appease them. They viewed even the most timid restrictions on their unfettered access to wealth as intolerable. Lacking confidence in their ability to gain office through elections, these right-wing forces, with the aid of a cabal of reactionary lawyers and judges, leveraged the trivia of the Whitewater-Jones-Lewinsky affairs into an impeachment drive aimed at unseating a twice-elected president. They were able to advance as far as they did with their plans largely due to the miserable cowardice of the Democratic Party, which was unable to offer much serious resistance to the "vast right-wing conspiracy." (In this regard, it is worth noting that Enron's donations to the Democrats, while not nearly as large as those it made to the Republicans, were nonetheless sizable.)

The attempt at a coup d'état having narrowly failed, the ultra-right was determined to see George W. Bush in the White House. Following last year's election, in which Al Gore won the national popular vote and, by all indications, the popular vote in Florida, the Bush forces, gangster-like, hijacked the vote.

The Bush administration was installed in office through fraud and rules that way today, in both domestic and foreign affairs. It has seized upon the September 11 terrorist attack to implement a sweeping, right-wing agenda of attacks on democratic rights at home and embarked on an open-ended colonial war in Central Asia, whose principal purpose is to pave the way for US dominance of vast reserves of natural resources, particularly oil and gas.

Nor is the character of the Bush administration peripheral to the state of American society and its ruling elite. It represents the most predatory and rapacious elements of American big business and presides over a society sharply polarized between a fabulously wealthy handful and broad layers of the working population. This element's coming to the fore is not a trick of fate, any more than Enron's. The crisis of American and world capitalism, in the final analysis, is behind the lurch to the right by the US political establishment, the virtual collapse of liberalism and the criminality of the present regime. The first lesson to be drawn from the Enron scandal is the need to place it in this political and historical context.

To contact the WSWS and the Socialist Equality Party visit:

wsws.org/contact