The morality of plutocracy: the Washington Post and the Harken Energy "distraction"

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The lead editorial in the July 12 *Washington Post* casts a great deal of light on the nature of social life in the United States. Entitled "The Harken Energy Distraction," the editorial is dedicated to a defense of President Bush and the corrupt dealings by which he made his millions. Coming from one of the bastions of American "liberalism," the defense is an indication of the insularity of the entire ruling elite from the broad masses of the American population.

The editorial begins with a recapitulation of the basic argument marshaled by the Bush administration regarding his past actions while on the board of directors of Harken Energy. Most of the questions surrounding these actions, the paper states, "have been aired over the years, and one has been the subject of a government investigation. Congress shouldn't let the temptation to play politics with this issue distract from corporate reform."

At his press conference earlier in the week, Bush made the same point. All the questions were old "stuff," and any further investigation was an unjustified attempt to win petty political advantage.

That this is actually presented as an argument against further inquiry is indicative of the poverty of Bush's defense. That these issues have been aired in the past means little. The Securities and Exchange Commission (SEC), after all, looked into the accounting practices of WorldCom in 2000 and did nothing, only to have that company implode in financial scandal last month.

Over the past two decades, an environment was fostered in which large-scale fraud was routinely committed. Investigations carried out by the government and auditors generally sanctioned such fraud. The fact that Bush's dealings at Harken have been raised before is not an argument against further investigation, but merely an evasion—an attempt to ensure that no serious investigation takes place.

After clearly stating its sympathies for the arguments advanced by Bush, the *Post* identifies two major issues regarding Bush's past corporate dealings. The first is insider trading. The *Post* does not provide its readers with any of the background to this issue, because to do so would raise questions that do not have an easy answer.

Bush was on the board of directors and was a member of Harken's auditing committee during the late 1980s, after the company acquired Spectrum 7, which had in turn acquired Bush's own Arbusto Energy some years back. Both Spectrum 7 and Arbusto were financial failures, but Harken paid a pretty penny for the acquisition because it provided the company with a valuable asset ... namely, George W. Bush, a business failure whose father happened to be US president.

Thanks to these connections, Harken received an extraordinary contract with Bahrain to drill offshore oil wells—extraordinary because Harken was relatively small and had no experience in such matters. As Harken ran into financial trouble, it began to manipulate its accounts. At one point it gave a loan to executives to buy a subsidiary of Harken, essentially loaning money to itself to buy a part of itself, and the payment was then booked as revenue. By means of this accounting device the company was able to understate its losses by some $10 million, a massive amount for the relatively small energy company.

As a member of the audit committee, Bush was certainly privy to knowledge that the company was in crisis, and likely knew about the accounting fraud. He sold over $800,000 of stock options while the price was right, just before an announcement by the company of large losses and some months before Harken had to restate its prior earnings.

How does the *Post* deal with all of this? "The Securities and Exchange Commission investigated the case," the editors write, "and did not take action, apparently because it could not find firm evidence of wrongdoing." Perhaps the SEC was not really looking very hard, since the case involved the president's son and the SEC was headed by a Bush appointee. Dismissing this possibility, the *Post* assures us that the chairman was a "renowned enforcement hawk" and refers to the "reckonings" of "people who worked inside the SEC" that "the organization would have gone after the son of the president if it had sufficient evidence."

Forgive us for being suspicious of these reckonings, which are generally not very difficult to come by. Bernie Ebbers and "people working inside WorldCom" will be quick to reckon that nothing criminal was going on there, and "people working inside the FBI and CIA" will not hesitate to reckon that the American government did not really know anything prior to the attacks of September 11.

To base one's case on such reckonings is to have come to a conclusion before any of the evidence has been heard. The issue is whether "people in the SEC" really wanted to find out anything about Bush.

The editors of the *Post* choose to withhold from their readers the fact that one of these people in the SEC was Richard Doty, the commission's general counsel, who was responsible for making decisions concerning legal action. Doty also happened to be George W. Bush's personal lawyer at one point, assisting him in carrying out the Texas Rangers deal that netted the future president millions of dollars and helped propel him into the presidency.

After thus dismissing the accusations of insider trading, the *Post* goes on to the "second serious question ... dubious accounting." The choice of words here is significant.

