Enron: The Smartest Guys in the Room

By Alex Gibney
What's he building in there?
What the hell is
he building in there?
It had taken Enron
16 years to go
from about 10 billion
of assets to
65 billion of assets.
It took them 24 days
to go bankrupt.
What the hell is
he building in there?
This company collapsed
so quickly and so entirely.
I mean it was into bankruptcy
within a matter of weeks.
It just immediately had
all the makings of
a gigantic scandal.
He's hiding something
from the rest of us.
The fatal flaw at Enron
if there is one,
you say it was pride
but then it was arrogance,
intolerance, greed,
So many of them were
blinded by the money
that they didn't see that
they were sinking
their own life boat
We have a right to know.
It just got hungrier
and hungrier.
Sooner or later
they were doomed to go off
that cliff at 90 miles an hour.
It's astounding that they
got away with it for so long.
In reality,
Enron was a house of cards.
What we didn't know was
that the house of cards
had been built over
a pool of gasoline
It all sort of became
smoke and mirrors.
Committee will come to order.
This is a case of America's
largest corporate bankruptcy.
The question here is
what happened,
who was responsible
for it happening,
and what can we do to
prevent this sort of thing
from happening again.
I think the Enron story's
so fascinating
because people perceive
it as a story
that's about numbers.
That it's somehow about all
these complicated transactions.
But in reality
it's a story about people
and it's really
a human tragedy.
On this date, at 2:23 am,
Sugar Land police
discovered John C Baxter
located inside his vehicle
with an apparent gunshot
wound to the head.
Ah... at this time there has
been a suicide note located.
Sir, can you give us
any indication whether
this was related to
Enron's bankruptcy.
We do know that he was
and Enron employee,
but as far as any other
indications of why
he committed suicide,
no we do not.
Mr. Skilling,
let me touch on something
that's sort of sad
and that's of course
the suicide of Cliff Baxter.
And you mentioned
he was your best friend
in your opening statement.
Before he died,
did you have many
conversations with him?
Yes.
And were any of them
relative to Enron?
Yes.
There's no one that knew Cliff,
toward the end,
that didn't realize that
he was heartbroken
by what had happened.
And Cliff came over to my house
and he said 'They're calling
us child molesters.'
He says,
'That will never wash off.'
But Mr. Skilling
you don't believe that.
I don't believe what?
You don't believe that
the press and everybody
calling Cliff Baxter
or yourself or anybody
on the Board of Directors,
denigrating or tainting you,
you don't think it's accurate
is what you're saying
to us here today.
I do not believe...
I did not do anything wrong
that was not in the interest
In all the time that
I worked for Enron Corporation,
it was in the interest of the
shareholders of the company.
Ultimately, who was responsible
for the downfall of Enron?
Only a few years ago, Enron was the nation's seventh-largest corporation, valued at almost 70 billion dollars. Pundits praised the company as a new business model. This trading floor was manned by America's best and brightest, charting the futures of energy and power. And high above each with a private staircase, Ken Lay and Jeff Skilling had built their own plush staterooms. They were known as the smartest guys in the room. Captains of a ship too powerful to ever go down. In the Titanic, the captain went down with the ship. In Enron, it looks to me like the captain first gave himself and some friends a bonus, then lowered himself and the top folks down in the lifeboat and then hollered up and said, by the way, everything is going to be just fine. Like Skilling, Ken Lay said he hadn't done anything wrong. Could we have a word with you real quickly? We're with CNN. Really not this morning, thank you. Beyond the financial issues, some suspected a political conspiracy. Enron had been the largest corporate contributor to the first presidential
campaign of George W. Bush. This is not a political issue, it is a business issue. You know Enron had made contributions to a lot of people around Washington D.C. And if they came to this administration looking for help they didn't find any. To say no help had is like, 'I did not have political relations with that man, Mr. Lay.' What about the fact that George W. Bush calls Ken Lay, Kenny Boy? That's my nickname for my husband, which he overheard. So it wasn't original, with the President? It certainly wasn't. According to published reports, your husband earned about 300 million dollars in, in compensation, in stocks from Enron over the last four years. What happened to all that money? It's gone. It's gone. There's nothing left. This is the shredded evidence we got that came out of Enron. We very quickly determined that the insiders had sold off a billion dollars of their stock in the preceding several months. Did you convert stock worth 66 million dollars? I don't know, but... I don't have the records with me...
Would that be surprising to you to learn that you did that? No, that would not be surprising.
Mr. Fastow got only 30 million in stock proceeds from Enron, but he took another 30 million out, with his side deals. I think there was just an immediate sense of outrage at Lay and Skilling and Fastow when people realized how much they had profited, and how completely artificial the appearance of this company had been. News of shredding at Enron raised more questions. What answers were lost in the torn documents? 20,000 employees had lost their jobs. $2 billion in pensions and retirement funds had disappeared. Was Enron the work of a few bad men or the dark shadow of the American dream? Lay comes to the story of Enron from very humble roots. My father was a Baptist minister and, and he was ordained a Baptist minister while I was very young probably two, three years old. Ken Lay was a Baptist Preacher's son in a family that had been poor all it's life and he, throughout his life, worked several jobs as a kid.
and clearly had in mind that things could be better... and wanted things to be better. He had a huge ambition to make wealth for himself. He told a story later about sitting on a tractor, dreaming about the world of business and how different it could be from the way things were for him and his family.

Lay was a PhD in economics and he became, very early on, a real apostle for deregulation. He was way ahead of the curve on this. He was thinking about energy markets that would be deregulated. And in particular, the natural gas industry that was shackled by regulation. And he pushed aggressively in Washington to change all of that. In Washington, Lay became part of a new crusade to liberate businessmen from the rules and regulations of government. Government is not the solution to our problem. Government is the problem. The societies which have achieved the most spectacular, broad-based economic progress in the shortest period of time are not the most tightly controlled, not necessarily the biggest in size,
or the wealthiest
in natural resources.
No, what unites them all
is their willingness to believe
in the magic
of the marketplace.
The magic power of deregulation
pushed Ken Lay to
found Enron in 1985.
Through a merger of vast networks
of natural gas pipelines,
Lay thought Enron
would be poised to take
advantage of
the government's decision
to let gas prices float
with the currents of the market.
Ken Lay had
a view of deregulation
from the standpoint
of all the money
that he thought could be made.
Ken Lay wasn't alone.
A couple of Texas oilmen
shared his views
on how to get government out
of the energy business.
I think they could sort of
understand each other.
It was a professional courtesy
between a sidewinder
and a timber rattlesnake.
Lay was closer to the father.
But while
he was governor of Texas
George W. Bush was
only too happy to
make phone calls for Ken Lay.
This absolutely has
no precedent.
This is by far and away
the most important,
major relationship of
a Presidential family
with a single corporation
in American history.
When Rich Kinder,
one of Enron's Executives,
left the company,
Lay arranged
for a video valentine.
Rich, I've... been asked
to think of one thing
I could say to you
on your departure from Enron.
It'd be this,
'Don't leave Texas. '
Rich, you have been fantastic
to the Bush family.
I don't think
anybody did more than
you did to support George and,
of course,
in this stage of my life,
and Barbara's too,
that's what really matters.
Your family and your friends.
Early on, George Bush, Sr.
Helped secure billions
in government subsidies
for Enron International.
And he helped promote Lay as
deregulation's
Ambassador-at-Large.
Enron is a company...
that deals with everyone
with absolute integrity.
We want people to leave
the transaction with Enron
thinking that
they've been dealt with
in the highest possible way
as far as integrity
and truthfulness.
He always wrapped himself
in the cloak of moral rectitude.
But there was one episode,
early on,
that raised questions about whether he was actually walking the walk
This was the Enron oil scandal, also know as the Valhalla Scandal.
While you were at Arthur Anderson, were you involved in an investigation at a company called Enron Oil?"
Yes, I was.
The issue with the company in 1997 involved the misappropriation of moneys by two traders.
In 1987 two oil traders made bets for Enron on whether the price of oil would rise or fall.
Oil trading is like gambling: Sometimes you win, sometimes you lose.
But Enron Oil always seemed to win, much to Ken Lay's delight.
I tried to explain to Ken Lay the tremendous risk that you have in that market.
You can lose... ten times your original investment.
A veteran trader, Mike Muckleroy, was suspicious of Enron Oil's steady high profits.
Well this oil trading business had profits that nobody could really understand and in fact, that many of Ken Lay's lieutenants questioned.
They said this business can't be making
this much money legitimately. Something weird is going on. Something weird was going on. The first hint came from an anonymous tip about the president of the company, Louis Borget. Mr. Borget had taken some three plus million dollars of corporate funds and put it in a personal account of his. There were offshore accounts phony books and a trail that led from the company's treasurer, Tom Mastroeni, to a mysterious Lebanese speculator no one could find: M. Yass. What name did you suspect that was? My ass, you know. And M Smart, well so that's Maxwell Smart. I mean, these guys are playing games Borget and Mastroeni were summoned to Houston. First, they presented falsified bank records to Enron. Then they admitted they had diverted company profits to personal accounts. It was brought to the attention of the Enron Board. Auditors were brought in as well, to look at the whole thing. At the board meeting, the auditors told Lay that Borget and his traders were manipulating earnings destroying daily trading records,
and probably gambling
way beyond their limits.
The next day we found out that
Lay's decision was to
basically change nothing
as far as
the operation's concerned.
And the reason
he gave was that this was
the only part of
the combined company
that was making any money
and that he could not,
you know,
killed the golden goose.
The traders weren't fired,
or even disciplined.
Instead,
Enron sent a telex to Borget:
Please keep making us millions.
Instead of reducing
Enron's risk,
Lay encouraged his traders
to gamble more.
But then their luck changed.
Two months later,
here I got this panic
call that they had
drawn down 90 million dollars
in the previous five days.
What we could do is
just try and find out
what kind of guerilla
we had loose up there.
Muckleroy hopped on the
next plane to New York.
He knew Mastroeni had
another set of books,
and he would do whatever
it took to get them.
I basically stood over Tom
and I told him that one of
two things was going to happen.
Either one of
the trading partners
that was crooked with Borget
who was a German arms dealer
was going to kill him,
or I was.
I said 'I'll track you down
and find you
no matter where you go.
And sooner or later,
I'll get you. '
The next day, Mastroeni came
in with the real books.
The traders had gambled away
all of Enron's reserves.
By acting fast,
Muckleroy bluffed the market,
and managed to
save the company.
After Valhalla Ken Lay
maintained that
he had been shocked
that the traders
had gambled so recklessly.
But Ken Lay had known
all along
about the risks
that were taken.
He had seen
the reports warning him
about the traders' behavior.
Since the fall of Enron,
Ken Lay has said that
he can't be responsible
for things
he didn't know about.
Sounds like what he said
about Valhalla.
Do you believe that
he didn't know?"
I can answer only for one.
I can answer for Valhalla
because Ken Lay did in fact
know about this thing.
Because I had told him myself.
The auditors adamantly
told Mr. Ken Lay
that the two rogue traders
should be fired.
Lay read the report
and he read his budget
and estimated how much they,
the two rogue executives made
and if they were fired
what he could lose.
My conclusion was that this guy
is a guy who puts earnings
before scruples
rather than reacting
to the dishonesty right
in front of him.
Mastroeni received
a suspended sentence.
Borget was convicted of fraud,
and spent one year in jail.
With his biggest moneymaker
now behind bars,
Ken Lay had a problem:
Who could he find
to make money for Enron?
Every year, every day,
every week you have to come up
with new ideas.
Ken Lay saw in Jeff Skilling
the guy who had the answer to
what the future of the natural
gas business was supposed to be.
Ken Lay is also a guy who
considers himself a visionary
and he liked other people
he thought of as visionaries.
He liked people with big ideas.
And Jeff Skilling was a person
with the biggest ideas of all.
Jeff Skilling's biggest
single idea was find
a new way to deliver energy.
Rather than be bound by the
physical flow of the pipeline,
Enron would become a kind of stock market for natural gas. It was a magical new idea: Transform energy into financial instruments that could be traded like stocks and bonds. So that was the one good idea. In 1992 using that good idea, we became the largest buyer and seller of natural gas in North America. Jeff was like the prophet. He came in and said There's a whole new world out there. Forget about this pipeline stuff, you know the staid pipeline in the ground and... gas in and gas out. We can recreate this entire industry. An attorney from Vinson & Elkins, Amanda Martin was one of the first executives hired by Jeff Skilling and became part of his inner circle. The excitement was palpable. You cannot imagine how proud we all were to be there. And then, of course, we had a leader who imbued us with a sense of confidence that if we were smart, anything could be accomplished And then the bottom line we began to make money. And that in and of itself, was a re-affirmation that this could be big. Skilling saw the opportunity to build an industry new and to start a business
from scratch.
But he had
one specific condition
that had to be met
before he'd join Enron,
and it was that
he be allowed to use
a certain kind of accounting
known as mark-to-market.
Arthur Andersen signed off,
and the SEC approved it.
I remember walking in
and going 'What's going on? '
And Causey and everybody,
I mean every one was so excited
and then came the champagne
and We had got Mark-to-market
accounting treatment.
And I often think about how clear
my memory was about that event.
And that was
the beginning of a major cog
of the downfall
ultimately of Enron.
Mark-to-market
accounting allowed Enron
to book potential
future profits
on the very day
a deal was signed.
No matter how little cash
actually came in the door,
to the outside world,
Enron's profits could be...
whatever Enron said they were.
Very subjective.
And very...
it left it open to manipulation.
And they were saying
that we're going to sell
power out of this
power plant in ten years
for X dollars per kilowatt.
And there was no way
anybody could prove that they could do it.

