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An Empire Built on Ifs Enron deserves a big Texas whippin'.

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How rich do you have to be?

I know a man who once ran a big international company, who had done very well in life and was happily retired. Years after he left the company, it went public in an IPO that would make all the company's officers even richer than they were, which was already pretty rich. The company's retired executives got together and decided to press for a piece of the pie. They had to fight for it, and it got messy, but in the end they all got some more money.

I asked my friend, during the controversy, why the retired members were fighting so hard. Had some fallen on hard times? No, he said, not to his knowledge. Did they need the money for immediate and pressing concerns? No, he said, not that he knew of. "Then why is this such a big deal to them if they're already rich?" He looked at me with the kind of face people get when they hear something truly inexplicable. And then he said in a pleasant, explanatory tone, "Everyone wants more."

It was my turn to get the inexplicable look. Because not everyone wants more, or at least not everyone wants more in circumstances like that. The idea of getting into a struggle to squeeze out another \$5 million when you already have a \$100 million seemed to me absurd, a misallocation of energy and interest. It's not as if you can buy a better steak if you're already that rich. It's not as if you can buy a better anything. So why fight for another five?

I have thought of this conversation ever since the Enron scandal began. Enron's officers, its leaders and top dogs, were really rich. They created a big company out of nothing and did very well. But then when things went bad--when their own decisions, apparently, drove the enterprise south--they made sure they would stay rich. They did this by quietly selling off their stock while the peons below them were not allowed to. While the peons below watched the worth of their stock erode, and then fall, and then plummet. The big guys had to stay rich. Everyone wants more.

It is, to me, an amazing, an almost unbelievable story. And I bring a particular and personal knowledge to it.

You have heard the past few weeks of journalists, political figures and others who were advisers to Enron or served on its board. I was not an adviser or board member, but in 1997 I spent two days in their Houston headquarters touring the place and meeting with their top officers to get to know the company so I could work on a speech with the CEO, Ken Lay, and work with his people on the CEO's letter in an upcoming annual report. They wanted the report to be interesting to read, like Jack Welch's famous letter to shareholders at the beginning of General Electric annual reports. I'd never done work like that before and wound up never doing it again, in part because I wasn't good at it, and in part because I realized I just didn't get modern big business.

The people I dealt with at Enron were mostly middle-level workers, and they were terrific--smart, dedicated and loyal to their company. They worked like dogs. They're probably among those who just lost much of their money. One of the things they believed in as good public policy was deregulating the sale of consumer electricity in America. I supported it too but had reservations about it. I understood the basic arguments: that deregulation held the promise of lower energy costs for consumers, cleaner and more efficient energy, profit for private sector investors in those companies that would compete to provide energy, such as Enron, and, ultimately, a spur to more inventions that would make consumers' lives better.

Deregulation was part of the reason Enron asked me to come down and talk to them. For I had told an Enron worker I'd met in Manhattan that making the case for the deregulation of anything these days, especially a commodity that has been a public utility since before almost everyone in the country was born, would be difficult.

When I went down to Houston, I met with Enron's No. 2, Jeff Skilling, and told him I felt Enron would have a big problem in persuading the American people to support deregulation. The reason? Two words: *Too complicated*.

He told me that deregulation of electricity is certainly not complicated.

Well, I said, maybe you're right, but this is how I see it. American consumers have a myriad of choices on almost everything now, which is wonderful in the abstract but often hellish in the particular. For instance, telephones. When I was a kid you got a phone from the phone company. There was only one phone company, so you didn't have to do research. They came and put in the jack and you called your friends. You didn't even choose the color of the phone when I was a kid; all the phones were black. Everyone had the same kind of phone and the same service. It was easy.

Now there are 50 phone companies, 50 kinds of phones, 50 kinds of service, 50 package deals, five different phone bills every month, phone companies calling at dinnertime to sell their wares, secret codes to get our messages. And it sometimes makes you feel like you wish there could be one big phone company again, and one black phone.

I told him that it is fabulous that we have such choice, such progress, but that it's burdensome too. I sometimes miss the simplicity of the old, limited world. And I thought if I did, some others did too. Asking people to make individual decisions about what local electric company to use just might be one item too many on the average consumer's Daily Decision List.

Mr. Skilling got a sort of dark look as I spoke. And finally he said, impatiently, that phone deregulation has made telephones not more expensive but less. "Do you know what it costs to call London now compared to the way it was?"

I said I didn't, and thought: Most people even today, in 1997, aren't calling London all the time. That's not how normal people judge progress. And anyway it's not the point. Life has gotten too complicated for a lot of people, that's the point.

Let me tell you what I saw when I was there. I saw cavernous rooms with big monitors on the walls, and on desks too. The monitors and computers were blinking out numbers. I remember the numbers and words on the screens as bright green. Young future Masters of the Universe were standing with phones, monitoring the numbers, saying things, buying and selling. I met with a woman famous in the company for being in charge of putting big natural gas pipelines into Central or South America and India. She seemed intense and intelligent and, like the men, very Armani but kind of Texas Armani--everyone well tailored but with more gold, more colors than Wall Street people, who are sort of more gray-hued.

I thought Ken Lay intelligent, soft-spoken, somewhat opaque. At one point I met Mr. Lay's wife. It was just after I returned from Houston, and I met with him in an Enron suite at a hotel in New York. Mrs. Lay was visiting New York and had just come in from a long day of shopping. I was introduced to her and what I remember was she was wearing beautiful soft tailored black leather slacks. They were like movie-star pants. And I thought: Boy, these people have a lot of money.

