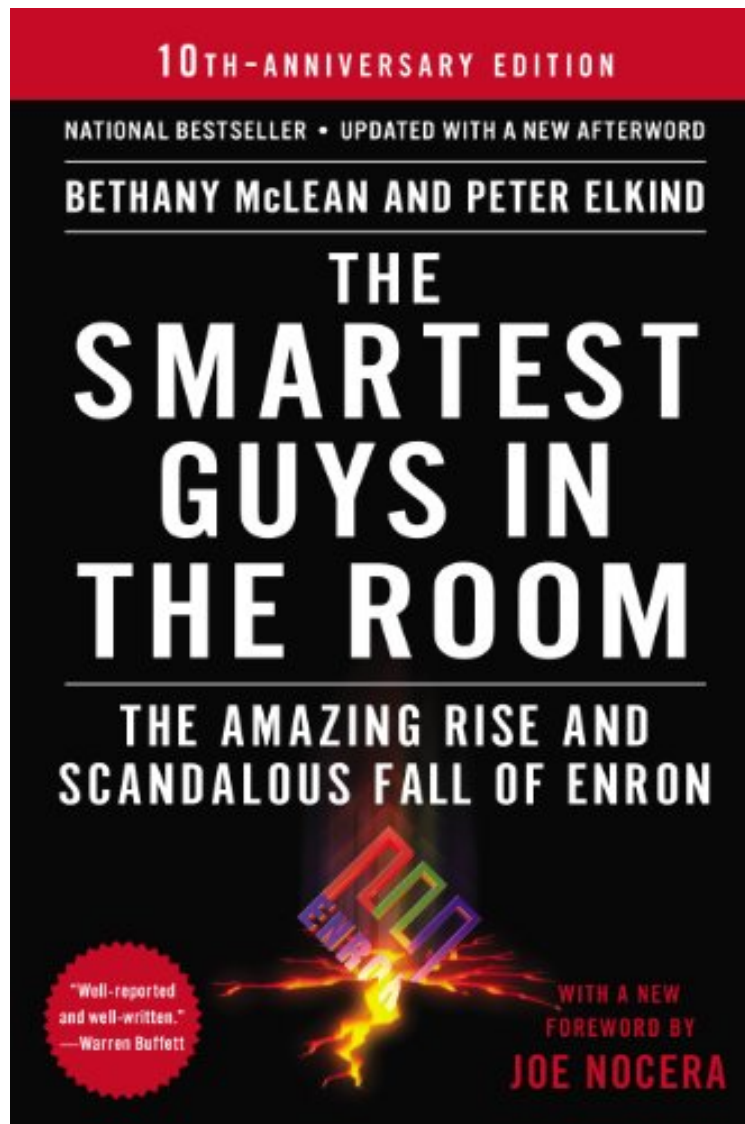


The Smartest Guys in the Room: The Amazing Rise and Scandalous Fall of Enron

Bethany McLean, Peter Elkind

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Bethany McLean, Peter Elkind : The Smartest Guys in the Room: The Amazing Rise and Scandalous Fall of Enron before purchasing it in order to gauge whether or not it would be worth my time, and all praised The Smartest Guys in the Room: The Amazing Rise and Scandalous Fall of Enron:

0 of 0 people found the following review helpful. Fine Book, Probably the Best Available, But Could Be Better By S. Fox This is supposed to be the preeminent book on Enron and it's pretty good. It covers the greed, conflicting company policies, incredibly poor management, and willing ignorance both of the principal executives and upper level

employees. It's no surprise the company failed and took a lot of innocent (and some not so innocent) employees down with it. What I wanted to read and didn't were lower level employee stories of their transition from pride to discouragement and more about the widespread collateral damage the company caused. It's a good, well written, and informative read and if you are interested in Enron you will enjoy it, but it was rushed to print and needs a post-collapse update by its authors. 0 of 0 people found the following review helpful. An unexpected psychology lesson.

By Aaron I bought this book as a study in business and malfeasance, and I was surprised to find it to be, in reality, a psychology study. The book chronicles, through the Enron debacle, a picture of the modern world in microcosm, both in business and elsewhere. Selective perception, consensual reality, confirmation bias, status-driven egotism, a total disregard for actual reality in favor of wishful thinking and the unreal -- these were the linchpins of Enron's illusion-driven mentality, shared by so many today, and I have read no better showcase of it than this book. Amongst the many lessons offered to us by the Enron folk, the most important is that of illusions: perceptual illusions, corporate illusions, social illusions. The company didn't just present an illusion of its earnings and health, but illusions about its deepest nature, where make-believe appearances ruled all, even to the people perpetuating them. Even if half the quotes and accounts in the book are untrue or out of context, the rest make it perfectly clear: Enron was out of touch actual reality, from the bottom to the top, along with the rest of the illusion-factory which orbits Wall Street. When those indicted claimed "they didn't know," I believe they were probably telling the truth, because they'd fooled themselves as much as the investment community. Such is the reality of compartmentalized thinking and seeing things as one wants to see them. Enron's conclusion also provides an apt anecdote: that illusions, whether personal, corporate, national, or global, will always yield to actual reality in time. No matter how widespread the agreement, or how unanimous the praise, or how loud you shout, or how hard you turn the screws -- actual reality will always shine through, bringing with it the consequences of such a make-believe mentality. In all, this book illuminates two of the great problems currently gripping modern-day society. First, a general confusion of "right" and "wrong" for "legal" and "illegal," respectively, so that the actual reality of a deed is not measured by its principles or consequences, but by legality alone. Second, the book illustrates the widespread acceptance of appearances and the conscious ignorance of actual reality, where everything is taken at face value and books are judged wholly by their covers, so long as that judgment is agreed upon by enough authority figures that its illusion remains intact. Enron is symptomatic of a society which believes its own press releases (releases which, perhaps, insist that we don't believe our own press releases). Really, the folks at Enron provided a great service to the world, by depicting wishful thinking and its consequences in living terms. We can all learn from their example, and this book is a comprehensive way to do so. Thank you, to both the Enron folks and the book's authors, for your collective lessons. 0 of 0 people found the following review helpful. A Brief History of Greed Illusion.