Well...

Hey Reg.

Good morning.

How are you?

Finally. Great.

Good to see you.

Jeff. Good to see you.

Todd, sit down.

We've been working hard on this and we've really pulled out all the stops.

Look what we got.

Origination...

We did 20 million last year, I think we can do 120 million dollars this year.

Trading we did 10 million last year we think we can do 64 this year.

This is the key.

We're going to move from mark-to-market accounting to something I call H, F, V Hypothetical Future Value accounting.

If we do that we can add a kazillion dollars to the bottom line.

Whoa! Jeff... alright!

That sounds fantastic.

Oh Jeff, thank you.

That's just superb performance. And you're going to go far, my boy.

Probably President of the company one day.

You think so?

I think!

He really believed that
the idea was everything.
And that when you came up
with an idea,
you should be able to book
the profits from that idea,
right away.
Because otherwise some lesser
man was taking the profits
from the idea
that some greater man
had come up with in the past.
When Jeff Skilling applied to
Harvard Business School,
the professor asked him
if he was smart.
He replied,
'I'm fucking smart. '
One of his favorite books
was The Selfish Gene,
about the ways human nature
is steered by greed
and competition in the service
of passing on our genes.
At Enron.
Skilling wanted to set free
the basic instincts
of survival of the fittest.
Jeff had a very Darwinian
view of how the world worked.
He was famous for saying once
in Enron's early years,
that money was the only thing
that motivated people.
Skilling's notion of
how the world should work
really trickled down,
and affected everything
about how Enron did business.
He instituted the system
know as the PRC,
or Perfromance Review Committee.
It required that people be
graded from a one to a five.
And roughly ten percent of
people had to be a five.
And those people were
supposed to be fired.
Hence, this came to be know
as 'Rank and Yank.'
I, personally, am convinced
that the PRC process
is the most important process
that we conduct as a company.
I've never heard of
a company yet
that would be successful
terminating 15 percent
of their people every year...
just to satisfy the fact
that the other employees
had to vote on them.
And so when you're being
evaluated by that group,
you are getting direct
communication from Ken and me
about what the objectives
of the company are
and how you fit
with those objectives.
It was a brutal process.
The ability for
a 25 year old to go in
and to be reviewed
and to be superior...
and as a consequence get
a five million dollar bonus.
I don't think that's
repeated in many places
in corporate America.
Our culture is a tough culture.
It is a very aggressive culture.
At Enron,
no one was more aggressive
than the traders.
If I'm on the way to
my boss's office
talking about my compensation.
And if I step on somebody's
throat on the way
that doubles it?
Well, I'll stomp
on the guy's throat.
You know,
that that's how people were.
On the trading side
we got to be the biggest,
baddest house in town.
And by necessity,
if you wanted to be
in the market,
you had to deal with Enron.
Enron's traders were like the
super powerful high school
clique that even the principal
doesn't dare to reign in.
They had become
the major engine of
at least reported profits
at the company.
They took Jeff Skilling and
Ken Lay's belief in free markets
and turned it into an ideology.
But they pitch it almost
as a new economic religion.
Enron on-line will
change the markets
for many many commodities.
It is creating an open
transparent marketplace
that replaces the dark
blind system that existed.
It is real simple.
You turn on your computer
and it's right there.
That's our vision.
We're trying to
change the world.
I think Jeff Skilling
had a desperate
need to believe
that Enron was a success.
I think he identified
with Enron.

He proclaimed, at one point, 'I am Enron'.

The other thing about people at Enron is, a lot of them were former nerds and including Jeff Skilling. He had been paunchy. He had big glasses. He was losing his hair.

And Jeff Skilling one day kinda woke up and decided to change himself. And he started working out, lost a lot of weight.

But he really did remake himself through sheer will and force of personality. When Jeff got Lasik on his eyes, everybody at Enron got Lasik, so nobody was wearing glasses.

I think Jeff Skilling is really a tragic figure, in a classic sense of the word. He's a guy that people describe as incandescently brilliant. But he's also a guy who is radically different than he at times portrays himself. He's portrayed himself as somebody who has very tightly-monitored risk. In reality, he's a gambler. He gambled away huge sums of money before he was 20 years old, by making wild bets on the market.

