

Congress Fails Mandate To Prevent More Enrons

by Suzanne Rose

After all the hubbub in Congress about Enron—with hundreds of hours of hearings (still ongoing), involving 20 committees and subcommittees probing the malfeasance of Enron's executives and accountants—only one tiny amendment, introduced by Sen. Dianne Feinstein (D-Calif.), was offered to Senate Energy Bill S. 517 which focussed on the core problem with Enron: speculation. And, it was defeated by a vote of 50-48 on April 10. Responsible for that defeat is the Democratic leadership, which refuses to challenge the derivatives bubble and speculation which are looting the economy.

The Feinstein Amendment would have ended unregulated trading in energy and metals, putting it under the authority of the Commodity Futures Trading Commission (CFTC), and making it subject to investigation for price manipulation and fraud. Feinstein and other Western states senators were addressing the fact that because utilities had abandoned the practice of entering into long-term contracts with suppliers to deliver energy to their customers at reasonable rates, companies such as Enron could manipulate the price of energy sold on "spot markets" on a daily basis. In California's case, this was on the Power Exchange, through buying and selling derivatives, or contracts betting on price movements. Through price manipulations over two years, the annual cost of electricity for California went from \$7 billion to \$70 billion.

Energy trading was exempted from CFTC oversight when the Commodity Exchange Modernization Act was reauthorized in 2000. This made legal an exemption granted by Wendy Gramm, when she was a CFTC commissioner in 1974.

Gramm's husband, Sen. Phil Gramm (R-Tex.), the ranking member of the Banking Committee, placed a "hold" on the Feinstein amendment, which meant that 60 votes were required to add it to the energy bill. Massive lobbying was conducted by the so-called "financial industry" to kill the amendment. Gramm and his allies, who reflect the views of financier oligarchy spokesmen such as Federal Reserve Chairman Alan Greenspan and his predecessor Paul Volcker, claim that any regulation of the markets would threaten attempts to "save the system." This means that government should keep its nose out, no matter what the homicidal consequences.

According to the financial oligarchy, nothing must be allowed to impede their sucking of an income stream from vital infrastructure, which deregulation has made possible. Enron itself played a major role in transforming the provision of

electricity into a speculative activity. It conducted major lobbying efforts to sucker the states into supporting deregulation. Stable pricing was disrupted. Provided with liquidity by its Wall Street patrons, by the time of its collapse, it held derivatives trading contracts totalling \$858 billion.

Feinstein's attempt to offer a tiny bit of regulation met with implacable opposition. She sought to accommodate Gramm by making sure her amendment didn't touch the so-called financial derivatives, the \$65-85 trillion over-the-counter contracts (also non-exchange traded) which dominate the U.S. financial sector. Instead, Gramm (whose wife became an Enron director after leaving the CFTC) prevailed.

Re-regulation of the financial system (including writing off the huge derivatives bubble), and energy and other vital areas of the economy, as recommended by 2004 Presidential pre-candidate Lyndon LaRouche, in the midst of the worst financial crisis in history, should be the centerpiece of any Democratic campaign to retake Congress. Instead, Democrats propose to run on the narrowest of issues, such as prescription drug benefits for seniors, without touching re-regulation of the financial system, which alone will prevent future Enrons, end the collapse of health-care, and save the people.

The view of Enron executives as wolves amid sheep has predominated at the hearings. Legislative remedies have been choreographed, and even the most insignificant interference with the "New Economy" methods of accounting for profits are being smothered, in some cases with Democrats leading the charge. Sen. Joe Lieberman (D-Conn.) has led efforts to prevent any changes in the practice of companies paying their executives in stock options, while not reporting this as an expense. The House Financial Services Committee reported out legislation on April 17 to establish a new oversight board for the accounting industry. The real changes have to be made in areas Congress fears to tread, having ceded power over economic policy to Greenspan and the financial community.

'Enough Is Enough'

A different view was taken by California Public Utilities Commission President Loretta Lynch, who is also a Democratic Party activist. She told a Senate Commerce Committee on April 11: "The structures that enabled Enron to plunder must be dismantled. . . . Enron has become emblematic of a pervasive regulatory failure . . . [and] the forces that caused the Enron debacle are still at work and must be effectively curbed at the state and Federal level if we are not to see many more failures. . . . It is crucial that we not view Enron as an outlier or outlaw in an otherwise working market. The economic and financial structures that enabled Enron to plunder investors and consumers and ultimately its own employees, need to be dismantled, much as similar structures were dismantled by the Public Utilities Act of 1935." Lynch said that "the utility scandals of the 1920s and early 1930s involving watered stock, out-of-control prices, shady accounting, and financial and consumer abuse are being reprised today. It is time to say, 'Enough is enough.' "