Bush and Enron: Conflict Of Interest, and Reality

by John Hoefle

Under energy deregulation, Texas and the South have become the most notorious havens for pirates since the Barbary Coast, home to energy companies which charge obscene prices for natural gas and electricity, and which get downright obnoxious whenever anyone dares to challenge their right to loot.

The worst case may be Houston's Reliant Energy, on whose board sits Bush family consigliere, former Bush Administration Secretary of State and current lawyer for the robber barons, James A. Baker III. Reliant had the nerve to charge the State of California $1,900 per megawatt-hour for electricity in May, power which the state urgently needed to avoid blackouts. When California Gov. Gray Davis (D) publicly criticized Reliant—by name—for price gouging, a shill for Reliant amazingly replied that California had set the company up by accepting their bid, to embarrass poor innocent Reliant.

The Bush-Enron Partnership

The involvement of Houston scion Baker with the energy pirates is but one of a plethora of incestuous connections between the Bush family, the Bush Administration, and the energy cartel. Enron, a company close to both the Bush hearts and the Bush pocketbooks, has served as a virtual home away from home for members of the previous and current Bush administrations. When the one-term President George I went down to a well-deserved defeat, several top-level officials went to work for Enron, either as officers or consultants—including Reliant's Baker—and George himself collected numerous, lucrative speaking fees from the company.

The relationship between Enron and the Bushes has been long, and profitable. As Vice President under Ronald Reagan, George Bush (George I) headed a task force which pushed deregulation in both finance and energy, including advocating the repeal of the Public Utility Holding Company Act of 1935 (PUHCA), the law passed by Franklin Roosevelt to bust up the Morgan electricity cartel. While the PUHCA is still on the books, it has been substantially outflanked, in much the same way that the banks ignored Glass-Steagall—the FDR law which broke up the House of Morgan into J.P. Morgan and Morgan Stanley—prior to the repeal of that act in November 1999.

Enron repaid the favor in February 1993, when it announced that two former George I Cabinet members, Secretary of State Baker and Secretary of Commerce Robert Mosbacher, had agreed to help the company to secure natural gas projects overseas. Both Baker and Mosbacher had previously been directors (and Baker's family among the founders) of Houston's elite Texas Commerce Bancshares, where Enron chairman Ken Lay was also a director.

"Their international business experience and knowledge of governments around the world, as well as their great understanding of the energy business, will greatly enhance Enron's goal of becoming the world's first natural gas major," Enron's Lay said in announcing what the company described as a joint consulting and investing agreement with Baker and Mosbacher.

Enron also added Lt. Gen. Thomas Kelly (ret.) to its board. Kelly had served as director of operations for the Joint Chiefs of Staff during Bush's Persian Gulf War.

In 1993, according to journalist Seymour Hersh, Baker, Mosbacher, and Kelly accompanied Sir George Bush on a trip to Kuwait, to help Enron secure a contract to rebuild energy plants that had been destroyed during the Gulf War.

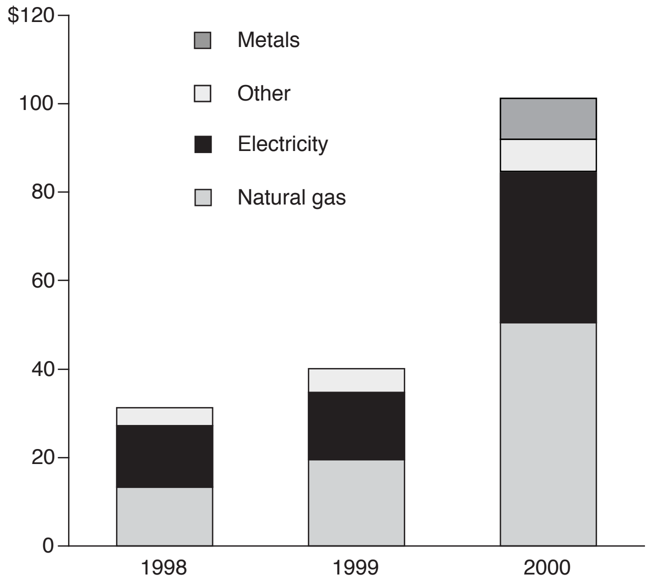
The Money Pours In

The combination of its international contracts and the domestic deregulation of natural gas and electricity has been enormously profitable for Enron, which was ranked seventh by revenue on *Fortune*'s 500 largest U.S. corporations in 2000, up from eighteenth in 1999. The firm reported more

