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Enron villains see themselves as poor victims

COMMENT BY MICHAEL LEWIS

BERKELEY (California) - One of the interesting aspects of the Enron scandal is the different strategies the chief villains have employed to exculpate themselves.

Mr Kenneth Lay, the former chairman of the bankrupt energy trader, has decided he can cast himself plausibly as a stupid person taken advantage of by brighter underlings. Mr Jeffrey Skilling, the chief executive who quit before the final collapse, believes he can set himself up as the guy who was not around when anything bad happened and who 'got off in Ireland' before the ship went down. And Mr Andrew Fastow, the chief financial officer who profited from partnerships with Enron, thinks if he lays low like Brer Rabbit, the public inquiry will focus on other, more senior people and bigger, more systematic problems, and that he will be allowed to play the role of an underling doing simply what his bosses told him to do. Implicit in each strategy is a rejection of the other two.

Had any two of these men collaborated on their stories, they might have been able to transfer the blame to the third. As it is, each has created a defence that more or less lays the fault for what happened at the feet of the other two. Although none of their poses is even faintly plausible to a close reader of the news, they throw up enough smoke to cloud the view and dissuade casual observers, at least for a bit, from seeing just how culpable they must be. In short, all the three chief villains are playing the same game as defendants that they did as businessmen. Their strategies are to public relations what Enron's books were to investor relations.

Of course none of the three men would view his own behaviour so cynically. Villains never see themselves as villains. People who behave badly tell themselves a story to make themselves feel better. I will bet the story all three men tell themselves is more or less the same, and very different, from the story they are presenting to the public. It runs something like this: 'Sure, I knew what was going on. Sure, I was responsible. So what? I was only, in a sense, following orders. Enron came of age as a company at a time when the market rewarded, nay demanded, grand illusions.'

'We who ran the place practised a bit of creative accounting, hiding debt as equity, and booking notional future profits as real current ones. The market did not merely allow us to do this; it encouraged us to do this. Indeed, to one degree or another, everyone we knew was doing it. Everyone we did business with knew what we were doing. 'So we kept doing it, and the market loved it. And then something changed. When their mood shifted, these fickle friends for whom we had done so much staged a run on our bank. Why? We were doing nothing different from what we'd always done. We didn't change; the world did.'

It is pretty clear that all three men feel self-righteous. They see themselves not as villains but as victims of the market's hypocrisy. That is why they are able to lie with such conviction now - why Mr Lay can send his wife to tell people that he is broke, and why Mr Skilling can lecture congressional investigators on public morality. They feel their own pain. And they blame us for it. --Bloomberg News