



Where Is Enron? Changing Perceptions of Geographic Relationships in the Deregulation of California's Energy Market

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I examine the role geography plays when a large company with a distant headquarters conducts business in a particular location. Geographers see a power imbalance between the mobile capital of large corporations and fixed locations that must attract this capital, while companies sometimes downplay geographic distance. However, this strategy can become a liability if tensions between the company and a location emerge. As a case study, I look at changing geographic perceptions as Enron conducted business in California in the late 1990s and early 2000s. Enron's initial strategy was to efface its complex geographic relationship to California. Although the company's strategy was initially more or less successful, as the California energy crisis unfolded, Enron's geographic identity quickly became a lightning rod for public and journalistic expressions of frustration and anger. I track this shift in geographic perception through Enron press releases and California newspaper stories, editorials, and letters to the editor.

The effects of capitalism's scope and mobility on geographic location can be profound. The geographer David Harvey, for instance, notes that capital's ability to travel anywhere means that places, such as cities and regions, must adapt to attract investment. Specifically, Harvey notes that places often compete with one another in creating friendly business environments to attract capital investment. However, this is not always a smooth process, potentially sparking ire and protest, and Harvey point outs that the circulating, mobile capital of large business organizations has the upper hand. As a result, he suggests, "The history of capitalism is, then, punctuated by intense phases of spatial reorganization."¹

¹ David Harvey, "From Space to Place and Back Again" in *Justice, Nature & the Geography of Difference*, ed. David Harvey (Cambridge, Mass., 1996), 291-326, quotation at 296-97.

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Yet, there is evidence that corporations are both aware and wary of the unsettling effects they can have on place. As Roland Marchand suggests in *Creating the Corporate Soul*, World War II-era businesses saw these complex spatial relationships as liabilities and developed the public relations rhetoric of the “good neighbor” to downplay any issues of distance.²

Even today, some corporations employ variants of this strategy. But public perceptions of a company can change significantly during times of crisis or scandal, and public outrage may be expressed through geographic concepts and issues. Enron's involvement in California's energy market provides a particularly vivid example.

The drama that unfolded between Enron and California as the company bought and sold energy in the state's newly deregulated energy market in the late 1990s and the opening years of the twenty-first century complicates both Harvey's conception of capitalism's effect on place and Marchand's notion of the “good neighbor.” In fact, we can glimpse the traces of a dynamic understanding of the company's relationship to place in California in a series of press releases, company activities, news stories, editorials, and letters to the editor from 1997 to early 2001, before the company's complete collapse.

Place-Making and California

In the years before Enron's notoriety, Kenneth L. Lay was known for his constant lobbying for deregulated energy markets throughout the country. In the late 1990s, California moved toward deregulating its energy market, and Enron was keen to take advantage of the development. However, as journalists Bethany McLean and Peter Elkind note in their account of the Enron debacle, the result was not a completely deregulated market, but, rather, an extremely complex system of rules, which Enron traders would ruthlessly exploit.³

Still, true to Harvey's observations about capital's interest in place, California became a focus primarily because its own investigations into the possibility of deregulating the state's energy presented Enron with a unique opportunity.⁴ Tellingly, in the film adaptation of *The Smartest Guys in the Room*, an interviewee remarks that once the company gained entry into the California market, Enron traders immediately began poring over maps of power grids.⁵ Indeed, California is referred to in almost a-spatial terms, as not much more than a market or a series of rules—a way of thinking about

² Roland Marchand, *Creating the Corporate Soul: The Rise of Public Relations and Corporate Imagery in American Big Business* (Berkeley, Calif., 1998), 362.

³ Bethany McLean and Peter Elkind, *The Smartest Guys in the Room* (New York, 2004), 265-67.

⁴ Though Enron was not the only energy company that was involved in the deregulation of California's energy markets, it was by far the biggest player, and, as such, the range of companies in written representations tends to collapse back into Enron as the sole actor.

⁵ Alex Gibney, director, *Enron: The Smartest Guys in the Room*, 2005.

California that would grow more pronounced as the relationship between Enron and the state changed. However, the initial give and take between Enron and California was not as one-sided as Harvey's analysis would suggest. In order to gain entry into the state, Enron outwardly encouraged the idea of California as a unique place, even as it was internally scheming.⁶ This would seem to contradict Harvey's assertion that capitalism radically transforms place by forcing "inter-place" competition. He writes that, "People in places therefore try to differentiate their place from other places and become more competitive (and perhaps antagonistic and exclusionary with respect to each other) in order to capture or retain capital investment."⁷ While this demand on place would be brought into relief later in the crisis, early on the state undeniably had more power in the relationship, and Enron found itself courting California, mirroring some of the techniques that Marchand describes.

This is most evident in several Enron press releases dating from the 1990s. Indeed, in its public relations tactics, Enron repeatedly made localized appeals. Rather than placing demands on California, Enron (an agent of capitalism) promised to adapt itself in ways that would not alter California's pre-existing sense of place. For example, a 1997 release announcing a partnership between NCPA (the Northern California Power Agency) and the company quotes a new state law that called for energy that "preserves California's commitment to developing diverse, environmentally sensitive electricity sources."⁸ Indeed, we see this same impulse toward neighborliness in an earlier 1997 press release announcing the opening of offices in California as well as the purchase of "The Bentley Company, one of the oldest and most respected firms in the west."⁹ By 1999, Enron, through its press releases, was making much more direct appeals to California as a particular place, noting that Green Power I, a "clean" power plant, "was built to supply clean, renewable electrons for Southern California's environmentally conscious electricity consumers."¹⁰ The company even actively contributed to California as a place with a particular meaning and spirit by sponsoring Earth Day events in 1999 and promising to build wind farms. A press release regarding Earth Day also calls attention to the company's thinking of

⁶The Federal Energy Regulatory Commission's website has posted several documents pointing toward this; viewed 21 May 2008; URL: <http://www.ferc.gov/industries/electric/indus-act/wec/enron/12-06-00.pdf>.

⁷Harvey, "From Space to Place and Back Again," 297.

⁸ Enron, "NCPA and Enron Form Major Strategic Energy Alliance," news release, 15 Jan. 1997, <http://www.lexis-nexis.com/>.

⁹ Enron, "Enron Makes a Bold Entry Into California Electricity Market," news release, 23 Oct. 1997, <http://www.lexis-nexis.com/>.

¹⁰ Enron, "Enron Wind Dedicates New California Wind Power Project; First Major Green Merchant Plant in the State," news release, 8 Dec. 1999, <http://www.lexis-nexis.com/>.

California as a place. Indeed, the release notes that Enron has contributed to parks and schools projects, but also includes a scripted quote from Lay:

“Earth Day '99 in California is an impressive and inspiring example of how individuals, businesses, environmental agencies and communities can join together to restore and protect our natural resources,” said Kenneth L. Lay, the chairman and CEO of Enron. “A clean environment is essential not only to the quality of life in our communities, but also to continued economic growth. Enron is committed to helping protect our environment through a variety of means, including increasing awareness through Earth Day activities like these in California and by continuing to serve as one of the world's largest providers of clean natural gas.”¹¹

Curiously, this press release uses the first person plural (“our”) when referring to California's environment. What is more, it seeks to link businesses (such as Enron) to “communities.” Here, Enron is explicitly attaching itself to a local sense of place.¹² Interestingly, the datelines from many (though not all) of these press releases use a location in California, rather than Houston, as the place of issue.

The strategy Enron employed in these press releases is not new, but is part of a long tradition in corporate public relations. As Marchand notes of the postwar corporation, “Given that one long-standing barrier to greater moral legitimacy for the giant corporation had been its immense size and seeming aloofness, no better counter image could be offered than that of a friendly neighbor and civic contributor located right nearby on Main Street.” Marchand also argues that decentralized businesses' attempts to ingratiate themselves to communities as “good neighbors” has a decidedly spatial dimension in that it attempts to elide geographic complexities. Marchand notes that: “As many of the largest corporations expanded their geographical reach through acquisitions and new plants, especially after the thrust of decentralization in the late 1930s, the theme of neighbors seemed ever more appropriate. It cast an aura of familiarity over ever-more-complex economic and spatial relationships.”¹³ In Enron's case, it is as though the company's growth, which made its own sense of place ambiguous, produced the need to assuage any sense that it had unsavory designs on California.

For a time, Enron's attempt to both ingratiate itself to California as well as erase its own sense of place may have, to an extent, worked and Enron's geographic status remained somewhat ambiguous. Though many news stories refer to Houston, others seem to suggest that locating Enron was, in fact, a more difficult task. For example, the company is one of three in an October 2000 story in Escondido, California's *North County Times*, titled

¹¹ Enron, “Enron Hosts Statewide Earth Day '99 With California State Parks Foundation,” news release, 23 April 1999, <http://www.lexis-nexis.com/>.

¹² Enron did not explicitly reference California communities in this passage, but the implication is unambiguous.

¹³ Marchand, *Creating the Corporate Soul*, 349, 362.

“California Power Companies Report Sizzling Third Quarter.” The article’s opening paragraph is telling: “Three of the companies that generate and sell electricity in California. . . .”¹⁴ Interestingly, Enron is described as “the world’s largest electricity company,” directly echoing the language of the company’s press releases. Yet if Enron must be located at all, the implication is that Enron is a California power company because it generates and sells electricity in the state. Of course, the very nature of decentralized, late twentieth-century corporations makes it difficult to determine the technical location of a company. While Enron was headquartered in Houston, often times, wholly owned subsidiaries operated inside California. An example of this is found in *Enron Capital and Trade*, which in at least one article is referred to as “a subsidiary of Houston-based Enron Corp.”¹⁵ Nonetheless, whether Enron is referred to as a California- or a Houston-based company in these news articles, the emphasis on Enron’s geographic location is muted.

Spatial Complexities and Contradictions

Though Enron’s use of the “good neighbor” strategy in California may have been modestly successful, it is worth noting that a direct parallel with Marchand’s study of corporations such as General Motors is not possible. Enron may have made tactical, localized appeals in the state, but the company’s larger image emphasized a contradictory sentiment. The 1999 Earth Day press release in particular expressed a concept of space that is directly at odds with the “good neighbor” metaphor. The end of the Lay quote reveals Enron’s investment (both figurative and literal) in the annihilation of space and time. After testifying to a commitment to California, Lay trumpets the company’s global reach; though Enron is happy to contribute to California’s Earth Day celebrations, it is ultimately a worldwide business. This is also echoed in the “boilerplate” description of the company found at the end of each press release, which reads:

Enron is one of the world’s leading integrated electricity and natural gas companies. The company, which owns approximately \$30 billion in energy related assets, produces electricity and natural gas, develops, constructs and operates energy facilities worldwide and delivers physical commodities and risk management and financial services to customers around the world. Enron’s Internet address is www.enron.com, and the stock is traded under the ticker symbol, “ENE.”¹⁶

While this passage does mention physical structures, the emphasis is decidedly on the company’s lack of place. As Enron grew in scope (to become

¹⁴ Dan McSwain, “California Power Companies Report Sizzling Third Quarter,” *North County Times*, 19 Oct. 2000, <http://search.ebscohost.com/>.

¹⁵ Peter Brennan, “Edison, Enron Vying for Piece of Anaheim Utility,” *Orange County Business Journal*, 9 Aug. 1999, <http://search.ebscohost.com/>.

¹⁶ Enron, “Enron Hosts Statewide Earth Day ’99 With California State Parks Foundation.”

a global company), its sense of place proportionally diminished; its physical address in Houston is not mentioned, but the online address is. Surely, Enron was echoing the rhetoric used by the majority of New Economy companies and Enron was not the only energy company that, by this time, avoided place in its description.¹⁷ Still, the contrast here is jarring. Though Enron makes direct appeals to California as a place, the absence of Enron's own locality suggests an almost adversarial view of space and distance. Indeed, as the geographer Doreen Massey notes, the narratives and rhetoric of cyberspace always involve "an assumption, not only of space as merely distance, but also of it as always *a burden*." Massey goes on to note that "the devaluation of space and place which runs through this [cyberspace] literature is one aspect by which 'information' has been conceptualized as disembodied from materiality." Yet this desire to annihilate space and time is ultimately elusive. As Massey writes: "the really serious question which is raised by speed-up, by 'the communications revolution' and by cyberspace, is not whether space will be annihilated but what kinds of multiplicities (patterns of uniqueness) and relations will be co-constructed with these new kinds of spatial configurations."¹⁸ Indeed, the virtual omnipresence of cyberspace would have a complex impact on the role of place in representing Enron. As the involvement between Enron and California became more complicated and antagonistic, the company would not be able to wish away the material reality of place.¹⁹

¹⁷ For instance, another worldwide energy company, El Paso, also deemphasized any particular place, instead writing:

With over \$16 billion in assets, El Paso Energy Corporation provides comprehensive energy solutions through its strategic business units: Tennessee Gas Pipeline Company, El Paso Natural Gas Company, Southern Natural Gas Company, El Paso Merchant Energy Company, El Paso Energy International Company, El Paso Field Services Company, and El Paso Production Company. The company owns North America's largest natural gas pipeline system, both in terms of throughput and miles of pipeline, and has operations in natural gas transmission, merchant energy services, power generation, international project development, gas gathering and processing, and gas and oil production. On Jan. 18, 2000, El Paso Energy announced that it has agreed to merge with The Coastal Corporation in a deal valued at \$16 billion, including approximately \$6 billion of assumed debt and preferred equity. Visit El Paso Energy's web site at www.epenergy.com.