FIGURE 1

Enron Natural Gas and Electricity Revenues Soar

(Billions $)



Source: Enron.

than $100 billion in revenue in 2000, with electricity sales of $34 billion and natural gas sales of $50 billion (**Figure 1**). Its electricity revenues in 2000 alone, exceeded its total revenue in 1998, and its natural gas revenues in 2000 exceeded its total revenues in 1999. Not bad for a company which claims to be in the business of lowering consumers' energy bills.

Over the years, Enron has transformed itself from a natural gas company into an energy trader; though it still owns energy production and distribution facilities, it has essentially become an investment bank, playing the energy markets the way the Wall Street banks play the bond and currency markets. Enron specializes in buying electricity and natural gas where prices are cheap, and selling them where prices are dear. The company uses derivatives to hedge its bets, and also sells them, going so far as to run television commercials touting its weather derivatives business.

Domestically, the company owns a 25,000-mile network of natural gas pipelines, and physical natural gas delivery volumes increased 77% in 2000, to 24.7 billion cubic feet per day. It also delivered 579 million megawatt-hours of electricity, a 52% increase. Enron owns its own electric utility, Portland General Electric of Oregon, which has 2,015 MW of electricity-generating capacity, and another 4,000 MW of unregulated generating capacity. It is attempting to sell Portland General to Sierra Resources, since the profits from a regulated utility do not begin to compare with the profits it can make in the unregulated markets.

Enron is also active internationally, building a natural gas and electricity market in Europe. It owns all, or portions of 13 non-utility power plants with 3,800 MW of capacity in Ibero-America (Brazil, the Dominican Republic, Guatemala, Nicaragua, and Panama), as well as India, China, the Philippines, Guam, and Turkey; 10,000 miles of natural gas pipelines in Argentina, Bolivia, Brazil, and Colombia; and the Elektro electric utility in Brazil, with its 51,000-mile electricity transmission grid.

The company's fastest-growing business is its Internet-based e-commerce website, EnronOnline, which the company established in November 1999. Last year, some 548,000 transactions with a notional value of $336 billion were conducted through EnronOnline. The company currently offers more than 1,200 "products" through the website, which accounts for about half of its business.

The combination of deregulation and globalization has made Enron one of the world's premier money machines; the company, in turn, spreads that money around liberally, in the United States and internationally, to push its globalist, "free-market" propaganda.

Joined at the Hip

If the connections between Enron and the administration of George I were tight, the connections between Enron and

'California's Crisis: Lesson for Mexico'

Under this headline, one of Mexico's most widely read magazines hit the newsstands in the first week of June with a major interview with LaRouche spokesman Harley Schlanger, featuring the kicker, "The Energy Cartels: Lying in Ambush." *Proceso* magazine interviewed Schlanger in a frontal attack on the "Texas energy cartels who have ruined California, and now tell Mexican President Vicente Fox that they want to help Mexico develop." Schlanger said he had no basis to affirm that Fox's government is complicit with these companies, but "I know that President Bush and Fox consider themselves good friends, and the friends of Bush in the U.S. are those that would benefit from this type of accord between Mexico and the U.S. This I do know."

In the interview, Schlanger calls for a common front "with Mexican patriots, against privatization." *Proceso* quotes him, "The idea is to beuild a kind of national force which could use the case of California to show Mexicans what will happen if they hand over production of electricity to the 'Houston cartel.' "

the "Duh-bya" Administration are so close that it is difficult to tell where one begins and the other ends. The Bush Administration's two nominees to the Federal Energy Regulatory Commission (FERC) were approved in advance by Enron; the pair, former Texas Public Utilities Commissioner Pat Wood III, and former Pennsylvania Public Utilities Commissioner Nora Mead Brownell, are both close to Enron. Wood, a former Baker & Botts attorney, was appointed to his Texas position by then-Gov. George W. Bush, while Brownell (who some prognosticators have dubbed "Nora Mead Brownout") helped Enron move into Pennsylvania. Needless to say, both Texas and Pennsylvania are deregulated states. Wood has been slated by the Bush Administration to become the next chairman of FERC, replacing current chairman Curt Hebert.