To Jeff Skilling, risk was glamorous. He was a huge risk taker. He actually talked about wanting to go on trips that
were so perilous that someone could actually die. This manifested itself in trips that Jeff Skilling led for a small group of friends and customers. A core cadre of Enron guys used to go on these wild adventures: Andy Fastow would go; Ken Rice would go. The trips were legend. You know, we can sit and think about what strange insecurities they were trying to overcome. But it made them feel good as men. And they took a particularly memorable trip to the Baja twelve hundred miles of very rugged terrain in Mexico. This is a trip where people crashed bikes. Ken Rice was on the trip, and he busted a lip and required a bunch of stitches. People broke bones. One guy flipped a jeep and almost got killed. Those sorts of stories at Enron became legend. And it fed the whole macho culture of the place. Jeff Skilling had a way of describing people that he liked. He said, 'I like guys with spikes.' He liked somebody with something extreme about them. Ken Rice was one of the Men with Spikes. He was the salesman of the group. Very amiable, fun, man's man.
And was the guy out selling
deals to energy companies.
In the case of Cliff Baxter,
the company's chief dealmaker
he was extraordinarily talented
at just doing a deal.
But he was a manic depressive.
Baxter was a very bright guy,
very blunt would
tell Skilling whatever
he thought was closest
to Skilling, personally,
than anyone else
in the company.
There was a guy named Lou Pai,
who was a key
Skilling lieutenant;
helped build the trading
business in the early years;
went on to run Enron's doomed
effort called
Enron Energy Services.
What was the job of EES,
as you ran it?
Ah, it was to sell energy
services to end users,
industrial end users.
Lou Pai is
the guy that Skilling
tapped to run the EES business.
Because this was,
this was so important
to the company,
and to Skilling's future.
He called Lou Pai 'my ICBM.'
And Lou Pai dispatched
his enemies
with incredible skill.
And if that meant leaving
bodies behind him,
Skilling was certainly
fine about that.
I'm not feeling anything.
Lou Pai was kind of
a mysterious figure.
He was kind of like
the invisible CEO.
For awhile he was located
on the 7th floor.
And there's a long office.
And it was all glass-enclosed,
and you would walk by there,
and it was just almost
all the time it was empty.
Details didn't
interest Lou Pai.
Only two things seemed
to motivate Pai
money and a peculiar
fascination with strippers.
For Pai,
it was all about the numbers.
He was there
every night after work
and he usually brought some of
the traders along with him.
He spent quite a lot of
money there as well.
Much of it charged to
the Enron expense accounts.
There were rumors that
he brought strippers up
to the trading floor.
Almost everyone knew the story.
The story is that
because he's kind of a mild,
soft-spoken,
almost meek individual
that maybe these...
these strippers didn't even
believe he was the CEO.
So he took them up
to his office.
And I guess they,
they put on
a little show for him there.
One night he was at a club.
And one of the guys said,
you know, Lou,
all the rest of us are single.
You know,
we don't have any problem.
But how do you keep your wife
from smelling
the strippers' perfume on you?
And Lou said,
'oh, I've got a secret'.
He said, 'I stop in at a gas
station on the way home.
And I spill a little
gasoline on myself
and it kills the scent. '
So the other guy shot back,
he said, 'but Lou,
doesn't your wife then think
you're fucking
the gas station attendant? '
In the context of Lou Pai,
everyone was horrified,
a pall fell over the table.
Because Lou Pai was
not a man to trifle with.
Two days later,
the guy who told the joke,
as Enron legend... has it,
was dispatched to Calgary,
Canada.
Lou Pai lost all interest
in running EES
as soon as the numbers
got high enough.
I netted approximately
a hundred million dollars.
I don't know
if that number is accurate,
plus or minus 20 million.
He actually left Enron
with more money than anybody,
250 million dollars,
because he sold
all his stock in Enron
after he got
a divorce from his wife, in order to marry his stripper girlfriend, who had had his child. His exit from Enron was as mysterious as his presence there. Just sort of one day, we all learned that Lou Pai was no longer the CEO of EES. Though Lou Pai flew away from Enron with 250 million dollars, the divisions he left behind lost a total of nearly $1 billion. But Enron managed to disguise that fact. Lou Pai became the second largest landowner in Colorado. It was the number. It was always making those numbers, and looking, you know, it was, to me, the real mythology is high school mythology. That, you know, you wanted to be the most popular guy on Wall Street, and you were gonna do whatever you had to do to stay there. And Jeff understood those rules better than, I think, anyone else. Americans are making a lot of money in stocks. The stock market soared to near record highs yesterday. The stock market continued its bull run Thursday. The Dow rose nearly 61 points. Even the person with very little disposable income all of a sudden began to play...
in the stock market, because nobody could fail. Because stock prices were just going up and up and up. Another day, another record. And the internet technology stocks, just going wild. Gained more than 100 points to close at 7895.81, the highest finish ever. It was a time where we had the biggest bull market in the history of the world. Ken Lay was right there, acting as a cheerleader. Obviously our stock has been doing very well. I think there's a fairly good chance we could see the stock price double again over the next year to eighteen months. Enron mounted a campaign to capture the hearts and minds of stock analysts. The natural gas stocks include Enron... We're never satisfied and I don't want us to ever be satisfied with the stock price. It should always be higher. Enron posted a 30-percent jump in second-quarter profits, as Web-based trading boosted its wholesale energy business. The game was played on Wall Street in such an established way throughout the 1990's. As long as
a company met or exceeded
the analysts' projections for
quarterly earnings per share,
the stock went higher.
The game was called
'pump and dump.'
Top execs would push
the stock price up
and then cash in their
multi-million-dollar options.
People at Enron got paid,
in large part, through stock.
Everyone had a huge stake
in seeing the stock price go up.
And it was driven,
very clearly,
by the profits
every single quarter.
They were exceedingly
conscious of that;
Skilling was, and everyone
else in the company was.
They posted the stock price
in the elevator.
You were surrounded by
the health of the company;
what's the stock price doing?
We were consumed by it.
This company was fixated
on its stock price
and fixated on a massive
public relations campaign
to convince the investment
community that they were new,
different, innovative;
almost heralding a new era of...
of corporate enterprise.
Come work for us.
We encourage our people
to do new things,
try new things,
experiment step out.
We begin by attracting
the kind of people
that are more comfortable
in an environment of change.
You know
when you work for Enron
you're gonna see
the newest thinking.
You're going to see the
newest markets opening up.
Enron on-line, a fabulous,
fabulous story.
They were so good
at their acting
that they convinced
corporate America
that they were smarter
than anyone else.
Alan, with our sincere
thanks and admiration,
we are pleased and indeed
honored to award you
the Enron prize for
distinguished public service.
They continued to
sell the company
as being a very stable place
where it could
predictably increase profits
10 to 15 percent a year.
In fact, to get to those
numbers Enron was doing
all sorts of
questionable things;
taking enormous risks.
We like risk.
Because you make money
by taking risk.
By all accounts,
Enron was soaring.
But in reality,
profits weren't going up;
they were headed
in the opposite direction.
Enron had vast natural gas
operations all over the world.
They had cost billions to build and most were performing terribly. But in other places in the world, in India, great quarter and a great year in India. Phase one of Dabhol is in operation generating power. Phase two is financed and is under construction. My experience indicated there were certain places that you assiduously stayed away from. And one of them, as an example, was India. They built this power plant in India. Nobody else would do that at the time. They were terrified of investing in India. Enron did it, and did it in a big way. But Enron had failed to see something basic. India couldn't afford to pay for the power Enron's plant produced. Now Dabhol is a ruin. Though it lost a billion dollars on the project, Enron paid out multi-million dollar bonuses to executives based on imaginary profits that never arrived. Where was the real money going to come from? Of course the pressure was enormous. You had to come up with the next idea
that would break through. Failure was not an option. A flurry of buy-outs in the corporate world...

**the biggest:**

Enron announcing a buy out of Portland General. The merger with PGE put Enron in the electricity business. And Portland General's position on the west coast gave Enron access to the newly deregulated market of California. The merger, we think... it uniquely positions us to ultimately become the largest marketer of electricity and natural gas at both the wholesale and retail level nationwide. "What brought all this on was the deregulation they said that we would not survive, unless we joined forces. Enron, I'd never heard of 'em until they were gonna buy us. They slid in here, and when they purchased PGE, all the PGE stock became Enron. Just went through, stamped every one of 'em. I looked around me, and all the guys that were buyin' all this Enron, they were doublin' their money. And that whole time since then, I put the maximum I could into my 401 and savings. Portland General, again, good earnings and cash flow. It's what's they call on Wall
Street a "trust me" story.
People that had been
gas pipeline workers who
for decades kept
all their money in the company
because they thought
it was this traditional and,
you know, safe investment
as it... as it had always been.
And it was...
it wasn't anything close to that.
Should we invest all of
our 401k in Enron stock?
Absolutely.
Don't you guys agree?
Enron is a big winner today
One of the things
that fascinated me was that
almost all of
the Wall Street analysts
who covered Enron
had buy ratings
or strong buy ratings
on the company's stock.
Why were the analysts blinded
to the company's deceit?
We relied on the information
that was available at the time.
I trusted the integrity of
the company's certified
financial statements,
and the representations of
the company's management.
And we've been absolutely
upfront with the analysts.
Jeff Skilling was
the critical component
in creating the Enron illusion.
Time and time again
when we had a question
to the sell-side analysts that
they couldn't answer,
the response was,
'I'll give Jeff a call;
I'll run this by Jeff. ' By giving Jeff a call, the analysts weren't 'analyzing' at all. They were willing to believe virtually anything Enron told them. Most of the analysts right now have a target price on us from a hundred to a hundred and fifteen dollars a share. Any analyst who didn't buy the company line became an enemy of Enron. Enron's CFO, Andy Fastow, had his eye on John Olson one of the only analysts skeptical of the Enron story. Enron loved analysts' strong buy recommendations. Merrill was informed by Fastow, either you get somebody who is on board with us as a strong buy recommendation and loves us at the same time or we don't do any business with you. I knew that my days were numbered. This is an abuse. Merrill Lynch fired John Olson. Soon after Fastow rewarded the bank with two investment banking jobs worth 50 million dollars. Analysts were routinely getting large bonuses from the investment banking departments to bring in investment banking deals. Ah... once that happens, you know, never was heard a discouraging word.
While Enron's stock kept rising, its businesses kept losing money. Looking at the soaring stocks of the dot-coms, Skilling decided to take Enron into cyberspace. We're now in the process of seeing if we can create a bandwidth trading market. Enron is using its knowledge of trading gas to barter other forms of energy even space on the information superhighway called bandwidth.

Ken Rice has worked at Enron for twenty years. Enron has found a way to stay ahead of the curve. From 7 PM to 7 AM we're paying for bandwidth that we are not using. Why? Why?