What was involved at Harken was not "dubious accounting," but outright fraud, on the basis of which Bush made a handsome profit. The money he made was essentially stolen from those investors who lost money when the stock value fell after the accounting fraud was revealed.

What does the *Post* have to say about this? "The fact that Mr. Bush himself may have profited from a misstatement is embarrassing. But it was not illegal, and there is no suggestion that Mr. Bush played a role in devising the accounting trick or that he sold the stock because he realized a restatement was coming."

The newspaper hopes that by merely claiming "there is no suggestion" that Bush was guilty of fraud, there will, in fact, be no such suggestion. In reality, it is not necessary to suggest anything. The facts themselves speak loudly and clearly of fraud.

After all, Bush received a memo shortly before he sold his shares warning of a company "shutdown effective 30 June unless third-party funding is found." Clearly, Bush was aware things were not quite so rosy at Harken as the accounting figures suggested.

After having thus dealt with the "main" issues, the *Post* proceeds to the "remaining threads," which, it declares, are "no more compelling." Bush was "late in filing some of the paperwork," but this was no big deal.

The *Post* would like us to believe that "paperwork" is of little importance. But what was the fraud of Enron, WorldCom and the rest, if not a manipulation of "paperwork?" What was Enron's accounting firm Arthur Andersen shredding, if not "paperwork?" If the average person is late in filing his tax reports—another form of "paperwork"—he gets a knock on the door from the IRS. Much of modern economy depends on an accurate and timely filing of paperwork.

Bush's paperwork consisted of a report that is required whenever an insider sells shares in his own company. This is because a large sell-off of company stock by its directors or executives is generally a sign that something is amiss within the company, as was the case with Harken. Bush's "late filing of some paperwork"—by some 34 weeks!—is, in fact, quite significant. It is further circumstantial evidence that he was up to no good when he sold his stock options.

The loans that Bush received from Harken are dealt with in a similarly cynical manner. The size of the loan, you see, was "relatively modest" and "there is little shame in having participated in a legal practice years ago and then advocating its reform when others turn out to have abused it." The "relatively modest" figure was ... $180,000. For the editors of the *Post* and the social layer with which it associates, such a figure is indeed small change. For the average American, it is a fortune.

It might strike some as unjust that Bush could, because of his connections, net a loan of $180,000 that he was never required to repay. For the editors of the *Post* it does not merit consideration, because it is the normal state of affairs. In today's business climate there is, indeed, "little shame" in such a practice, and there is "little shame" in the paper's defense of it. The *Post* is truly shameless.

Finally, we come to perhaps the one true sentence in the piece. After explaining how Bush accepted consulting fees while at the same time sitting on a committee tasked to oversee the company, the *Post* states, "This is the kind of conflict that undermines the board independence Mr. Bush now urges. But it has to be said that almost nobody—this page included—objected to board members accepting consulting fees before the recent outbreak of scandals."

Quite right, though here the *Post*'s specificity is unwarranted. "Almost nobody," the *Washington Post* included, objected to any of the methods by which the American corporate elite perpetrated its massive fraud of the past two decades. Nobody in the political establishment or the media opposed the fantastic accumulation of wealth by a tiny elite, of which they formed a part.

To borrow a phrase from that philosopher of capitalism in Joseph Heller's novel *Catch-22*, Milo Minderbender: "Everyone had a share." Everyone, that is, except the majority of the population, which is now being forced to pay the tab. That Mr. Bush—now the president of the United States—took part in this orgy ... well, it is no big deal really, since "everyone" was doing it.

So, the newspaper concludes, let's forget about the whole thing. Apparently, unlike the Clinton sex scandal and the Whitewater affair dredged up the right wing, this is "not one of those cases in which an official's past dealings deserve to become a public issue."

In defending Bush, the *Washington Post* is at the same time defending itself. The fraud that has been committed against the American people was not simply a product of a few individuals. It benefited an entire social layer, including the "liberal" media.

It is in this light that one must understand the calls by the *Post* and the Democratic Party for greater reform. They are not interested in seriously changing a system that has generated their own wealth and forms the basis of their own social position. To the extent that there are differences within the highest echelons of the political and media establishment, they are differences within a privileged elite over how best to defend its dominant status.