Hebert, a deregulation zealot and protégé of Senate Minority Leader Trent Lott (R-Miss.), told the *New York Times* that a few weeks after Bush had appointed him as FERC chairman, he received a call from Enron's Lay, offering to support his chairmanship, if Hebert would support Enron's campaign to further deregulate and force states and utilities to open up their electricity transmission lines to Enron and its fellow marketers. Ultimately, Enron swung its weight behind Wood, to replace Hebert. (Behind the Wood-Hebert fight, according to rumor, is a battle between Enron and Southern Co. over coal. Enron wants stricter environmental regulations on coal, to boost its business selling coal-pollution credits, while Southern, a big supporter of Lott, wants looser coal regulations, to boost its generating profits. Southern, through its Southern Energy/Mirant spin-off, is also a major player in the non-utility electricity market.)

Even without Wood and Brownell, FERC has proven to be a disaster. Part of its mandate, from FDR's PUHCA, is to enforce "just and reasonable rates" for electricity, but FERC has been hard-pressed to find, much less correct, any price gouging in California. After all, as Enron President Jeffrey Skilling likes to ask, who's to say what "just and reasonable" means? Skilling asked that very question on the June 5 edition of PBS's "Frontline," and then answered it by claiming that under the old regulatory system rates were way too high, and that under deregulation, rates would fall. Even more impressive, he said it with a straight face.

Owning the White House

Enron also had significant input into the administration's national energy plan, including personal meetings between Lay and White House energy task force head Vice President Dick Cheney. Lay and Cheney are old acquaintances. While Cheney was CEO of Halliburton, his Houston-based Brown & Root subsidiary built Enron's new baseball park in Houston, modestly named Enron Field.

Numerous other administration officials have either worked for Enron or have owned Enron stock. Secretary of the Army Thomas E. White, a retired brigadier general, was the vice chairman of Enron Energy Services, while economic adviser Lawrence Lindsey had a $50,000-a-year consulting job with the firm. U.S. Trade Representative Robert Zoellick served on Enron's Advisory Board. Both White House Chief of Staff Karl Rove and the Vice President's Chief of Staff Lewis "Scooter" Libbey, owned significant amounts of Enron stock.

Enron, as we indicated previously, has been the single largest financial contributor to the political campaigns of President George W. Bush, with the company and its executives providing more than $550,000. Enron, Lay, and Skilling also gave $300,000 to the Bush-Cheney 2001 Presidential Inaugural Committee.

Other energy-related companies and their executives have also contributed heavily to Bush's political career. Brothers Sam and Charles Wyly, who run both the giant Maverick Capital hedge fund and independent energy company Green Mountain, have donated more than $220,000 to Bush's campaigns. Among the Pioneers, a designation for those who raised more than $100,000 for Dubya's Presidential bid, are the former head of Reliant Energy, Don Jordan, its current head Steve Letbetter, Edison Electric Institute head Thomas Kuhn, and, of course, Ken Lay.

National Security Adviser Condoleezza Rice hasn't got-

Barton 'Emergency' Energy Bill Dies

On June 6, Rep. Joe Barton (R-Tex.), chairman of the House Energy Subcommittee, announced that his draft Electricity Emergency Relief Act (H.R. 1647), nominally aid for California, is "no longer necessary." Introduced on May 1, this is the cartel-serving bill that refused to curb runaway electricity prices, and mandated readiness for use of Federal emergency powers. (It was also called Barton's "Emergency Rule" Act.)

The madcap events surrounding Barton's announcement make clear that the political future of Republicans allied with Bush energy cartel demands, is: "damned if you do—damned if you don't." If you back measures to rein in the hyperinflation and profiteering, you are in direct conflict with the Bush Administration/energy cartel. If you don't back measures, you are politically dead. In California, there are 20 House Republicans (out of 52 seats).

On May 24-26, House Energy and Commerce Committee hearings to mark up the Barton bill were halted every couple of hours, with signs posted on the hearing chamber to "come back later," ostensibly because the committee was "close to a bipartisan deal."

