White House seeks to shorten sentence of former Enron executive Jeffrey Skilling

Andre Damon
10 May 2013

The Obama administration’s Justice Department announced Wednesday that it has reached a deal with Jeffrey Skilling, the former chief operating officer of Enron that would see him released from jail as early as 2017, ten years ahead of his original sentence.

By seeking to reduce Skilling's sentence, the White House is sending a message to the Wall Street criminals responsible for the 2008 crash—whose daily crimes are even greater than Skilling’s—that financial fraud will not be punished with anything more than a slap on the wrist.

Skilling was found guilty in 2006 of conspiracy, insider trading and multiple charges of securities fraud relating to the collapse of Enron in 2001. He was sentenced to 24 years in prison and fined $45 million.

Along with former CEO Kenneth Lay, who died in 2006, Skilling systematically defrauded investors and siphoned money from millions of people by manipulating energy prices and employing false accounting. Among its many crimes, Enron defrauded the state of California out of billions of dollars during the 2000-2001 energy crisis by creating artificial energy shortages and jacking up prices.

Enron's bankruptcy in December 2001 led to thousands of layoffs, the collapse of the company’s stock price and the loss of billions of dollars by investors, including many of the company’s own employees.

Two billion dollars in employee pensions were wiped out, as well as $60 billion in stock. Five thousand employees lost their jobs, and 20,000 people lost their entire life savings.

The agreement between the Justice Department and Skilling must still be approved by US District Judge Simeon T. Lake III, who is scheduled to hold a hearing in Houston on June 21. Skilling has been serving out his sentence at a minimum security prison in Littleton, Colorado since December 2006.

Skilling was the most senior of a handful of executives to do jail time as a result of the Enron scandal. As one of the two masterminds of the company's criminality, his term was significantly longer than the rest.

The Justice Department praised the deal for early release, claiming that it would speed up the disbursal of over $40 million in restitution owed by Skilling, which was held up as part of the appeals process.

“Mr. Skilling will no longer be permitted to challenge his conviction for one of the most notorious frauds in American history, and victims of his crime will finally receive the more than $40 million in restitution they are owed,” Justice Department spokesman Peter Carr said Wednesday.

The fine leveled on Skilling was a fraction of his salary at Enron, which in 2001 alone was $132 million. Now the government is allowing him to leverage his vast personal fortune, amassed through fraud, in order to get out of jail sooner.

As a multi-millionaire, Skilling was afforded every opportunity of legal defense, with multiple appeals, including a hearing before the Supreme Court. The ongoing legal procedures kept the $40 million in restitution he owed to his victims from being seized.

The comparison between the kid-glove treatment of Skilling, a criminal mastermind who committed massive fraud on a daily basis for years, and working class people caught up in the criminal justice system could not be starker. The *New York Times* reported recently that it is not unusual in parts of the Bronx for defendants to wait in jail years before a trial, even for the most minor offenses, rendering the constitutionally protected right to a speedy trial a dead letter.

To this day, not a single high-level executive at a US bank has been prosecuted, let alone jailed, as a result of the 2008 financial crisis. To put this in perspective, over 1,000 bankers went to jail in the aftermath of the savings and loan crisis of the late 1980s. Nearly a third of these were top executives.

The Enron scandal fell in between those two events, and even the notoriously pro-business Bush administration felt compelled to allow Enron executives to go to jail. In dramatically reducing Skilling's sentence, the Obama administration is bringing Skilling's punishment closer in line with its own standards in dealing with the financial crash, where it treated the perpetrators as essentially immune from prosecution.

The reduction of Skilling's sentence comes amid a host of other financial scandals. On Wednesday the Federal Reserve said that 96,000 homeowners were issued checks that significantly underpaid the amount they were nominally owed by banks as part of a settlement on fraudulent foreclosures.

The company that distributed the checks, Rust Consulting, was working for Goldman Sachs and Morgan Stanley. This is only the latest scandal involving the firm's activities in the settlement. Last month, the Federal Reserve announced that a significant portion of the checks issued by Rust Financial bounced when their recipients tried to deposit them.

Contractors like Rust Consulting were heavily involved in the process that led to the shutdown of the government-mandated Independent Foreclosure Review program. This ended investigations of wrongful foreclosure by 13 major banks, allowing them to pay a lump sum settlement to get off the hook for illegally foreclosing the homes of hundreds of thousands of families.

Twelve years since the collapse of Enron, the activities of major financial firms mirror the types of fraud pioneered by Skilling and Lay, activities that are de facto condoned, protected, and abetted by the federal government.