

On eve of Wall Street speech

Bush's past business dealings come back to haunt him

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On the eve of a much publicized speech to business executives on Wall Street, George W. Bush held an impromptu press conference Monday at which he was peppered with questions regarding his own dealings as a board member of Texas-based Harken Energy more than a decade ago.

Even as he read a prepared statement pledging to take a tough stand against corporate law-breakers, Bush could not suppress his trademark smirk. Asked about the 1991 Securities and Exchange Commission (SEC) probe into his sell-off of Harken stock only weeks before the company reported massive losses, Bush continued to stonewall.

Nevertheless, he was clearly on the defensive. Bush's most significant remark came in response to a question about the growing wave of corporate scandals, which that very morning had hit yet another major US company, Merck & Co. The *Wall Street Journal* reported Monday that the drug giant had recorded \$12.4 billion in revenue over the past three years that it had never collected.

"[I]'m very worried about a country that could conceivably lose confidence in the free enterprise system," Bush told reporters.

This admission was a stark expression of a growing sense of crisis within the Bush administration, concerning not only the short-term stability of the Republican White House, but also the long-term future of the profit system itself. The fear that the exposure of corporate criminality could fuel popular anger over the growth of social inequality and lead to the emergence of a political movement against the so-called "free enterprise" system is increasingly gripping the corporate and political establishment.

It is one of the major factors behind the sudden proliferation of press reports and commentaries on Bush's personal business practices. White House spokesmen keep repeating that these are old issues that they thought had been settled long ago. These questions have reemerged, however, because the bursting of the stock market bubble and the collapse of corporate empires based on the wild inflation of share values and various forms of swindling and fraud have created a new climate of political crisis.

The attacks on Bush's business record by sections of the media and influential economic commentators manifest a central aspect of this crisis: the emergence of sharp divisions within the upper reaches of the ruling elite over the policies of the Bush administration on a whole host of questions. Behind the scenes, conflicts are raging over the reckless and incendiary nature of Bush's initiatives, both at home and abroad.

Concerns are mounting over the dangerous implications of Bush's military interventions, his increasingly provocative posture toward

Europe, and the domestic implications of his policy of removing all restrictions on corporate profit-making. Powerful sections of the corporate establishment fear that the policies of the administration could lead to a crisis of catastrophic proportions. They have seized on Bush's personal misdeeds as a means of waging this covert political war in the public arena.

This, however, does not diminish the intrinsic significance of the corrupt business dealings that are being exposed. What is involved in the record of Bush's corporate career is not some manufactured scandal, like the Whitewater affair. That relatively small-time real estate venture, which lost money, was seized on by right-wing opponents of the Clinton administration as the pretext for a political conspiracy aimed at bringing down the government.

Bush's insider trading, on the other hand, was a real violation of securities laws, and it typified the type of practices that have become synonymous with Enron, Global Crossing, WorldCom and a string of other companies.

Bush goes to Wall Street to lecture executives on business ethics under conditions in which a mountain of evidence demonstrates that he and virtually every other leading member of his administration personify in their own corporate careers the very methods he intends to denounce.

White House spokesmen have said the president will use his Wall Street speech to reiterate his recent calls for corporate law-breakers to be prosecuted and for the worst offenders to be sent to a jail. The purpose of such statements is to placate growing popular anger over the systematic looting of the economy by the corporate elite. The idea is to make an example of a few swindlers, in order to divert attention from the pervasive thievery that has come to characterize American "free enterprise."

If Bush were serious, he might begin with his own Army Secretary, Thomas White, who was vice chairman of Enron Energy Services when it concealed hundreds of millions of dollars in losses and plunged California into a devastating energy crisis by manipulating the electricity market. Next in line could be the lawyer he appointed to head the Security and Exchange Commission (SEC), Harvey Pitt, who previously represented the big accounting firms, including the convicted Arthur Andersen, and the major investment houses. Not long ago Pitt held private meetings with Xerox and KPMG executives while their firms were under investigation by his commission.

Higher up is Bush's vice president Dick Cheney, the *éminence grise* of the administration. Cheney's former firm, the Dallas-based energy services company Halliburton, is under investigation by the SEC for

falsely reporting cost-overruns as revenues to the tune of \$100 million. As chairman and CEO of the company, Cheney oversaw the implementation of this particular form of accounting fraud in 1998.

Bush's own business career exemplifies all of the features—greed, dishonesty, recklessness, self-enrichment at the expense of shareholders, employees and the general public—that characterized the stock-market-fueled boom of the 1990s. In Bush, these are combined with ignorance and the worst forms of nepotism and cronyism.

Bush's sale of two-thirds of his stake in Harken Energy in June of 1990 for \$848,000 has by now been widely reported, following an accusatory piece July 2 by *New York Times* economics columnist Paul Krugman. Bush's dumping of his own company's stock was a classic case of insider trading.