The agreement never materialized. The rumor was out, ten any money from Enron, as far as we know, but she did sit on the board of San Francisco-based oil giant Chevron, and owned between $250,000 and $500,000 worth of its stock, according to her financial statements. Chevron, which is in the process of buying Texaco, owns 29% of Dynegy, the Houston-based energy pirate which has made a bundle off California's misery. Chevron is now threatening that West Coast gasoline prices will go sky-high if its California refinery does not get an exemption from power blackouts.

Clay Johnson, the director of personnel at the White House, owned between $100,000 and $250,000 of stock in El Paso Corp,, the Houston-based energy company accused by the State of California of manipulating the natural gas market to jack up prices.

'Negawatts'

Faced with the spectacular failure of deregulation in California, and its more discreet failure in Massachusetts and Pennsylvania, the deregulation mafia has been working overtime to blame the population and government of California for the crisis. The California crisis, Enron's Skilling insists, occurred because the state refused to fully deregulate, by retaining caps on what the consumers could be charged. The California deregulation bill was indeed insane, but Skilling is demonstrating a well-developed sense of hypocrisy, since, according to *EIR*'s sources, Enron had a major hand in writing the California law.

Now, Enron, Reliant, and others are pushing yet another insanity designed to separate the public from its money. They are proposing to set up auctions in which people can auction off their unused energy, similar to the way in which the aluminum industry in the Pacific Northwest has shut down aluminum production, selling the electricity they would have used in their smelters for a tidy profit. The name for this "market-based conservation" strategy is "negawatts."

The most interesting thing about this idiotic proposal is the mind-set of those who propose it. They are absolutely determined to keep jacking up energy prices, using first the lure of lower prices through deregulation, and now the "negawatt" scam, to convince people that deregulation will somehow put money in their pockets. But the only ones getting rich are the energy companies, their Wall Street and City of London controllers, and the politicians in their pockets.

For the Bush Administration, it's not just a conflict of interest, it's a conflict with reality. For the nation, it's a disaster, which must be reversed immediately.

---

that the bill was dead over price controls; the Republicans didn't want to bring the issue to a vote.

But pretense continued. On June 6, yet another mark-up was called. But again, the committee adjorned for "temporary" recesses all morning.

Finally, Barton and Billy Tauzin (R-La.), chairman of the full committee, flanked by two California Republicans (Mary Bono and George Radanovich), announced at an impromptu press conference that they were dropping the bill, in the interests of "bipartisanship and comity." They said that the bill wasn't necessary because so many of its provisions had been adopted in the President's energy policy, and by California Gov. Gray Davis (D).

They asserted that even though their version of the bill (without any price caps or controls) would pass, they didn't want to go forward with a bill that didn't have the full support of the Democrats. They stated that they had been close to a deal, except for outside manipulation by the Democratic leadership, i.e., House Minority Leader Richard Gephardt (D-Mo.).

The Issue Is Price-Gouging

The press asked, wasn't it true that the real reason the bill was scrapped was that they were afraid to subject California Republicans to a vote on price controls? "Absolutely not," claimed Barton and Tauzin.

As the Republicans began to leave, the press asked: Why, if all was so "bipartisan," were no Democrats present? At that point, in marched a phalanx of angry Democrats—John Dingell (Mich.), Anna Eshoo (Calif.), Jane Harmon (Calif.), and Henry Waxman (Calif.), who began their own press briefing.

Eshoo countered Barton directly. The Democrats were never even close to a deal. In fact, they hadn't even heard from Republican negotiators since the Memorial Day recess began, she said. The issue is price gouging by out-of-state energy suppliers, and the withholding of energy to drive up the price even further. Waxman said that Democrats were not even told that the mark-up hearing would be cancelled.

All the Democrats reiterated the need for action by the Federal Energy Regulatory Commission, and said that they are prepared to go with the Eshoo/Inslee bill (House complement to the Senate Feinstein/Smith bill for cost-based pricing) via discharge petition (requiring 218 signatures for a floor vote).

"There are cracks in the California Republican delegation. How can anyone stay on the side of gougers and gamers?" said Eshoo. Harman stressed that it's a Federal problem, not a state problem. "We can be optimistic," she said, because Jeff Bingaman, who wants to move a bill, is now chairman of the Senate Energy Committee, and with a discharge petition it can pass the House.

—Suzanne Rose