to akin to an extra in a Cecil B. DeMille political extravaganza: signing statements that are the equivalent of line-item vetoes; the assertion of executive privilege to deny Congress any authority to oversee executive branch operations; a claim of inherent presidential authority to flout any statute that he thinks impedes his ability to gather foreign intelligence, whether opening mail, conducting electronic surveillance, breaking and entering, or committing torture.

This latest use of a search warrant by the executive branch to rummage through the files of a member's office is simply an additional instrument of the Bush Administration to cow Congress.

It is exceptionally important that the Congress respond clearly and authoritatively with a statute that rejects the authority of the executive branch, whether or not a search warrant is authorized by a judge, to look through the files of a member's office and glance at legislative protected materials under the speech or debate clause.

That kind of authority can be abused to intimidate, to cow Congress into submission to executive desires.

Principles unchecked lie around like loaded weapons, and they will be used for political purposes whenever an urgent need is claimed by the incumbent. That's why it's so important to reject the principle involved in the search warrant, not focus on the details of the Jefferson warrant and search.

The speech or debate clause is violated whenever the executive branch would obtain a search warrant that would require reading the files of a member's office in order to determine whether any of the documents fit the demands of the search warrant. And that's the only way in which a search warrant for documents can be implemented. You have to read every file to know whether or not it identifies something in the search warrant. And that, inescapably, means when you're searching a legislative office, you must come across speech- or debate-protected materials.

Impeachement

Rep. Darrell Issa (R-Calif.): We have—and I hope this is appropriately controversial—we have the power to impeach the attorney general. We have the power to impeach that particular judge who decided that our body, particularly even our own very small police force, had no powers to stop the other two branches. . . .

Turley: But I also want to encourage you that the framers gave you the ability of self-defense. You have appropriations authority, oversight authority, you have, ultimately, the impeachment authority. And I don't consider that to be such a trivial question. I think that when you have an offense that strikes at the separation of powers, you're talking about something that threatens the very stability of the system. You have those powers, and I hope that you will use them, because the framers expected that you would jealously protect your own authority, because I promise you the other branches are not likely to do so with as equal vigor. . . .

Enron Trial

Lay, Skilling Convicted; Criminal System Remains

by Harley Schlanger

As one who has been watching Enron closely since the mid-1990s, I cannot say I was surprised by the convictions last week of founder and CEO Ken Lay, and his protégé and former CEO, Jeffrey Skilling. In their trial in a Houston federal court, the jury found Lay guilty on all six counts against him, and Skilling guilty on 19 of 28 counts. The sentencing is set for Sept. 11, 2006, and both men face the real possibility of spending the rest of their lives in prison.

Attorneys for the two are expected to file appeals of their convictions. The appeal process will likely be the final public act of the two, whose fall from power was meteoric. At one time, Enron was the seventh-largest corporation in the United States. It was hailed by Wall Street as the new corporate model, praised in the financial media as the nation's "most innovative" company. Its corporate leaders proclaimed it to be on the verge of becoming the "World's Greatest Company."

When Enron was flying high, Lay and Skilling could do no wrong. They were the super-stars of the new era of a deregulated post-industrial "market" economy. They were described in terms usually reserved for our nation's military heroes—as bold and brilliant, creative and fearless. Lay was a close friend of the first President Bush, and "Dubya" Bush knew him as "Kenny Boy." Though the younger Bush flew around Texas in one of Enron's private jets during his campaign for Governor of Texas, he now seems to have short-term memory loss when Lay's name is mentioned!

Lay was also on the short list of "advisors" to Vice President Cheney, who included him among his inner circle during his secretive efforts, in 2001, to pass the most cartel-friendly energy legislation in U.S. history. Cheney, who is not known for his sense of irony, saw no problem with Lay serving in this capacity at the exact moment Enron was leading a pack of corporate pirates in looting California, "gaming" the system while causing rolling blackouts statewide through its illegal practice of withholding electricity during times of peak demand.

Synarchy and Empire

Since the late 1990s, my colleague at the *Executive Intelligence Review,* John Hoefle, and I have chronicled Enron's role in pushing through the total deregulation of not just

PBS

Milton Friedman, with his visible hands, here in an advertisement for his PBS television show "Free to Choose." He and other FDR haters worked to resurrect the discredited ideas of British East India Company propagandist Adam Smith to launch free trade and deregulation of the economy, upon which Enron's existence was based.

energy-related markets, but of financial markets, as well. We were guided in our investigation by Lyndon LaRouche's unique analysis of the post-World War II economy, a method of analysis which has enabled him to make nine precise, accurate economic forecasts from the early 1950s to the present. Since Richard Nixon's Aug. 15, 1971 emergency actions, which ended the fixed exchange system established at Bretton Woods after World War II, LaRouche has been virtually alone in his warnings that deregulation and the so-called free trade policies of "globalization" are not a "natural" outgrowth of "information technology" and political "democracy," but are instead a modern form of empire, modeled on the usury-driven, slave-trading Venetian Empire.

This new form of Empire grew out of the drive to destroy the nation state, promoted by the same Synarchist banking networks which backed the fascist movements in Europe in the 1920s, not to realize the much-hyped "new" potential inherent in powerful computers and "information technologies." The nation state has been the target of the Synarchists, especially since the 1932 election of Franklin Roosevelt, as FDR used the powers of the republican institutions of the nation, as specified in the U.S. Constitution, to defeat the private bankers in the U.S., who were allied with European Synarchists.

Among the most important measures adopted by FDR were those of regulation, especially bank regulation, which thwarted the intentions of U.S. bankers and financial networks to join with their European brethren—for example, those from Lazard Frères and Banque Worms—to clear the way for a global fascist government, which would act in the interest of the cartels.

The adoption of the Bretton Woods monetary system at the end of the war was instigated by Franklin Roosevelt, as a means of ending forever the power of cartels to impose colonial dependency on the so-called developing sector. In doing this, FDR was not merely acting to put an end to the desires of the British to reestablish their Empire, but to defeat the bankers behind that drive. His Treasury Secretary Henry Morganthau, who worked with him in crafting the Bretton Woods system, stated that he hoped its implementation would "drive the usurious moneylenders from the temple of international finance."

What Created Enron?

Despite the efforts of the myth-makers—both those on Enron's payroll, and those in the financial media—to convince a gullible population of consumers that Ken Lay and Jeff Skilling were geniuses in business, who invented a new model which could create gold out of paper, the real creators of Enron were a group of FDR-haters who despised the idea of the "General Welfare."

Centered around Milton Friedman and Arthur Burns, these quackademics, as Lyndon LaRouche called them, worship a deity they call "the market." At heart, this is just a rewarming of the discredited ideas of British East India Company propagandist Adam Smith, whose "invisible hand" is a more reliable pick-pocket than Dickens' Artful Dodger. Friedman was given a Nobel Prize in 1976, to aid his effort to resurrect Smith's 18th Century economic liberalism.

"Markets are self-correcting," he preached, in his sophomoric screed, "Free to Choose," which grew out of his television show, aired on PBS. Any efforts by government to interfere with the market's operation "were doomed to failure." Friedman and his University of Chicago "Boy's" free trade nostrums were given a test run in Chile, under the fascist regime of Gen. Augusto Pinochet. The economic hit team which imposed these policies was run, at the top, by today's two leading Synarchists, George Shultz and Felix Rohatyn. (It is no coincidence that the attempt to privatize Social Security undertaken by the pathetic Bush Administration was modelled on the policy imposed on Chile, by force of arms!)

From Chile, the disease of neo-liberal policies of "market capitalism" spread to Great Britain, where Margaret Thatcher ripped apart the social safety net to "free the entrepreneurial

spirit" of the British economy. Her famous dictum, "There is no way you can buck the market," became cant for the Reagan Administration, with its Laffer curve/tax cutting policies which, when combined with aggressive deregulation, accelerated the rate of the post-industrial disintegration of the U.S. economy.