One of our themes around here is to always be asking why. Why something's done a certain way or why it's not done a different way. There's our market. Why can't we sell the bandwidth to other companies? Make it a commodity like a pork belly. Just last week Enron captivated Wall Street with its bold move into broadband, teaming up with Blockbuster to deliver movies on demand. It was like being
at a religious cult meeting.
People started jumping up
from their seats,
with their cell phones
and their Blackberrys,
running out to the halls
to call their bosses.
One analyst summed up
his recommendation
to investors in one word
Wow! Enron's stock soared
34 percent in two days.
And you can tell from
the response of the stock market
that they like the strategy.
It makes sense.
They announced that they had
developed the technology.
It would be in test markets
by the end of the year.
And the technology works.
The quality is great
and the customers like this,
so we've made a lot of progress.
The truth was that Enron
was just struggling
with the technology
for video on demand.
The technology didn't work
and the deal with
Blockbuster soon collapsed.
But with the magic of
mark-to-market Enron
used future projections to book
$53 million in earnings
on a deal that
didn't make a penny.
By the end of the year 2000,
Enron was running
out of ways to make
the broadband business
look successful.
They'd tried every trick
in the bag to try to create
the illusion of a business
where there was none,
and the people who were working
there were getting
increasingly desperate.
The executives started
selling their stock.
By Enron's collapse,
Ken Rice had sold 53 million.
Ken Lay had sold 300 million.
Cliff Baxter 35 million.
Jeff Skilling 200 million.
As the fraud is perpetuated,
all the various lies
and artifices
begin to convince
the ringmaster,
if you will, himself
that it's thi
own bizarre reality.
That in fact,
the fraud is the reality.
The perception is the reality.
As long as you can keep
the perception going on,
it really isn't fraud.
You spoke about
bandwidth trading,
what about weather
options or futures?
How is that market developing?
Yeah, we have
a market in weather.
When Enron announced its
latest plan to trade weather,
people wondered whether
it was good science
or science fiction.
Do the weather guys
get punished here
if the weather is wrong?
I mean they predict wrong?
I don't know, do you have any
whip marks on your back there?
Well, it's unfortunate.
That's a good call.
Jeff, as time went on,
had a harder time
admitting things were wrong.
And I have to believe that,
you know, when the lights
grew out at night,
he knew what was coming.
I would liken it
to the Titanic,
when you've got
a captain who's saying,
'maintain full speed'
and they bump into
a couple of icebergs,
and then they still
keep full speed going.
The captain of this ship,
Enron,
he ignored
all the warning signs.
And there were plenty of them.
And the captain
of the ship was?
Kenneth Lay
It was one of the bloodiest
days in Wall Street history.
Shares plummeted
thirty one percent.
High tech stocks led
Friday's fierce sell-off
This is really
a great wake-up call.
 Millions of nervous
 investors following
the huge drop on Friday.
The Dow Jones
Enron was especially
a big deal by the end
of the year 2000
because by then,
most Internet companies had
already begun to fall,
and everybody on Wall Street was
looking for the next big thing.
And here you had Enron,
which appeared to be
this shining star
of a new-economy company.
Its stock price went up
90 percent in the year 2000,
and had gone up over 50 percent
the year before that.
It was an it' stock
on Wall Street
one of those companies
that can seemingly do no wrong.
We were the poster child
for the new economy.
We had this culture
that had a lot of focus on
reminding us how good we were.
And as that culture emerged,
then we get to Fortune
magazine telling us
we were the most innovative
corporation in America.
Then we really began to
feel good about ourselves.
Well, you all did it again.
Enron was just
recently chosen, again,
for the sixth year in a row
in the
most-admired-company survey
by Fortune magazine as the most
innovative company in America.
Well deserved. Well deserved.
The sales pitch
still sounded good.
But one investor saw something
in Enron's numbers
that the stock
analysts had missed.
By and large,
the analysts admitted to us,
in person, 'it's a black box.
You have to take it on faith. 'Who knows where
the earnings come from?
They just pop out.
And all we know is,
they're always good. '
And I kept pointing out, well,
yeah, isn't that
the whole point of...
if the black box is
there to fool you,
the numbers are always
going to be good,
until they're not.
I'm not a beat reporter,
so I would have had no reason
to look at Enron.
But Jim Chanos mentioned to me
that I should take a closer
look at Enron's
financial statements.
And it wasn't clear from Enron's
financial statements that
there was fraud here.
But what was clear is that
something didn't add up.
In March 2001, Bethany Mclean,
a reporter
with Fortune magazine,
first raised questions about
Enron's financial condition.
She asked a simple question
in the article that no one
could seem to answer,
'how exactly does
Enron make its money? '
You got very upset with her,
didn't you?
I very specifically remember
the telephone conversation
that I had with...
the Fortune reporter.
She called up and started
asking some very,
very specific questions about accounting treatment on things.
I am not an accountant.
And I could not answer them.
He became really, really agitated.
He said that people who raise questions like this were just trying to throw rocks at the company.
And that I was not ethical because I hadn't done enough homework.
And if I had done enough homework, I would understand how off-base my questions were.
Mr. Skilling, it appears as if you were trying to bully someone who was asking very basic questions about Enron.
I said... said to her I have got six minutes left before I have to be in a meeting.
And I can't get into the details.
And I'm not an accountant. ' And she said, 'well, that's fine. We're going to do the article anyway. ' And I said, 'if you do that, I personally think that's unethical. ' And then the next day...
Let me interrupt you.
Our chief financial officer and our chief accounting officer flew to New York at Enron's expense, to sit down, not with the editors,
but to sit down with
the reporter on that story,
and help her understand the
questions that she was asking.
And the next day
we sat in this small,
dark, windowless conference room
for about three hours,
going through the various aspects
of the company's business.
And I'll never forget this.
When the interview was over,
the other
two executives packed up
their things
and had left the room,
and Andy Fastow turned around
and looked at my editor and me,
and said, 'I don't care what
you write about the company,
just don't make me look bad.'
And Fastow had good reasons
for not wanting to look bad.
There were these partnerships
that were run by Andy Fastow
that were doing business
with Enron.
And these were disclosed
in the company's
financial statements.
But I didn't mention them
in the story I wrote,
because I thought,
well, the accountants
and the board of directors
have said that this is okay.
So I must be crazy to think
there's anything wrong with this.
The story
I ran was actually pretty meek.
The title was
'Is Enron Overpriced?'
But in the end,
I couldn't prove that
it was anything more than an overvalued stock. And I was probably too naive to suspect that it was anything... anything more than that. And was her article critical? Yes it was.
The Fortune magazine article that's out the headline is, 'Is Enron's Stock Overvalued? ' The gist of the article is that Enron is sort of a black box... which, sorry, it's true. I mean, it's just difficult for us to show people the specifics of how money flows through, particularly the wholesale business. The entire reason that this analysis was done by Fortune magazine is because Business Week had a favorable article about Enron the week before. And there's this competition with the news... the news magazines have, where one says something good, the other one has to come and find something bad. So I think that was kind of the genesis of it. So the criticism, I think, is kind of ridiculous. When Bethany McLean at Fortune started analyzing cash flows, and she had this wonderful article saying, 'take a look at first quarter, second quarter, third quarter, and end of year cash flows. ' There's a reason she didn't invest in Enron
'cause the financials didn't make sense. But you have to be willing to say that the emperor doesn't have any clothes. And this emperor was pretty powerful. We are going to unveil this morning a new corporate vision. Okay, you ready? One, two, three. How's this? It's really hard to know when Enron first crossed the line into outright fraud. But there isn't any doubt about who the guy was who led them there. It was a protege of Jeff Skilling's by the name of Andy Fastow. Andy Fastow was Enron's chief financial officer. His job was to cover up the fact that Enron was becoming a financial fantasyland. Enron essentially was losing money on a cash basis, year after year. And yet it was reporting profits. So it was defying laws of financial gravity. And the way he was doing it was with something called structured finance. And the maestro of all that at Enron was Andy Fastow. Andy was very young. He was hired by Jeff Skilling probably before he was even 30
and he idolized Jeff Skilling. And he certainly wanted to please the boss. To please the Boss, Fastow had to figure out a way to keep the stock price up by hiding the fact that Enron was thirty billion dollars in debt. People pressured by the need to keep the stock price up begin to cheat a little bit. But then the next quarter comes along and you have to cheat a little more to do the new cheating to make up for the old cheating. And before long, you've created a momentum that now you can't stop. Fastow created hundreds of special companies to perform a magic trick... prop up Enron's stock by making its debt disappear. To outsider investors it looked like cash was coming in the door. In fact Enron was just stashing its debt in Fastow's companies where investors couldn't see it. It was black magic. It really was. You were pulling some rabbits out of a hat. They could bury debt; they could bury losses. Many of the companies had exotic names: Jedi, Chewco Raptors. LJM was Fastow's most ambitious creation.
It would work magic for Enron and it would allow Fastow to conjure 45 million dollars for himself. Andy, in many ways, was someone we all knew didn't have a strong moral compass. It's almost like Jeff Skilling said, 'okay, we're hitting some troubled times. Let's set up Andy so we can fill the earnings' holes when we need to', knowing that Andy would probably skim a little bit off each transaction for himself. There's a 'Body Heat' kind of angle to this, you know, where Skilling is Kathleen Turner and Andy is William Hurt. You know, in the end, he got suckered into helping all the executives meet their earnings. What I wish, I, you know, in retrospect? I wish I'd never heard of LJM. Is it your contention that you knew of it and it was appropriate? Arthur Andersen and our lawyers had taken a very hard look at this structure and they believed it was appropriate. If the theory is that Fastow went rogue somewhere deep in the jungles of Enron and was the sole agent of the apocalypse,
I just don't buy it.
Skilling, Lay,
and the Enron board
had signed off
on Fastow's LJM funds.
They saw the benefits
of letting Fastow
do deals with himself.
It is in Enron's best interest,
because Enron needs the capital,
number one.
In a secret video tape that
surfaced after the bankruptcy,
Fastow can be seen selling LJM
to a group of
Merrill Lynch bankers.
He pitches them on the benefits
of investing in a fund
that only buys assets
from Enron.
Remember, I'm not selling
the assets to myself.
They own the assets.
They're selling them to LJM2.
Fastow knew what kind of deal
he was offering as Enron's CFO.
He could guarantee
profits for LJM.
I think this is an
extraordinary opportunity.
He has a sort of Cheshire Cat
grin on his face as he talks
about all the ways that
the fund is gonna profit.
And he talks about the
informational advantages
that he is gonna have in
his dual role as Enron's CFO
and as the head of these funds.
Isn't there a question of
conflict of interest?
There is never
any question that
I will be on both sides
of the transaction.
I will always be on the LJM
side of the transaction.
He was general partner of LJM,
while at the same time,
being CFO of Enron.
You know, that's a whole
'nother ball of wax
when you want to talk about
that conflict of interest.
Because no human being should
be put in a situation where,
you know,
every single transaction,
they decide
whether they're looking
after Enron's best interests
or their limited partners.
Because this LJM
partnership existed
solely to do business
with Enron.
As you would expect,
Andy as Chief Financial
Officer of Enron,
is heavily banked, so to speak.
And as a result,
there are five or six
of the name brand banks
who have stepped up and said
they'll commit to this.
Commit they did.
And why not?
Fastow was letting them gamble
with Enron's chips.
Fastow was using Enron's stock
as collateral
for a lot of these things.
They were betting their own
company on the transactions.
With the prospect of returns
that would exceed
two thousand percent,
96 individual bankers
invested in LJM.
And America's major banks put up
as much as $25 million each.
It's sort of the Who's
Who of Wall Street:
JP Morgan Chase CS
First Boston Citibank
Merrill Lynch, DeutscheBank...
These are some of the premier
investment banks in the world.
It's hard for us
to poke holes in this.
Good.
It's just amazing
how skilled Enron
and Andy Fastow were
at working Wall Street,
playing on Wall Street's greed,
in order to get money
out of them.
To quote Lenin,
they were the investment
bankers useful idiots.
As disturbing as
Enron's own misconduct,
is the growing evidence that
leading U.S.
Financial institutions
not only took part in Enron's
defective practices,
but at times designed,
advanced and profited from them.
The Enron fraud is the story
of synergistic corruption.
There are supposed to be checks
and balances in the system.
The lawyers are
supposed to say no.
The accountants are
supposed to say no.
The bankers are supposed
to say no.
But no one who was supposed
to say no said no.
They all took their share of the money, from the fraud and put it in their pockets. Enron paid its advisers well. In 2001 the accounting firm Arthur Andersen received one million a week. Enron's law firm, Vinson & Elkins, did nearly as well. Everyone had their hand out at the table. They were all being paid. And as long as Enron continued, they received their fees. They were a part of the process. So it's hard now to say, 'oh, we didn't know anything.' Had we known then what we know now about Enron's practices, we would not have engaged in these transactions with Enron. The facts that we now have come to light about Enron, however, were not known at the time. I believe that the Citigroup professionals involved with these transactions acted in good faith. I'd like you here to look at one Citi email, The email trail here is all too lurid. Oh, for instance, one email I remember, where the banker writes, 'Enron loves these deals. They produce cash, but they don't have to show the debt on the balance sheet.' Now, a high school student can figure out that.
The banks were all knowing participants in this wrong-doing. Meryll Lynch assisted Enron in cooking it's books by pretending to purchase an existing Enron asset when it was really engaged in a loan. The accounting sham involved the sale of an interest in three Nigerian barges. Nigeria is a long way from Manhattan. Yet for some reason, toward the end of the fourth quarter in 1999 Merrill Lynch suddenly decided to buy three Nigerian power barges from Enron. Nigerian power barges have nothing to do with Merrill Lynch's business. It was a blatantly illegal transaction. It was just taking the barges, getting them off of Enron's books, having Merill Lynch, if you will, warehouse them for five months and then buying them back. Mr. Martin, you... you've testified here today that there was no guarantee. And you said that under oath. Here's a document, saying that the head of your whole division here was going to confirm that understanding. Over the year 2001, Skilling became increasingly despondent.
He'd always been a moody guy, but people who knew him said he became just increasingly volatile. Show up for work unshaven, looking blurry-eyed. And I think it was the battle of holding these two totally disjointed thoughts in his mind at... at the same time. One is Enron a super-star company and the other of feeling like it was all crumbling away. The first cracks in Skilling's public image appeared in a conference call with analysts in April, 2001. And then Jeff Skilling took questions. And about mid-way through the session... there was a question. It was sort of aggressively wondering out loud why it was that Enron, as a financial services company in effect, could not release a balance sheet with its earning statement, like most financial institutions do. You're the only financial institution that can't produce a balance sheet or a cash flow statement with their earnings. Well, you, you... Well, thank you very much. We appreciate it, asshole. And then quite audibly you could here...
Skilling say asshole!
And then he said, 'asshole'.
As I understand it,
you called him an asshole.
And this just
caused unbelievable
amounts of consternation
all across Wall Street
because people thought,
'A Fortune 500 CEO
losing it like this,
calling publicly
an investor an asshole? '
If I could go back
and redo things,
I would not now,
have used the term that I used.
Mark Palmer,
Enron's chief PR guy,
Even ran a note up to Skilling,
telling him to apologize.
And he just took
the piece of paper
and tucked it under the pile
of papers on his desk.
And afterwards,
Enron's traders who had
erupted in cheers
when Skilling called this guy
an asshole made him a sign.
It was a play off
Enron's motto
'Ask Why' and the sign said
'ask why asshole. '
My personal feeling was that
Jeff looked at the numbers
and he knew that
we were in a massive hole.
It was the only time
that I saw him truly,
truly worried about keeping
the stock price up.
And he just kept saying to me,
'I don't know what the hell
I'm going to do.
The broadband business was
in complete meltdown.
And there were all sorts
of other problems
that Jeff Skilling
as the company's Chief
Operating Officer was
wrestling with.
And in the middle of all this,
Ken Lay walks in Jeff
Skilling's office holding up
fabric swatches for the new G5
45 million dollar corporate
jet he wanted to buy.
And he said to Jeff,
asked him
a very important question,
'which of these
cabin configurations
do you like best, Jeff? '
While Ken Lay was stressing
over the corporate jet,
EES was headed for
a crash landing.
Facing 500 million in losses,
Lou Pai's top leuitenant,
Tom White,
worried how EES
could show a profit
by the end of the quarter.
One of the things
that was always a strange
occurrence at Enron was
for weeks before
a quarterly report
we would be under
the impression that
we weren't going to
make our numbers.
But then somehow,
miraculously,
we always made the numbers,
and then some.
But then a question was asked to Tom White, 'how is it that we made the numbers? '
And his answer was, 'One word, California. ' The first clues to Enron's new strategy hit California with a jolt. It started at Noon rolling across the state. Sacramento, San Francisco, Beverly Hills, Long Beach, San Diego Twenty six thousand miles of California power lines. Enough to circle the Earth. But for the second day in a row, not enough electricity for America's largest state, and the world's sixth largest economy. The first thing we heard about this energy crisis is well, our lights are going to go off in the middle of winter when we're using half the electricity we normally use during the summer. The Bay Area got hit by not one, but two rolling blackouts. We only need twenty eight thousand to thirty thousand megawatts in December. We have an installed capacity in California at the time forty-five thousand megawatts. Plenty o' power to meet our electric demand. Of course,
we had blackouts in December.
The people who control
California's power grid
say once again they're worried
about having to blackout
the Northern half of the state.
When the rolling blackouts
started hitting California
there was definitely a lot of
excitement in the air.
It was something new.
It was something that hadn't
been encountered before.
It was,
'how is this event going to
effect the price of power?'
Control's rotating attitudes
are being implemented.
I knew.
I knew that there was
illegality going on.
I could feel it.
I could smell it.
I could sense it.
And there was
no other explanation.
Because the numbers
just didn't add up.
We had enough power
in California.
It was never
about lack of supply.
When I ran for Governor
in 1998,
not one human being asked me
about electricity.
This thing kind of
came out of the woods,
as far as I was concerned.
And I was trying
in the early days
to learn what was happening;
how we could fix the problem.
California was
selected by Enron
as the prime place
to experiment
with this new concept of
deregulated electricity.
Reducing electricity cost
is only one benefit
from choice and competition.
In 1996, under pressure
from energy companies,
Governor Pete Wilson and
the California legislature
passed a bill allowing for
the deregulation of electricity.
I wasn't in
the Legislature in 1996,
but I can tell you that there
isn't a legislator alive
that can tell you
with any sophistication
how a deregulated electricity
market ought to work.
Not a one.
California's deregulated system
was a bizarre compromise
between legislators
and free-market advocates.
The rules were complicated
and hard to follow.
Inside Enron,
California's system was
little more than a joke.
And once in place,
Enron made sure that the joke
would be on California.
I remember the conversation
I had with Ken.
At the end of it he says 'Well,
Dave, old buddy,
let me just tell you.
It doesn't matter really to us
what kooky rules you
Californians put in place.
I got a bunch of really
smart people down here
who will figure out how to
make money anyhow. '
One of the smartest guys
at Enron was Tim Belden,
who ran the west
coast trading desk.
Tim Belden was
a fervent believer
in the idea of free markets
and as such he spent hours
poring over the new rules
for the deregulation of
California's energy industry,
looking for loopholes that Enron
could exploit to make money.
He found plenty.
After the bankruptcy,
a confidential memo surfaced
revealing the names of
Belden's strategies to game
the California market
Wheel Out, Get Shorty, Fat Boy
Recently, audio tapes of the
Enron traders were discovered.
What do you want to
call this project?
Probably have a catchy
name for that.
How about, you know,
something friendly
like 'Death Star'? 
The tapes revealed
Enron's contempt
for any values except one,
making money.
Hey John, it's Tim.
Regulatory's all
in a big concern
about is we're wheeling power
out of California.
He just steals money
from California
to the tune of a million
Can you rephrase that?
Okay, he arbitrages
the California market
to the tune of a million
bucks or two a day.
An arbitrage opportunity
has been defined to me
as any opportunity to
make abnormal profits.
So an abnormal profit would be
returns above
and beyond the norm.
I was told that a good trader
is a creative trader.
And a creative
trader is a trader
that can find
arbitrage opportunities.
One of those opportunities
was called Ricochet.
I'll see you guys.
I'm takin' mine to the desert.
In the midst of energy
shortages Enron's traders
started to export power
out of the state.
When prices soared,
they brought it back in.
So we fuckin' export
like a motherfucker.
Getting rich?
Trying to.
Traders would stay after
a twelve hour shift
and pour over maps of
the western energy grid.
What are the permutations
and combinations of ways to
move power around the west.
And I think that's something
that Enron knew better
than any other Energy marketer
in the country, period.
We know all of
the California imports.
We know all of
the California load.
We're getting' pretty spoiled
with all this money.
You said you were
getting a little scared
we're making a little too much.
And I tend to agree with you.
These are two traders,
t- r-a-d-e-r-s.
This is what they say.
'What we did was overbook
the transmission line
we had the rights on and said
to California Utilities,
'If you want to use the line,
pay us. '
By the time they agreed
to meet our price,
rolling blackouts
had already hit California
and the price for electricity
went through the roof. '
Did you have any knowledge
that this was happening?
The only thing that
I'm aware of Senator,
is there was a,
there was
a difference of opinion
on the rules of the
independent system operator.
It was just set up,
the rules weren't quite clear.
We have traders here
from Enron
who were saying
they did something wrong.
But you don't see
anything wrong.
I have one last question
and then I am done.
Traders soon discovered that
by shutting down power plants, they could create artificial shortages that would push prices even higher.

Hey, this is David up at Enron. There's not much demand for power at all here. If we shut it down, can you bring it back up in 3 or 4 hours? Oh, yeah. Why don't you just go ahead and shut her down then, if that's ok? Okay.

When you see two or three energy companies with 30, 35 percent of their entire capacity down for maintenance on a single day and as a result the price of electricity is skyrocketing three or four hundred percent and then a week later someone else does it up in Northern California you begin to believe something's not smelling right here. We want you guys to get a little creative. Okay. And come up with a reason to go down. Like a forced outage type thing? Right.

Those guys at the flip of a switch could just yank the California economy on it's leash whenever they wanted to.
And they did it, and they did it, and they did it. And they made so much money. The heart of it is that an industry that went for a hundred years from the days of Edison built the best electrical system in the world, sold the power at reasonable prices to consumers and was very reliable was all of a sudden turned into a casino. These strategies made some money for Enron. But the real money was made by betting that the price of energy would go up. It did. And the West Coast traders made nearly two billion dollars for Enron. You can't treat electricity like you treat oranges. It's the lifeblood of the society. It can't be stored. You can't turn these people loose and let them just have a quote free market because a free market is God Damn expensive to the customers. There would be ample supply available at the right fuckin' price. Oh, sure there would. It wasn't just Enron "Every company traded according to the rules
that California put up there.
We're the future of Enron.
And we're fucking making half
a billion dollars for Enron.
Can you believe that?
We'll definitely retire
by the time we're 30.
We're talking
about a commodity that
normally trades
in the thirty-five,
fifty-five dollar range.
High prices are when it
gets into the fifties.
A thousand dollars?
Prices aren't going to stay
at 1,000 bucks forever.
It weeds out the weak
people in the market.
Get rid of them
and you know what,
the people who are strong
will stick around.
And the Enron traders never
seemed to step back and say,
'Wait.
Is what we're doing ethical?
Is it in our best
long term interests?'
'Does it help us
if we totally rape California?'
'Does that advance our goals
of nation-wide deregulation?'
Instead they sought
out every loophole
they could in order to profit
from California's misery.
Temperatures in California are
hitting higher than 100 degrees
fueling wildfires and fears that
California's strained power grid
could once again near collapse.
What's happening?
There's a fire under
the core line.
It's been de-rated
from 45 to 2100.
Burn, baby, burn.
That's a beautiful thing.
I was never comfortable
on the trading floor at Enron.
And if I had questions,
I didn't ask them,
because I didn't want
to know the answer.
You know,
I didn't want confirmed
what I suspected might be true.
That what I was doing was,
in fact,
unseemly or was,
at least, unethical,
if not worse.
Why did the traders do
what they did?
Was it their multi-million
dollar bonuses
or had Enron found
a way to exploit
the darker side of
human behavior?
In the early
60's Stanley Milgram
tried to figure out
what characteristics
there were of evil people.
Was there an evil strain
or could normal people
do really bad things?
And so he set up
this experiment.
In the experiment
he had an actor playing
an experimental subject
and a real experimental subject.
Want to step right
in here and have a seat?
They went into this room
and he had an experimenter say, 'we're going to see if mild electric shocks will help people memorize lists. Incorrect... You'll now get a shock of 75 volts. Soft air. He kind of did some yelling in there. The Milgram Experiment has a lot to say about Enron because I think people lost their sense of morality. Like Milgram, once you accepted the idea that behaving inhumanly was okay, you could do anything. And the shocks increased with the number of mistakes that they made. I can't stand the pain! Let me out of here! He can't stand it. I'm not going to kill that man. The subject, the real subject is begging the scientist-looking person to stop too. And the scientist only says 'the experiment requires that you continue. Please continue. Go on, please. You accept all responsibility? The responsibility is mine, correct. Please go on. In a way, Skilling was almost like the guy telling those people below him it was okay to up the power. California's Electric Utilities may have to pull the plug on
millions of customers.
It's the fucking coolest thing
I've done in a long time.
Holy fuck, yes.
You gotta love the west.
Oh.
During the height of
Wednesday's blackout,
fire crews had to free people
trapped in elevators.
All that money you guys
stole from those
poor grandmothers in California.
Yeah, Grandma Millie, man.
She's the one who couldn't
figure out how to fucking vote
on the butterfly ballot.
Now she wants her fucking money
back for all the power
you've charged right up her ass.
You must continue.
Go on, please.
You're gonna keep giving him
what... 450 volts every shot now?
That's correct. Continue.
It's kinda hard to say
well we should be,
you know we shouldn't do this
even though it's allowed
because you know.
I mean, that's what we do.
Right.
Best thing that could happen
is fucking an earthquake.
Let that thing float
out to the Pacific.
Put up fucking candles.
Milgram's discovery
was disturbing.
Fifty percent of
the subjects were
willing to shock to the death,
so long as the commands came
from a seemingly
legitimate source.
Tonight I'm declaring
a state of emergency
in California to give the state
the authority
and the resources to
keep the lights on
in California.
The Governor,
who's been basically
capitulating to
the demands of the energy
companies and utility companies,
needs to put his foot down.
We wanted the Governor to send
in the state police
or the National Guard to seize
control of the power plants
and put it back on-line.
And I thought we didn't have
to take over every plant,
we really only had to
take over one.
'Cause then they would
know he meant it.
I'm going to get
the nine billion dollars
back that Enron,
Dynergy and Reliant stole
from us and get it back to you.
Despite what the
people of California
think Enron's making money
despite California,
not because of California.
The year-long energy
crisis would cost
the state of California
$30 billion dollars.
The markets in California are
the most regulated market
in North America today.
And that's what's
causing the problem.
California,
it never deregulated.
Enron, buy stock today.
Thank you very much.
We are doing the right thing.
You're the good guys.
We are the good guys.
We are on the side of angels.
Oh, I can't help myself.
You know what the
difference is between
the state of California
and the Titanic?
This being a web cast,
I know I'm going to regret this.
At least when the
Titanic went down,
the lights were on.
Jeffery Skilling,
how's it feel to make a killing?
A top executive at one of
America's biggest power
companies received a raucous
welcome in San Francisco tonight.
Protestors heckled Enron's CEO,
Jeffery Skilling
outside and inside
during his appearance
at Commonwealth Club.
One of the protesters even
brought a blueberry pie
and delivered it herself.
Police!
A hundred and thirty two
million dollars is what he made.
We had a fifty percent hike
in utility rates.
Consumers in California
are angry.
And they should be.
And if we had anything
to do with this,
then we are the stupidest
people in the world.
I work for an organization. Every day people call saying they can't pay their electricity bills! You made millions of dollars off of California... Get out! Go to jail. When the tidal wave of public anger started to grow Ken Lay flew out here and convened a meeting of friends and I guess he had a little more foresight than we did. He, he invited Arnold Schwarzenegger. Brought them together at the Peninsula Hotel and had a lunch meeting. The notes from that meeting really still have never surfaced, but we know that Ken Lay's pitch was we've got to stay the course with deregulation and the market will correct itself and everything will turn out fine. Now at... at the time we didn't understand really why he was so concerned. But now we do. The fact is that Ken Lay was out here because he understood that Enron itself was a house of cards And if deregulation were to collapse, then Enron itself would collapse. But Ken Lay had a trump card. In the midst of the energy
crisis his friend,
George W. Bush,
became president
I, George Walker Bush,
do solemnly swear.
I, George Walker Bush,
do solemnly swear.
Ken Lay's going to be Secretary of Energy.
Get out of here.
How great would that be for all the players in the market?
It'd be great.
I'd love to see Ken Lay be Secretary of Energy.
Ken Lay did have easy access to the Bush administration.
On April 17th,
he met with Vice President Dick Cheney,
and strongly argued against the imposition of Federal price caps in California.
We're doing everything we can to help in California on the short term basis.
There's not a lot you can do.
You can't manufacture kilowatts in the West wing of the White House.
We're fighting with both hands tied behind our back.
We no longer have the power to stop this.
If the federal government doesn't help us, we're a dead duck.
At the time, Gray Davis was a likely candidate to run for president.
Ken Lay knew that might give his friend George Bush a political reason
to oppose California's 
appeals for federal 
price controls. 
They know full well 
my administration's belief 
that price controls will not 
solve the problem. 
His view was that 
the Federal government 
really shouldn't get involved. 
This is California's problem. 
And I'm saying, 
'with all due... due respect, 
Mr. President, our law said 
the Federal government 
regulates this, 
so it is your problem. 
And you make appointments to the 
Federal Deregulatory Commission. 
So, we had a polite, 
but spirited discussion on that. 
And he says, 
'I just can't be of help 
to you on that. ' 
As I said from the very beginning 
of my administration, 
we'll work to help California, 
in any way we can. 
And the best way we can is 
to be good citizens. 
FERC, the federal agency which 
regulates energy in America, 
refused to intervene. 
What was FERC doing and why 
was it not taking action? 
The chairman of FERC 
was Pat Wood, 
the man Ken Lay had personally 
recommended for the job. 
It was easy for FERC 
to do Enron's bidding 
because all it had 
to do was do nothing 
which they did very well.
Federal Regulators are being pressured to act by the now Democratic controlled Senate where here...
A Democratic Senate forced FERC to impose regional price caps. That ended the energy crisis, but not the political one. Did Ken Lay and George Bush have a political agenda to blame the energy crisis on Gray Davis?
Oh hello.
It's one of those 'only in California' stories. The state's unpopular Governor, Gray Davis, beset by an ailing economy and thirty eight billion dollar budget deficit, faces possible recall. And rumored as a possible replacement for Davis, movie star Arnold Schwarzenegger. The Terminator? We'll see whether he's back or not. Gray Davis has terminated opportunities and now it's time we terminate Gray Davis! No Recall! No Recall! Could I predict a phony energy crisis as a result of deregulation? Yes. Could I predict that Arnold Schwartzerneger would be our Governor as a result of deregulation? Never would have come up with that. That's like a bad science fiction movie.
Apparently we have
call been wrong,
it is pronounced Caly-forn-ya.
Ladies and gentlemen,
the Governor of the great
state of California,
Arnold Schwarzenegger!
We could just hear rumbles
all the way up and down
Main Street here
and all throughout the city
that things were
very difficult at Enron.
One guy who a year before had
come to me and said,
I'm working for Enron,
and was very excited
but within a year
was waking up every night
with nightmares.
'I've got no life left
and I feel like I'm being
consumed by this company.'
As doubts began to surface
about the company
and the erratic
behavior of its CEO
Enron's stock began to fall.
I remember one of
the most poignant meetings
I'd ever had with Jeff.
I had left Enron
and I had come over to
talk about whether or not
I would return to Enron.
And I said, 'Jeff,
you've got a real problem.
The traders,
they will cut your throat,
if they think it will get them
to the trough sooner.'
Jeff was silent.
And he looked out the window
and he looked back
at me and he said,
'Yeah Amanda,
you're most likely right. '
By the end,
the traders ran Enron.
You know, the inmates had
taken over the asylum.
All through the summer,
the stock continued to decline.
There was a buzz that a major
announcement was
going to take place.
But we all thought that
Ken Lay was leaving
Enron and that he had been
asked by the Bush administration
to join his administration.
But that wasn't
the case at all.
It was Jeff Skilling
announcing that
he was stepping down
as the CEO.
And that took everyone
by surprise.
No one could believe that.
CEO's generally,
don't just resign
out of the blue
without a well orchestrated PR
campaign beforehand
to pave the way
so there's no disruptions,
there's no questions,
there's no front page stories,
which is, of course,
exactly what happened.
It was at that point
that I knew,
the architect of
the disaster knows that
it's crumbling and the rat is
leaving the sinking ship.
Two days later
I met with him and Ken Lay because I had informed the company that I was going to downgrade the stock on Skilling's resignation. I asked Jeff Skilling, 'are there any more shoes to drop. Have we seen the worst of it.' And I was concerned about the energy crisis that was occurring in California. Well, Skilling convinced me that it was for personal reasons. I left his meeting feeling sort of emotional because of the concern that he seemed to be showing about the relationship he had with his family. He appeared to be distraught. And I remember saying to an investor 'If he's not telling the truth, then it's a good thing he quit his day job because he needs to go to Hollywood. I left Enron on August fourteenth, 2001 for personal reasons. Mr. Skilling a massive earthquake struck Enron right after your departure. And people in far inferior positions to you could see cracks in the walls, feel the tremors, feel the windows rattling, and you want us to believe you sat there...
in your office and didn't...
and had no clue
that this place was
about to collapse?
On the day I left,
on August fourteenth,
2001, I believed
the company was in strong,
financial condition.
I think he was smart enough
and he didn't even have
to be that smart,
he had seen documents that
I think predicted the future.
I think he was smart
enough to think
I can get out now
and this company
isn't going to collapse
for a year,
maybe a year and a half,
so I won't get the blame.
It was working fine
when I left, guys.
After Skilling resigned,
Enron's chairman,
Ken Lay took over as CEO.
Boy, I didn't expect that.
But thank you.
Thank you very much.
Well, I'm delighted to be back.
I'm sorry Jeff did resign.
It was a stunning announcement,
that he was stepping
down as CEO.
And I think the flags
started going up at
that point for everybody.
We are facing
a number of challenges,
but we're managing them.
Indeed I think the worst
of that's behind us.
And the business is
doing great.
We're not the only stock
that's decreased
in value this year.
It's just that we've been
hit a little harder than...
than many others.
If a few of these
other problems disappear,
like California, like India.
I think the worst is over.
And I'm excited.
August fourteenth 2001,
Jeff Skilling abruptly resigns.
And that made me angry.
It made loads of
employees angry.
I mean, there was
a real sense of betrayal
by the employees.
I mean, this was, you know,
Jim Jones feeding
us the Kool-Aid
and then deciding not to
drink it himself.
The day after
Skilling resigned,
Sherron Watkins
sent a letter to Ken Lay.
We will begin with Ms. Watkins.
I am Sherron Watkins.
Would you identify your
counsel for the committee.
Yes. My counsel is
Mr. Philip Hilder.
When you hear the story
for the first time,
it's unbelievable.
What Sherron was telling me
it was more than accounting
irregularities, as such.
I mean, it was a massive
fraud of enormous proportions.
In mid to late June of 2001,
upon the resignation 
of Cliff Baxter,  
I went to work directly 
for Mr. Fastow.  
It has evolved to the corporate 
crime of the century.  
I was highly alarmed by the 
information I was receiving.  
What Sherron Watkins discovered 
began the unraveling of 
Fastow's complex partnerships.  
Andy put me in charge of 
this asset listing.  
And there were about a dozen 
assets that had been hedged 
with one of Andy's entities, 
the Raptors.  
So I was working with 
this spreadsheet and, 
you know, 
the math just didn't add up.  
It didn't make sense to me.  
I mean, accounting doesn't 
get that creative.  
You know, 
I couldn't believe that 
Arthur Andersen had 
signed off on it.  
I couldn't believe that so 
many people were going along.  
Behind Fastow's partnerships 
were enormous guarantees 
of Enron's stock.  
Fastow had gambled 
Enron's future 
on the hope that its stock 
would never fall.  
My first reaction was that 
I should warn Ken Lay.  
The day after Skilling left, 
I sent this one page 
amanous letter.  
But within a week 
I was meeting with Ken Lay.
I identified myself
in the hopes of really
making my point
that Enron really needed to
address this situation.
Companies rarely get away
with cooking the books.
But when they do survive,
it's when they come clean.
Not when they're exposed
from the outside.
Ms. Watkins, I went through...
Ms. Watkins did not talk
to me, Senator.
Well, Ms. Watkins said
Clifford Baxter told her
that he met with you repeatedly
to express his concern.
Cliff and Andy have had a...
they didn't like each other.
They had a very strained
personal relationship
and Cliff's issue
had nothing to do
with the appropriateness
or inappropriateness of
the transactions
I mentioned Clifford Baxter
in these memos.
And I remember
I made the comment to him,
'you're one of the good guys,
you know,
you're one of the people
fighting against this.
And it'd be alright. '
And he said,
'oh I don't think
it's going to be alright
for any of us involved. '
When I started working
on the book with Sherron,
I was interested in writing
about a whistleblower.
People don't really appreciate what she did and the bravery that it took in that company. Andy Fastow would not have put his hands in the Enron candy jar without an explicit or implicit approval to do so by Mr. Skilling. I can't for the life of me see what basis she would have for suggesting that I would know some... I mean, how would she know that? And I don't see that it's at all inconsistent that there would be some things that I don't know if some people purposely kept me from knowing some things I felt like I was one lone voice within Enron saying, 'look, we've... we've committed horrible fraud.' And of course all hell broke loose. Within six short weeks Enron was spinning out of control. Probably in more normal circumstances I would have a few more words to say about September the eleventh. Just like America is under attack by terrorism, I think we're under attack. And of course. Now we've got the SEC inquiry, informal inquiry... The SEC launched an investigation When the Wall Street Journal published
articles revealing Fastow's murky deals. Enron announced massive financial restatements. Investors began to worry that billions in mark-to-market profits were really losses. As you can see foresee, the underlying fundamentals of our businesses are very strong. Indeed the strongest they've ever been. But regrettably, that's not what Wall Street is focusing on. And I doubt that's what you're focusing on. This inquiry will take a lot of time on the part of our accountants and lawyers and others. But it will finally put these issues to rest. At the very moment Ken Lay was talking to employees, only a few blocks away, Enron's accounting firm, Arthur Andersen, had begun destroying its Enron files. On October 23rd, Andersen shredded more than one ton of paper. Despite the rumors, despite the speculation, the company is doing well both financially and operationally. He was making all kinds of statements. Reassuring employees and not just employees, reassuring investors, 'we have no