By The Trader When a true story holds you spell-bound over so many pages of intricate detail, you know you are into a great book. The criminal enterprise (Fastow being described as a "master criminal" was beautiful) that was Enron holds lessons for all of us. I would highly recommend this book to anyone interested in American business, corporate greed, or the money machinations of Wall Street.

There were dozens of books about Watergate, but only *All the President's Men* gave readers the full story, with all the drama and nuance and exclusive reporting. And thirty years later, if you're going to read only one book on Watergate, that's still the one. Today, Enron is the biggest business story of our time, and Fortune senior writers Bethany McLean and Peter Elkind are the new Woodward and Bernstein. Remarkably, it was just two years ago that Enron was thought to epitomize a great New Economy company, with its skyrocketing profits and share price. But that was before Fortune published an article by McLean that asked a seemingly innocent question: How exactly does Enron make money? From that point on, Enron's house of cards began to crumble. Now, McLean and Elkind have investigated much deeper, to offer the definitive book about the Enron scandal and the fascinating people behind it. Meticulously researched and character driven, *Smartest Guys in the Room* takes the reader deep into Enron's past and behind the closed doors of private meetings. Drawing on a wide range of unique sources, the book follows Enron's rise from obscurity to the top of the business world to its disastrous demise. It reveals as never before major characters such as Ken Lay, Jeff Skilling, and Andy Fastow, as well as lesser known players like Cliff Baxter and Rebecca Mark. *Smartest Guys in the Room* is a story of greed, arrogance, and deceit; a microcosm of all that is wrong with American business today. Above all, it's a fascinating human drama that will prove to be the authoritative account of the Enron scandal.

"The best book about the Enron debacle to date." — BusinessWeek
"The authors write with power and finesse. Their prose is effortless, like a sprinter floating down the track." — USA Today
"Well-reported and well-written." — Warren Buffett

About the Author Bethany McLean and Peter Elkind collaborated on this book when they both were Fortune senior writers. McLean, a former investment banking analyst for Goldman Sachs, is now a contributing editor to Vanity Fair and lives in Chicago. Elkind, an award-winning investigative reporter, is now an editor-at-large for Fortune and lives in Fort Worth, Texas. Excerpt. copy; Reprinted by permission. All rights reserved. On a cool Texas night in late January, Cliff Baxter slipped out of

bed. He stuffed pillows under the covers so his sleeping wife wouldn't notice he was gone. Then he stepped quietly through his large suburban Houston home, taking care not to awaken his two children. The door alarm didn't make a sound as he entered the garage; he'd disabled the security system before turning in. Then, dressed in blue jogging slacks, a blue T-shirt, and moccasin slippers, he climbed into his new black Mercedes-Benz S500 and drove out into the night.

At 43, John Clifford Baxter, the son of a Long Island policeman, had made it big in Texas. Before quitting his job eight months earlier, he had served as vice chairman of a great American corporation, capping a decade-long career as the company's top deal maker. Baxter was rich, thanks to a generous helping of stock options, a millionaire many times over. But as he cruised the empty streets of Sugar Land, Texas, Baxter was drowning in dark thoughts. Always given to mood swings, he had become deeply depressed in recent days, consumed by the spectacular scandal that had engulfed his old company. Everyone seemed to be after him. A congressional committee had already called; the FBI and SEC would surely be next. Would he have to testify against his friends? The plaintiffs' lawyers had named him as a defendant in a huge securities-fraud suit. Baxter was convinced they were having him tailed—and rummaging through his family's trash. Then there was the media, pestering him at home a dozen or more times a day: Did he know what had gone wrong? How could America's seventh-biggest company just blow up? Where had the billions gone? No one, at this early stage, viewed Baxter as a major player in the company's crash. Yet he took it all personally. In phone calls and visits with friends, he railed for hours about the scandal's taint. "It's as if they're calling us child molesters," he complained. "That will never wash off." Desperate to get away, he'd spent part of the previous week sailing in the Florida Keys. Sailing was one of Baxter's passions. For years, he'd decompressed floating on Galveston Bay aboard his 72-foot yacht, Tranquility Base. But he'd sold the boat several months earlier. When Baxter returned from Florida, his doctor prescribed antidepressants and sleeping pills and told him to see a psychiatrist. He'd called the shrink's office that day to make an appointment. But when the receptionist explained that the schedule was booked until February, Baxter hung up—he wasn't going to wait that long.

Less than 48 hours later, at about 2:20 A.M. on January 25, 2002, Baxter stopped his Mercedes on Palm Royale Boulevard, a mile and a half from his home. It was cloudy and a bit chilly that evening by Texas standards—about 48 degrees—but the sedan was tuned to an interior temperature of precisely 79. An open package of Newport Lights sat in the center console, a bottle of Evian water in the cup holder. Baxter's black leather wallet lay on the passenger seat. Baxter parked the car in the middle of the street, with the doors locked, the engine running, and the headlights burning. