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"I Look Forward to Working with You": Enron's Government Affairs Efforts in the 1990s

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In this essay, I chart the relationship between Enron's Government Affairs Department and the U.S. Department of Energy while Bill Clinton was in office. Though Enron had been used to Republican administrations sympathetic to issues such as domestic natural gas deregulation, the company's Government Affairs Department quickly found common ground with Clinton's team on the policies of globalization and trade liberalization. By looking at materials such as *Enron Business* and correspondence between Enron executives and the Department of Energy from the 1990s, I argue that Enron attempted to position itself as a part of the "Washington consensus" and as a partner with the state in advancing economic globalization.

"I apologize for writing you so often."[1] So began Enron chairman Ken Lay's letter to President George H. W. Bush on April 3, 1992. While the letter no doubt reflects their personal relationship, as the apology also suggests, Lay rarely missed an opportunity to write politicians in Washington on a range of matters. Since the company's collapse in 2001, Enron has become known for its ties to Republican politicians such as Texas senator Phil Gramm (chair of the Senate Committee on Banking, Housing, and Urban Affairs, 1995-2000) and George W. Bush. Yet Enron's relationship with the state predates the scandal. Throughout the late 1980s and early 1990s, the company often wrote to Bush administration officials regarding a range of issues that would have given Enron some sort of competitive advantage, such as advocating for a "natural gas standard" for

[1] Ken Lay to George H. W. Bush, 3 April 1992, Department of Energy Records [hereafter, DOE Records], National Archives, College Park, Md.

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building new power plants and the continued deregulation of the natural gas industry. What is more, Enron executives generally enjoyed a cordial and welcome relationship with Bush's Department of Energy. For instance, at the end of a reply to a letter from Lay in the summer of 1992, Deputy Secretary of Energy Linda Stuntz wrote: "Ken, as always, it is good to hear from you. I trust that you will continue to provide your good counsel on matters of importance to the Department and the natural gas industry."[2] As 1992 wound to a close, however, Ken Lay and Enron found themselves facing an uncertain relationship with incoming President Bill Clinton.

Still, the company was well positioned, despite an uncertain political environment. By the time the Democratic administration came into office, Enron had established a D.C.-based Government Affairs Department intended to "promote open trade and inform legislators of its many benefits" and "argue the case with government officials, make speeches, assist colleagues with making presentations, contribute money and leadership to trade organizations and appeal to multilateral lending agencies for support."[3] The approach the Government Affairs office took during this period was notable. The D.C. office did not simply provide information to the federal government. Throughout the Clinton years, Government Affairs positioned itself as an adviser and partner with the government on diplomatic as well as trade issues.

Although Enron's D.C. office did not wait long in reaching out to members of the new administration, there was some apprehension about what sort of relationship the company could expect to have with Bill Clinton's first Energy secretary, Hazel O'Leary. As a first point of contact, Enron's vice-president of government affairs and public policy, Terrence Thorn (who often signed his letters "Terry"), wrote to O'Leary on May 13, 1993, inviting her to meet with the heads of several energy companies. As Thorn wrote, the meetings would "clarify the Clinton administration's energy agenda," as well as provide a formal introduction for O'Leary. Thorn did not mince words in stressing the importance of the visit, writing: "Quite frankly, you are an unknown quantity for people in the industry."[4] Though Thorn ended that sentence in a veritable barrage of flattery, the sense of anxiety was still there. Since the company's inception in 1985, business-friendly Republicans had occupied the White House. Who knew what the first Democratic administration in over a decade would bring? Still, though Enron's Government Affairs employees had to adopt a different approach to O'Leary's Department of Energy, the company quickly found common ground with the new administration.

Though domestic natural gas regulation was a frequent topic of correspondence between Enron executives and the Department of Energy during the 1980s and early 1990s, throughout the Clinton years foreign

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2 Linda G. Stuntz to Ken Lay, 4 Aug. 1992, DOE Records.

3 "Open Trade," *Enron Business* (1999), no. 2: 4.

4 Terry Thorn to Hazel O'Leary, 13 May 1992, DOE Records.

trade matters often topped the agenda.[5] Indeed, within one year, O'Leary's office found a useful ally in Enron when it came to trade missions. O'Leary briefed businesses, including Enron, about the results of specific trade missions. One early example came in the summer of 1994, when Enron introduced a program that invited sixty to eighty pipeline workers employed by "Stroytrongas" (Stroytransgaz), a Russian natural gas company, to travel to the United Stated to work on some of Enron's gas pipelines. Because of the international character of the project, negotiations about the Russian workers involved personnel at the U.S. Embassy in Moscow, the State Department, and the Department of Energy. In a letter to a member of the Moscow embassy staff, Hillings wrote that he appreciated the "interest in Enron's program to further advance U.S.–Russia commercial ties."[6] The line indicated the way Enron was beginning to present itself—as an involved corporate citizen acting to advance the goals of the administration and nation as a whole. Indeed, the administration itself welcomed Enron's stance. For example, at the bottom of a perfunctory letter to Terry Thorn regarding an energy industry conference in Texas, Deputy Energy Secretary Bill White included a handwritten note that read: "I hope you can go on a trade mission with me to Pakistan—maybe early Dec. I have strong personal relationships with the existing government."[7] Of course, the Energy Department fostered relationships with a number of companies. Terry Thorn was just one of many private-sector representatives invited by the U.S. government on a joint trip to India that same year.

Still, Enron's verve for government relations during this period is notable. Even beyond the efforts of Thorn and Hillings in the firm's Washington office, Lay himself frequently reached out to the federal government on a range of international economic issues. Significantly, in 1994, Lay sent a letter to around two hundred members of Congress expressing his support for the upcoming Uruguay Round of GATT negotiations. "A liberalized trading system," Lay argued, "could result in more nations opening their infrastructure development not only to large corporations such as Enron, but also tens of thousands of United States subcontractors."[8] Beyond noting the potential benefits for Enron, he also believed that the increased demand for U.S. goods and services that would become available through the latest round of talks would "foster long-term economic and political relationships among nations which are just beginning to fully understand the value of liberalized trading systems and

[5] However, throughout the decade, Enron vigorously pursued electric and energy deregulation at the state level. Likewise, issues such as renewable sources of energy were also topics of discussion between Enron and the Department of Energy.

[6] Joseph Hillings to Gary Escobar, 25 July 1994, DOE Records.

[7] Bill White to Terry Thorn, 22 Aug. 1994, DOE Records.

[8] Ken Lay to Jeff Bingaman, 26 Sept. 1994, DOE Records.

privatization."[9] This second statement revealed why, when it came to matters of foreign trade, Enron and the Clinton administration found common cause. Lay's statement was in many ways a succinct expression of the "Washington Consensus" that emerged during the 1990s.

Several different historians and geographers have described the "Washington Consensus" as a "new orthodoxy" advocating neoliberal globalization that emerged in the 1990s.[10] This orthodoxy was "promoted by the U.S. government and leading international economic organizations in the hope of harmonizing (if not standardizing) economic and social policy and their supporting institutions so that the liberal world market [could] work more effectively."[11] Specifically, the "core aspects" of the Washington Consensus included "liberalization, privatization, and fiscal austerity."[12] While these policies are usually associated with the U.S. government and institutions such as the World Bank and International Monetary Fund (IMF), Enron's Government Affairs Department shared many of the same views. It was this feeling of a common goal that explains why Secretary O'Leary would end a letter sent to members of a trade mission to Pakistan (which included Enron executive Rebecca Mark) toward the end of 1994, "I look forward to continued cooperation to reach our mutual goals."[13] This sense of shared responsibility informed the company's approach to international trade issues for the remainder of the decade.

A particularly coherent articulation of the economic philosophy under-girding the Washington Consensus can be found in Rebecca Mark's testimony before the Senate Foreign Relations Committee in March 1995. International economic liberalization was a good thing, Mark reasoned, because it created "unprecedented opportunities to transfer capital and new efficiencies from the industrialized world to developing countries."[14] Indeed, as Mark noted in her testimony, such "pioneers of privatization, both private companies and government," had to "break down the intangible barriers and build bridges in their place."[15] The Department of Energy was receptive to the way in which Mark approached the question of liberalization. When Mark's ambitious plans for a massive power plant in Dhabol, India, were stymied by local Indian politics, O'Leary sympathetic-

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[9] Ibid.

[10] David Harvey, *A Brief History of Neoliberalism* (New York, 2005), 13.

[11] Bob Jessup, "Liberalism, Neoliberalism, and Urban Governance: A State-Theoretical Perspective," in *Spaces of Neoliberalism*, ed. Neil Brenner and Nik Theodore (Malden, Mass., 2002), 104-25, 107.

[12] Brett Benjamin, *Invested Interests: Capital, Culture and the World Bank* (Minneapolis, 2007), 143.

[13] Hazel R. O'Leary to Rebecca Mark, 7 Dec. 1994, DOE Records.

[14] Rebecca Mark, Testimony before the Senate Committee on Foreign Relations, 7 March 1995, DOE Records.

[15] Ibid.

ally wrote to Lay, reassuring him that the Department of Energy would "work together" with Enron and other businesses "to promote U.S. export activities."[16] Still, Mark's testimony and O'Leary's letter lacked the full rhetorical punch that later emerged in neoliberal discourse.

As the decade wore on, Enron would not simply promote the ideals as good for business, but as good for the nation and for democracy. In the late 1990s, the rhetoric that Thorn, Hillings, and Lay used when addressing trade issues centered on the grand ideal of U.S. "global competitiveness." What is more, the somewhat deferential language the firm's Government Affairs office had used in the early half of the decade gave way to a sense of the two entities being on a more equal footing. In a letter from July 17, 1998, sent to specific members of Congress and discussing a number of trade issues, Joseph Hillings framed the company's long-standing position on international trade liberalization as more than a mere benefit for U.S. business, but as crucial for democracy itself. He wrote that granting Normal Trade Relations status to China (previously known as Most Favored Nation status) was more than just a matter of economic exchange, presenting "opportunities for democratic ideals and free market principles."[17] Linking these two issues together (a common neoliberal argument) was a critical step for Enron. With such language, the firm could claim that it was a partner with the state in a national project.

Even after Bill Richardson became Energy Secretary in 1998, Enron's D.C. office continued this approach. One of the first substantial points of contact between Richardson and Enron came in the midst of the Asian financial crisis that had begun with the collapse of Thailand's currency in 1997 and spread to other countries in the region.[18] Indeed, while some may have viewed the ensuing crisis as one of contemporary globalization's first challenges, Terry Thorn saw it as an opportunity, because it "created a new and enthusiastic constituency for policy reform across the region."[19] Though Thorn was sure to point out the obvious benefits for U.S. energy companies, he also framed their looming entry into these now beleaguered Asian markets as almost altruistic. As he put it in his letter, "Energy is the lifeblood of an economy. A competitive and efficient energy sector is the base on which all economic activity can grow. We have the unique, if not critical, task in assisting these countries to build a better economy that can only lead to our mutual prosperity and security."[20] It was a position that Thorn addressed more directly, writing "I look forward to working with you on these very substantial issues. I feel that it is imperative that as Secretary of Energy you assume a visible position as the main proponent

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[16] Hazel O'Leary to Ken Lay, 28 Aug. 1995, DOE Records.

[17] Joseph Hillings to Neil Abercrombie, 22 July 1998, DOE Records.

[18] Harvey, *Brief History of Neoliberalism*, 96.

[19] Terrence Thorn to William Richardson, 1 Sept. 1998, DOE Records.

[20] Ibid.

of energy liberalization and efficiency," urging him to attend an APEC (Asia-Pacific Economic Cooperation) conference later that year.[21]

Similarly, in a letter Ken Lay sent to every member of Congress in the spring of 1999, the executive framed his concerns and requests as diplomatic matters. Lay raised issues as various as support for OPIC (the Overseas Private Investment Corporation) and the Export-Import Bank of the United States (both government-controlled entities), waiving trade sanctions against India and Pakistan, and, again, normalizing trade relations with China. Increasingly, Lay's letter tied Enron's fortunes to U.S. trade in general. If Congress honored the executive's many requests, he wrote, it could "directly contribute to the US share of the international marketplace."[22] Indeed, much of the letter did not so much explicitly mention what was in Enron's best interests, as what could contribute, again, to "global competitiveness." Particularly when writing about China, Lay wrote: "Enron seeks your support to extend Normal Trade Relations (NTR) with China. We believe engagement in China, both commercial and diplomatic, is the most effective way for the US to promote continued growth towards democratic ideals and free-market principles in China."[23] Here again, Lay linked the free market with freedom and democracy in general, one of the basic rhetorical moves and ideological underpinnings of 1990s neoliberalism. A similar sense of the company's advocating for the general welfare of the globe, rather than favorable business conditions, was also reflected (albeit in a much more muted fashion) in Lay's endorsement of a pending bill, the Africa Growth and Opportunity Act. The company had even sent executives to testify before Congress regarding the act, which promised to "further Africa's successful integration into the global trading community."[24] Again, Lay claimed that the issue was not so much Enron's immediate business on that continent—a looming project in Mozambique—as a general sense of contributing to a common good.

As all of this might suggest, Enron's chief executive, as well as the company's Government Affairs Department, was increasingly becoming a spokesperson for globalization as a whole and an ally and partner with the United States government in managing this new economic landscape. Indeed, in that same letter, Lay referenced how important the impending World Trade Organization negotiations would be in advancing "U.S. leadership in the service industry."[25] Later that same month, Joseph Hillings in the company's Washington office sent Bill Richardson a copy of the company's employee magazine, *Enron Business*, which had "reported on the importance of international trade and investment to our nation."[26]

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[21] Ibid.

[22] Ken Lay to Neil Abercrombie, 6 April 1999, DOE Records.

[23] Ibid.

[24] Ibid.

[25] Ibid.

[26] Joe Hillings to William Richardson, 28 April 1999, DOE Records.

Enron was hardly the only entity promoting market liberalization. By the mid-1990s, a whole range of organizations had signed on to the Washington Consensus. Perhaps unsurprisingly, Enron's Government Affairs Department often voiced their support of these entities. For example, Hillings had expressed support for the continued funding of the International Monetary Fund, because "global economic stability" was "very important for U.S. business investment in overseas markets."[27] Heeding such advice on matters of foreign trade and U.S policy was crucial, Hillings counseled, because such measures could "produce prosperity and stability for our nation."[28] Not only was the Government Affairs Department at Enron mimicking the optimistic language of globalization in the 1990s; it was also voicing full support for some of the major institutions that advanced globalization's cause.

As the upcoming 1999 World Trade Organization (WTO) meeting loomed, Enron's Government Affairs Department stepped up its communication with the U.S. government. Some of this advocacy was conducted through business interest groups such as the Energy Services Coalition, which was created in 1999 to push for energy issues at the GATT 2000 WTO meeting in Seattle and of which Enron was but one member. Both the coalition and Enron lobbied U.S. ambassadors to "recommend a strong United States position on liberalizing non-tariff barriers to energy services."[29] Lay himself, on behalf of both the Energy Services Coalition and his own company, reached out to U.S. trade representative Charlene Barshefsky about pushing "services" as a priority for the meeting, where Lay was also scheduled to speak. These positions on foreign trade were also prominently featured in internal communications during the late 1990s.

In an *Enron Business* article that appeared toward the end of the decade, Joe Hillings was quoted as saying, "A lot of new people entering the U.S. Congress aren't aware of the impact international trade has on businesses like Enron and on the economy overall."[30] Because of this, Hillings continued, the department needed

> to keep informing them. In a few years, almost half of Enron's business will be global. Free trade is not only important to Enron, our employees and our shareholders, it's important to millions of Americans who may work for small or medium-sized companies that provide products or services that are used in overseas projects.[31]

Yet by the time Hillings had made this statement, Enron was informing Congress about so much more than the economic benefits of open trade.

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[27] Ibid.

[28] Ibid.

[29] Energy Services Coalition to Charlene Barshefsky, 26 May 1999, DOE Records.

[30] "Open Trade," *Enron Business* (1999), no. 2: 4.

[31] Ibid.

As Terry Thorn put it in the same article, Enron opposed trade sanctions against both China and India (for human rights issues), stating, "It's a question of 'Is it better to break off relations with countries or engage them?' "[32] Thorn then reiterated the company's position, stating, "Enron believes in engagement," a sentiment Hillings echoed with the statement: "We feel that foreign investment in countries like India, China and Brazil will help improve their energy infrastructure and the quality of life overall."[33] It was little wonder, then, that *Enron Business* would decry the anti-globalization protests at the 1999 WTO meeting in Seattle (where Lay spoke) and that it proclaimed Enron to be part of a "global trade agenda."[34]

That article assumed that the protests would be little more than a minor setback to this agenda. However, although economic globalization has only increased in the twenty-first century, Enron was not destined to take part in that expansion. In fact, the company's commitment to international business significantly faded with Jeff Skilling's rise within the company. What is more, by 2001 George W. Bush's administration arrived in Washington, and Enron's approach to the government changed accordingly. The company famously collapsed at the end of that year, and politicians worked to distance themselves, as well as to call attention to corporate misdeeds. Enron's Government Affairs Department would no longer be an advocate for open trade, but rather one part of a political liability. It was a stunning and dramatic ending for an office that had over the course of a decade assumed the posture of a trusted partner of the state.

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[32] Ibid.

[33] Ibid.

[34] "Enron Playing a Key Role in Global Campaign to Reform Energy Services Trade Policies," *Enron Business* (2000), no. 1: 6.