accounting irregularities, 
the company's in the best shape 
it's ever been in'
From the standpoint 
of Enron stock, 
we're going to bring it back... 
we're going to bring it back.
Alright, 
we're down to questions. 
I've got a few of them here. 
'I would like to know 
if you are on crack? 
If so, 
that would explain a lot. 
If not. You may want to start 
because it's going 
to be a long time 
before we trust you again. ' 
It certainly wasn't clear 
to anyone at Enron, 
much less anyone 
outside of Enron 
it wasn't really clear 
what was going on or... 
what was going to happen. 
I know this is a lot... 
There is a lot of speculation 
about Andy's involvement 
I and the board are 
also sure that 
Andy has operated 
in the most ethical 
and appropriate manner possible. 
The next day, 
Andy Fastow was fired 
when the Enron board 
discovered that 
he had made more than 
$45 million dollars 
from his LJM partnerships. 
The question, Mr. Fastow, 
is how could you believe 
that your actions were 
in any way consistent
with your fiduciary
duties to Enron
and its shareholders
or with common sense
notions of corporate ethics
and propriety?
How do you answer, sir?
Mr. Chairman on
the advice of my counsel,
I respectfully decline to
answer the questions
based on the protection
afforded me
under the United States
Constitution.
Andy, in many ways,
I think he was set up
as the fall guy.
All of the Enron executives
were saying,
'there's your man, Andy Fastow.
He's the crook.
You know, he's the one
that stole from Enron,
stole from LJM.
He's the one that
cooked the books.
Go after him. '
How will you plead, Mr. Fastow?
I've thought about this
and thought about this.
And it couldn't have
just been a few executives
at Enron that made this happen.
If you think of the banks
involved Chase,
Morgan, Citibank
the billions in loans
Arthur Andersen...
What about Vincent and Elkins,
the lawyers that
represented us?
There had to have been
complicity across the board.
Because it was all too easy; all too easy.
The Enron collapse was an enormous tragedy.
This is a company that had over thirty thousand employees, and clearly with a company that size you have a lot of senior officers that have a lot of authority in which you place enormous trust.
But in the case there was at least one, Andy Fastow, that betrayed that trust to the extent that I did not know what he was doing, he obviously didn't share with me what he was doing, then indeed I cannot take responsibility for what he did I never heard him say, 'I take responsibility' for a thing.
It sounded to me like the wonderful movie, 'Chicago'. I was reminded of the puppet strings and the dancers and the tap dancing and pointing at the gun, the gun, the gun. I mean. Everybody's in step with Johnny.
I continue to grieve, as does my family, over the loss of the company. Linda and I saw our net worth reduced from several hundred million dollars down to something less than
twenty million dollars
on a net worth basis.
And of course,
as... as you said,
about a million dollars
or less in liquidity.
I don't know whether
I'd rather be shot as a crook
or as an idiot.
I believe the only venue for me
is the 'Ride of Broken Dreams.'
Oh, you mean the Enron ride!
Let's go!
Enron hit the National psyche.
It hit it as sort of,
the time-tested lesson.
And that is,
if it looks too good to be true,
sometimes it is.
We're all going to be rich!
We broke even.
It is my belief that
Enron's failure was
due to a classic
run on the bank.
Don't look now but there's
something funny going on
over there at the bank, George.
I've never really seen one,
but that's got all the
earmarks of being a run.
On December 2nd 2001,
less than four months
after Skilling's resignation
Enron declared bankruptcy.
I remember
it was just a strange,
kind of surreal day.
We learned around nine thirty
about the bankruptcy
and that we were
all being let go.
We all felt like
we were on the Titanic
and the last lifeboats
had long gone
and we were just now
on the sinking ship.
We had thirty minutes
to leave the building
and at that point
it was no longer
like being on the Titanic.
It was kind of like being
on the Lusitania.
The torpedo had hit
and there's twenty minutes
to get out.
There's a lot of disbelief.
Very few of the rank and file
people ever dreamed that
Enron would
actually go bankrupt.
Then all of a sudden,
it was like a ghost town.
I can remember going
into the old building,
on certain floors,
ah, late in the,
afternoon or evening.
And it was scary.
There'd be like paper
blowing around,
and nobody there,
and it was just...
it was very eerie.
Mr. Skilling,
your opening statement was
extremely compassionate
to the employees.
And I want to show you a tape.
And I believe
we have it ready to go.
Listen to this.
Should we invest all of
our 401k in Enron Stock?
Absolutely.
Don't you guys agree?
Why is it that you had begun unloading your stock? Pretty heavily before that date and yet led the employees to think that they should keep buying stock? Ms. Senator, I have been a major shareholder in Enron Corporation and you can take the videotape to mean what you want it to mean. I was a supporter of Enron Corporation. You know what happened to those people. They lost everything. I feel terrible about what happened to the employees. Oh at one time, things were really rosy for us. And we all had some really nice-looking 401ks and pensions and then it peaked. And then it just started going down, and it went lower and lower and lower. At the peak I had about 348 thousand. I sold it all for 1200 dollars; was what I got for it, when it was done. While Enron's stock was plummeting, the retirement accounts of Enron's rank and file workers were frozen. We were frozen out of our accounts. It was right about thirty two dollars, I believe.
And over that time,
from when it was frozen to
when it opened up,
I think it went down to nine.
And we could not access it.
And what came out
later that was so bad,
was the fact that
Ken Lay and Skilling
and all the top people were
movin' their money then.
But we couldn't.
The insiders had sold off
a billion dollars of their stock.
Compare that to the lineman
who worked for a staid,
old utility company
for most of his life;
put away money each month.
And what's he have to show,
at the end day,
for his years of hard
and decent labor?
He gets a big goose egg.
And Pai is out
in Hawaii somewhere,
with 350 million dollars
in the bank.
That's wrong.
There is still to this city
a layer of anger and upset.
I am still doing counseling,
three years later,
with some families.
Where some of those
who are most reflective,
it's gone to a deeper layer.
And they are looking
at the corporate culture itself
in this country.
You know,
you can gain the whole world
and all the trinkets
and all the trophies
of the world,  
the corner office,  
and all the perks  
and you really can lose  
your soul in the midst of this.  
On January 25th, 2002,  
seven weeks after  
the Enron bankruptcy,  
Cliff Baxter committed suicide.  
With the media hounding him  
because he was mentioned  
in my memos  
and the fact that  
he'd been sued civilly  
because he'd cashed  
in for about  
thirty million dollars  
worth of stock  
I guess it all came  
crashing down on him.  
I think Cliff's suicide  
ote note tells it all.  
You know,  
Where there was once great pride,  
now there is none.  
It's very hard for me  
to talk about Cliff.  
We were very close  
for many years.  
And he was a wonderful,  
wonderful man.  
But a lot of who Cliff  
was tied up in how  
he had succeeded at Enron.  
It is hard to look at  
your life's work and say  
it's failed.  
But you have to take a long,  
cold look at yourself and say,  
'who was I? Who did I become? '  
And realize that you may  
have seen your shadow.  
Andy Fastow pled guilty to  
conspiracy to commit wire fraud.
He agreed to forfeit 23 million dollars in assets. His sentence was reduced to ten years in exchange for testifying against other Enron executives. Why Enron? Why not Worldcom or Tyco or Global Crossings? Ultimately in Enron the fatal flaw was a sense that brains and wiliness could out-think the way that the system will eventually work. In 2004, Jeff Skilling was indicted for insider trading and conspiracy to defraud investors. Pleading innocent, he paid his attorneys a retainer of 23 million dollars to defend him. Enron should not be viewed as an aberration, something that can't happen anywhere else. Because it's all about the rationalization that you're not doing anything wrong. We've involved Arthur Andersen, we've involved the lawyers. The bankers know what we're doing. There's a sense the diffusion of responsibility. Everyone was on the bandwagon. And it can happen again. Enron's accounting firm. Arthur Andersen, was convicted of obstructing justice.
With its reputation for honesty destroyed, America's oldest accounting firm fell along with Enron and twenty nine thousand people lost their jobs. Enron's shareholders are suing Enron and its banks for 20 billion dollars. Ken Lay was also indicted for conspiracy to commit fraud. His attorney maintains that no one has been hurt more by the Enron bankruptcy than Ken Lay.

Nice of all of you to show up this morning. With today's arrest of Ken Lay, the top echelon at Enron has now been called to account for their crimes. Mr. Lay, do you have anything to say, sir? A little later today I will.

Looking at Enron is like looking at the flip side of so much possibility because like most things that end terribly, it didn't start out that way. It started with a lot of people who thought they were changing the world. And over time they became victims of their own hubris, victims of their own greed and so it's like taking so much promise and possibility and looking at it in a mirror and seeing the flip side reflected back at you. I think the larger lesson was
what Enron asked of
its employees which was ask why.
And you know I didn't ask
myself why enough;
I didn't ask
managers why enough,
I didn't ask
my colleagues why enough.