As a director of the company and a member of its audit board and a special restructuring committee, Bush was privy to information that the firm faced mounting losses and the prospect of bankruptcy. He had received memos that the company was facing a "liquidity crisis" and was "in a state of non-compliance" with its lenders.

Just two months after Bush sold off most of his company stock, Harken reported quarterly losses of \$23 million. Its share price nose-dived, falling from \$4 at the time of Bush's divestiture to little more than \$2 a share. By the end of the year Harken stock had plummeted to \$1.

Under securities laws, Bush, as a company official, was required to file a report of his stock sale with the SEC within ten days of the transaction. It took him 34 weeks to make the filing.

Harken exemplified the type of executive corruption and accounting tricks that have since been exposed at Enron and other companies. In 1989 it concealed mounting losses by orchestrating the "sale" for \$10 million of a subsidiary, Aloha Petroleum, to a group of Harken executives, who borrowed the money to pay for Aloha from the parent company, Harken. By means of this sleight-of-hand, Harken was able to report an additional \$10 million in revenues, and thus cover up the real state of affairs from its shareholders and investors in general. In January 1991, after "discussions" with the SEC over the Aloha Petroleum caper, Harken announced that it was adding more than \$9 million to its losses for 1989.

Bush personally borrowed \$180,375 from the company—a loan that was later "forgiven." Such things, however, were not uncommon at Harken. In 1990 alone the Harken board forgave \$341,000 in loans to its executives.

Bush owed his position at Harken, and his lucrative stake in company shares, not to any display of business acumen or personal merit, but entirely to his family connections. In 1986 Bush's tiny Texas oil firm, Spectrum 7, was losing money and hopelessly in debt. But his father was vice president in the Reagan administration.

Harken bought Spectrum 7 for the grossly inflated price of \$2 million and put Bush on its board of directors and audit board because, in the words of Harken founder Phil Kendrick, "His name was George Bush."

By the time the SEC decided to investigate Bush's insider trade of Harken stock, following a *Wall Street Journal* exposé in April 1991, daddy was in the White House. The SEC found that Bush had violated federal laws for reporting insider trades, but decided not to prosecute the case.

Once again, family and insider connections stood Bush in good stead. Not only had his father, the president, appointed the SEC chairman, Bush's former personal lawyer, James R. Doty, was the SEC general counsel. Moreover, the lawyer who represented Bush

during the investigation, Robert Jordan, was a former law partner of Doty at the Baker Botts firm.

With the windfall Bush received from his timely sale of Harken stock, Bush paid off a loan he had taken out to buy a stake in the Texas Rangers professional baseball team. The lawyer who represented him in his Texas Rangers deal was—James R. Doty.

In 1998 Bush's trust sold his stake in the Rangers for \$16 million, catapulting him into the ranks of multi-millionaires. Thus Bush parlayed his family connections into a substantial fortune, with the help of friends in high places and the use of insider information to make a killing at the expense of his own company.

Bush's good fortune may well have received an even more direct boost from his father's tenure in the White House. Less than 30 days before Bush sold his Harken stock, his father's national security adviser, Brent Scowcroft, sent the president a secret memo warning that hostilities between Iraq and Kuwait were likely. At that time, Harken's only pending contract was for a drilling project in Bahrain. The outbreak of war in the Persian Gulf would therefore have ruinous implications for Harken's business prospects.

When hostilities in the Gulf broke out, less than two months after Bush sold his shares, Harken stock plummeted. Its shares lost 25 percent of their value on the day Iraq invaded Kuwait. Had Bush held onto his shares until then, he would have lost nearly \$250,000.

Bush's case history is indicative of the rise to the top of American business of the most reactionary and predatory elements. This is a social layer that has amassed colossal wealth by using its position of corporate power to pilfer the assets of the companies it heads, while defrauding investors, bankrupting pension funds, bleeding dry 401K funds, slashing jobs and destroying the savings and livelihoods of tens of millions of people.

These are not simply the practices of a handful of miscreants. Their root source is not individual greed or personal immorality. Nor are they mere "excesses." They are bound up with a broader crisis of the capitalist system, and the attempts of the corporate ruling elite in the US and internationally to mask and offset the crisis through the creation of ever greater volumes of fictitious capital, combined with increasingly brutal attacks on the living standards and democratic rights of the working class.

Nor is corporate criminality a monopoly of the Republican Party and its business backers. The orgy of stock market speculation and accounting fraud reached its height under the Democratic Clinton administration. Democrats and Republicans alike are, directly or indirectly, in the pay of big business. A recent study found that business provides \$3 out of every \$4 raised by Republicans, and \$2 out of every \$3 raised by Democrats. This helps explain why the Democrats are so terrified of exposing Bush's ties to Enron and so cowardly in their dealings with corporate CEOs.

The Bush administration, however, embodies precisely those social elements most closely associated with the criminalization of American business. The present government—a government of the political underworld—is their concentrated political expression.



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