El Paso, "El Paso Natural Gas Company Announces El Paso Merchant Energy-Gas, L.P. As Successful Bidder for Firm Capacity," news release, 15 Feb. 2000, <http://www.lexis-nexis.com/>.

¹⁸ Doreen Massey, *For Space* (London, 2005), 94 (emphasis in original), 96, 91.

¹⁹ Indeed, the company's presentation as both placeless and omnipresent was perhaps too ethereal for California. In many articles written over the course of Enron's involvement with the state, journalists refer to Enron as "Houston-based." To be sure, the phrase alone does not do much to challenge Enron's ethereal self-presentation. However, it does hint at what both Harvey and Massey argue about

Significantly, the dispatches dating from the energy crisis in 2000 and 2001 change dramatically, exposing the contradictions in Enron's spatial relationship with California. By this point, energy deregulation and Enron were no longer seen as opportunities for the state, but rather as threats to California as a place. Tellingly, in one letter to the editor of the *San Diego Union-Tribune* concerning the steep rise in electricity costs, William Brotherton notes that San Diego's energy woes are "being exploited by large out-of-state utilities, such as Enron."²⁰ Yet another letter reveals the deep anxiety over the effect: "Forget the ballpark. It's not going to happen. Forget the downtown library; that's history, too. Forget the new hotels, the booming tourism, the growth and prosperity San Diegans have come to view theirs by right. It's over, folks."²¹ These letters are indicative of the way Californians perceived Enron during this period. In these representations, Enron is definitively (and threateningly) outside California and engaged in transforming the city's important places. In a much more pronounced expression of this anxiety, California journalists emphasized Enron's physical distance from the state. One such example comes when David Lazarus of the *San Francisco Chronicle* writes that Lay gazed "out from his plush, 50th-floor office. Houston's downtown skyscrapers jutted like sharp teeth against the overcast sky."²² Though the imagery of the skyline as a menacing set of jaws is unique to this article, this type of rhetorical move became increasingly common as the energy crisis in California grew.

A February 7, 2001, story in the *San Jose Mercury News* titled "Texas Energy Company Thrives in California's Deregulated Atmosphere" is even more explicit about Enron's location in Texas while simultaneously calling attention to its distance from California. Echoing Lazarus, reporter Brandon Bailey writes: "At the company's 50-story Houston headquarters, Enron traders use sophisticated software to monitor supply and demand. . . ." Even the story's opening line implies a split between the company and the state: "Though it produces hardly any power for California consumers, a Texas energy company is thriving in a deregulated energy marketplace that it helped shape."²³ Again, the article implies that by virtue of its location outside California, Enron lacks concern for the state. These representations of Enron as rooted in a specific locality can be read as a direct rebuke to the company

place and space being open-ended and relational. What is more, it suggests that Enron's strategy of portraying itself as a "good neighbor" worked directly against its presentation of itself as virtual-omnipresence.

²⁰ William Brotherton, letter to the editor, *San Diego Union-Tribune*, 19 Aug. 2000, <http://www.lexis-nexis.com/>.

²¹ Carolyn Wheat, letter to the editor, *San Diego Union-Tribune*, 19 Aug. 2000, <http://www.lexis-nexis.com/>.

²² David Lazarus, "Enron's Chief Denies Role as Villain," *San Francisco Chronicle*, 4 March 2001, <http://www.lexis-nexis.com/>.

²³ Brandon Bailey, "Texas Energy Company Thrives in California's Deregulated Atmosphere," *San Jose Mercury News*, 7 Feb. 2001, <http://search.ebscohost.com/>.

by referencing the Houston skyline, Enron towers, or even the scene on the trading floor, the very moment where Enron traders in Houston are, through this ostensibly “ethereal” world of cyberspace, having a direct, material impact on California.²⁴ Simply put, Enron was explicitly resituated in Houston.

However, the a-spatial aspect of Enron is not entirely effaced in these articles. On the contrary, Enron's placelessness here takes on a sinister character. Though Lazarus situates Enron in Houston, the threat of a “placeless” global capitalism is also represented in his article. In describing Enron's trading floor, Lazarus writes:

Enron's trading floors buzz all day long with frantic activity as . . . employees scan banks of flat-panel displays in search of the best deals. . . . Kevin Presto, who oversees Enron's East Coast power trades, called up the California market on his computer. With a few quick mouse clicks, he showed that Enron at that moment was buying power in the Golden State at \$250 per megawatt hour and selling it at \$275.²⁵

Surely in the context of this article the trader's ability to buy and sell power on both coasts from a desk in Houston is not a cause for celebration, but rather one of dread. In this moment, the state is reduced to a series of financial transactions on a computer screen. Though Enron is firmly rooted in place, it is also a threat to California.

The geographical tension between Enron and California perhaps finds its fullest expression in Robert Salladay's article for the *San Francisco Chronicle*, “California Shivers—Texas Smirks.” Here, place almost completely overtakes Enron. Indeed, though his article is also concerned with George Bush, Salladay presents Enron as no longer a rapacious, placeless, or even out-of-state company, but as one of several signifiers for Texas itself. Indeed, in many articles, authors point to Lay's relationship with U.S. president George W. Bush. In a telling example, Salladay writes, “Kenneth Lay, a Texas buddy of Bush and chairman of the huge energy trader Enron, says California should be friendlier to his business.” This article catalogs the long historical animosity between the two states, but devotes its last third to Lay and Enron. As Salladay quotes a state senator as saying: “We really ought to be taking a hard look at how it is that California's pocket has been emptied into the pockets of Texas and Southern Corporations.” As Salladay notes, the senator

²⁴ Ironically, as McLean and Elkind point out, Enron conducted most its trading in California from a third state. The authors write that Enron's West Coast traders “operated out of the Portland World Trade Center, where the company had built a copy of its Houston trading floor, down to the plasma TV screens and Nerf footballs.” McLean and Elkind, *The Smartest Guys in the Room*, 268.

²⁵ Lazarus, “Enron's Chief Denies Role as Villain.” It is also worth noting that certain Texans feared Enron as well. As Lazarus notes, “as Texas proceeds toward deregulation of its own electricity market next year [2002], Turner [a Houston lawmaker quoted earlier in the article] said he has learned from California's experiences—and is taking steps to prevent Texas' power giants from shaking down local customers.”

“nearly spit the word ‘Texas’ when she said it.”²⁶ Indeed, as his article casts it, the Enron/California relationship is replaced by a relationship between two states.

What is perhaps even more interesting is that this article also marks a change in Enron's conception of California. Indeed, instead of playing the “good neighbor” as it had in early appeals to the state, here Lay (as representative of Enron) seems to reflect Harvey's observations about capitalism's effect on place. In discussing Enron's refusal to bring turbines into the state, Lay is quoted as saying: “If California makes it attractive to do business in their state, they've got a chance of some of those turbines coming to California.”²⁷ This cranky outburst also hints at another shift in the production of place.²⁸ Earlier, Enron had been forced to court California; here, Harvey's observation that there is a certain amount of coercion in “the capitalist's demands” to “create a ‘good business environment’” is present in Lay's unfortunate statement.²⁹ In other words, California as a place must change. Indeed, as Salladay suggests in his article, the ways in which Enron and California perceived each other in terms of place and space had changed dramatically over the span of a few short years.

Of course, 2001 did not end well for Enron. The company's involvement in California became enveloped by the larger Enron scandal. As the nation began to view the once-vaunted company as corrupt, California's growing suspicion and fear were vindicated. As the state's experience with Enron demonstrates, as large, decentralized corporations attempt to annihilate space and time, the connection between capital and place are unavoidable and complex. This case highlights the ways in which geographers such as Harvey and Massey can aid the task of business historians by providing new ways to think about the complex geographical implications of large, modern corporations. At the same time, historians, such as Marchand, can provide geographers with a richer understanding of the concepts and strategies that corporations employ in confronting these relationships.

²⁶ Robert Salladay, “California Shivers—Texas Smirks,” *San Francisco Chronicle*, 20 Feb. 2001, <http://www.lexis-nexis.com/>. Of course, this is not to deny the somewhat tongue-in-cheek tone to the article. For example, after quoting tensions between the two states, Lazarus, in faux-California lingo, writes, “Harsh, Texas dudes. Is California experiencing some sort of karmic retribution?”

²⁷ Ibid.

²⁸ As the press releases reveal, a company such as Enron keeps a tight watch over its official statements. It is conceivable, if unlikely, that this Lay quote is a horribly ill-conceived, but official, corporate utterance.

²⁹ Harvey, “From Space to Place and Back Again,” 299.