And I thought, they spend a lot of money. That was one thing that hit me hard in Houston: They were "hemorrhaging money!" as Tom Wolfe's Sherman McCoy said. They were building this and tearing down that, they were, they told me, talking to legislators in various state houses, lobbying to get deregulation bills passed. All of it seemed expensive, labor-intensive, time-intensive.

And it all seemed so tentative, so provisional. The Enron building was huge; the Enron sign outside, the big tilted E, was huge; the gold earrings on the women executives were huge; the watches on the men were huge;

the paychecks were huge; the company's ambitions were huge. But all of it seemed to depend on things that were provisional. If they are able to build the big pipeline in India, it will be great and profitable--provided it happens. If they are able to get states to deregulate electricity, and Enron is able to provide it, and it all goes well, it will be great and profitable--if it happens. If the Central or South American pipeline goes through and works and runs a profit it will be great--if it happens. An empire built on ifs. It all seemed so provisional.

I went away for a few weeks and worked hard and tried to put together a speech and make a contribution to the annual report, but none of it really worked. Mr. Lay used at least part of the speech I worked on, about deregulation and its challenges. Some of what I tried to write for the annual report made it in. But mostly my contributions weren't helpful, and I think for two reasons. One was that the guys at the top, and in the middle, seemed unable to communicate to me exactly what it was the company was doing to make money. So I didn't absorb the information and make it understandable to others. The other was that I think I sensed a sort of corporate monomania at the top--if you can't understand what we're doing then maybe you're not too bright.

But the key part was that I couldn't help them explain their mission because I didn't fully understand what their mission was. I understand what the Kenneth Cole shoe company does. It makes shoes and sells them in stores. Firestone makes tires. I couldn't figure out how Enron was making its money, what exactly it was selling, and every time I asked I got a kind of gobbledygook answer or a cryptic one, like "The future!"

We should all have a realistic sense of our limits, and I decided that one of mine is that I don't have a mind that appears to be able to understand the complexities of modern big business. But my dimness was in this case helpful to me. It meant I would have not a long relationship with Enron but a short one that lasted about a month. And it allowed me to make another choice. A friend, on being told I'd been to Houston and was working on an annual report, told me: "Get paid in stock, that company is golden."

But it didn't seem golden to me, it only seemed confusing. So I sent them a bill, charging, if memory serves, \$250 an hour for the 100 to 200 hours I worked, which is more than a first-rate psychiatrist and less than a first-rate lawyer. This is what I used to charge for speeches in those days when I did them.

I never worked for Enron again. I stayed in touch with a few of the midlevel people for a while, but they all left in time. I'd think of them now and then, wonder how the company was doing, read or hear that it was No. 1, top in the field, golden. Until it wasn't anymore.

I'm speaking of all of this because I feel I have to in order to write about Enron. And I have to write about Enron because I have strong views about the scandal.

I am a conservative, and so a Republican. I believe that conservatives and Republicans have a special responsibility, as the party that stands for free markets, to see to it that free markets work, and are not abused, gamed or finagled. Republicans and conservatives have, I believe, a special responsibility to come down hard on people who cheat their shareholders and their employees.

Obviously the primary question at the moment is whether anyone from Ken Lay on down literally violated the criminal code. The Justice Department is investigating. This is good. But it seems to me the administration might consider a special prosecutor in the case, too.

President Bush yesterday changed his tone about Enron, admitting that what its leaders appear to have done angers him. That's good. But more anger is needed, or rather a greater and more obvious commitment to get to the bottom of the scandal.

Representatives of Enron, as everyone knows, met with Vice President Dick Cheney's office before the administration put forward its energy bill. Congress is demanding the notes and records of those meetings. The vice president is refusing, on principle: It would be a violation of executive privilege. Mr. Cheney explained the other night to Tom Brokaw that the principle is an important one: A president and vice

president simply have to preserve their ability to meet with and talk candidly with citizens and groups on policy issues, and the candor is compromised if all the details of every meeting are made public.

He is no doubt correct, and his arguments would, one suspects, be upheld by the courts.

But the administration could both insist on the principle of executive privilege and, in this case, waive it. Just waive it. They could announce that Congress can, in this special case, see all of the notes and materials on the Enron meetings.

Why should the administration consider doing this? Because the Enron case is special--huge, damaging to individuals and damaging to faith in free markets. Because, as I've said, Republicans have a special responsibility as the free market party to support the transparency of those markets. And there is a third reason, which is merely political, but then politics is rarely mere. If the administration continues to resist the request for documents and fight in the courts, its victory may well be Pyrrhic and its potential loss even more painful. Because as long as the administration doesn't come forward with everything, the issue remains alive and potent for the opposition's use.

(Yes, Enron was, like most big corporations, a corporate whore in terms of its contributions. It gave to both parties; it gave to both Clintons. But the Republicans will be hard-pressed to shake the Democrats' insistence that this was largely a Republican problem. And in any case it would be good to see just how Enron operated politically in its dealings with both parties--which is to say, it would be good for the public to have more information about big business and politics, not less.)

Finally, those who insist the law should change with respect to accountants certainly seem to be correct. It appears to be a conflict of interest when an accounting firm that audits a company also receives millions of dollars for consulting--that is, millions for advising the company on business decisions even as they're getting millions for reviewing its books. This is what appears to have happened with Arthur Andersen and Enron. It's hard to understand why and how this is legal.



It's not true that everyone wants more. It's not true that "everyone does it." And it's not true that free markets are rigged, a sucker's game. But it does seem that the party that stands for free markets and free economic dealings has a special responsibility to make sure that those who abuse them are given one big Texas whippin'.