How Deregulation Killed the U.S. Economy

How did this work? A compressed timeline gives some of the highlights as to how "trading" replaced manufacturing, infrastructure development, and agricultural production as the basis of the U.S. economy:

- 1973: The Chicago Board of Trade, under Friedman's influence, opened an exchange for trading share options;
- 1974: The Commodities Futures Trading Commission (CFTC) was established to oversee derivatives trading;
- 1975: Gold futures derivatives trading begins;
- 1975: The Government National Mortgage Association, Ginnie Mae, begins trading mortgage futures;
- 1976: The Chicago Mercantile Exchange introduces trading in "Eurodollar interest rate futures." Since it is impossible to "deliver" an interest rate, this was the first "undeliverable" derivative, i.e., a trade which is backed by nothing of value or substance! No one even knew if it was legal to make this kind of trade, until the CFTC ruled it to be legal in 1981;
- 1978: Trading opens in crude oil futures, just in time for prices to skyrocket in the second oil hoax of the 1970s;
- The floodgates for "financial innovation" were swung wide open under Paul Volcker's term at the Federal Reserve, paving the way for trading in such exotic entities as "negotiable rate swaps," "income warrants," "butterfly swaps," "swaptions," "futurons," etc. These were increasingly done in "over-the-counter-trades" (OTC), which were done away from the exchanges, i.e., without regulation.

The deregulation of trucking, airlines, rail, banking, oil and natural gas trading, electricity, telecommunications, etc., opened the door for new forms of trading, as speculation replaced industrial production as the source of economic growth. One author, Edward Chancellor, wrote that by 1990, "speculators were now portrayed as benign economic agents who helped markets assimilate new information and made markets more efficient." It was now accepted that "speculators serve to increase the productive capacity of an economy by providing liquidity in the financial markets, thus reducing the cost of capital for companies."[1]

(This same argument was recently made by Rohatyn, to counter LaRouche's call for FDR-style Federal government intervention to save the U.S. auto industry. Rohatyn lied that "private funds" can now replace government as a source for funding major infrastructure and industrial projects.)

Enron was spawned in the environment created by this series of successive attacks on the regulation of U.S. industries and businesses. Only one addition was needed to enable Enron to morph from an oil-and-gas pipeline business into the derivatives trading monster which collapsed spectacularly in 2001: the ruling, by CFTC chairman Wendy Gramm—wife of neo-liberal windbag Sen. Phil Gramm—which fully deregulated derivatives trading. Wendy Gramm, who was appointed CFTC Chair by the first President Bush, was rewarded by being given an appointment to Enron's Board of Directors, when she left the CFTC.

The System Is the Criminal

The convictions of Lay and Skilling were the result of an effective presentation by government prosecutors of how they organized and oversaw illegal operations to push up Enron's stock price. They used elaborate, complex schemes to hide losses, then lied to shareholders. It is likely that the jurors, who reached their verdicts quickly, saw themselves as representatives of all those who suffered losses due to the criminality of Lay and Skilling.

But, while the verdict represents justice, it is justice-in-the-small. The full effect of Enron's rise and fall is now playing itself out on the turbulent financial and commodities' markets. Enron played a key role in pushing forward the deregulation of commodity markets, and a vast expansion in derivatives trading. That expansion continued after Enron's demise, as the same Wall Street propaganda machines which hyped Enron on the way up, as a model of shareholder values, is now peddling the line that Enron was a victim of internal greed and corruption, but that the system is fundamentally sound.

Frank Partnoy, a professor at the University of San Diego School of Law, wrote of Enron that, under the regulatory standards and accounting practices which had evolved by the late 1990s, it was "following the letter of the law in nearly all of its dealings, including deals involving off-balance-sheet partnerships." He concludes that Enron was not a big story in itself—despite its stunning rise and fall—"but as a symbol of how fifteen years of changes in law and culture had converted reprehensible actions into behavior that was outside the law and, therefore, seemed perfectly appropriate, given the circumstances."[2]

The Enron case provides both the Congress and the regulatory agencies still standing, an opportunity to adopt long-overdue re-regulation, as part of an overall national bankruptcy reorganization. No economic "reform" which falls short of this requirement, which has been put in legislative form by LaRouche, in his Emergency Recovery Act of 2006, will repair the damage, of which the Enron fiasco is just one small part.

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1. Edward Chancellor, *Devil Take the Hindmost: A History of Financial Speculation* (New York: Farrar, Strauss & Giroux, 1999), p. 329.

2. Frank Partnoy, *Infectious Greed: How Deceit and Risk Corrupted the Financial Markets* (New York: Henry Holt & Co., LLC, 2003), p. 298.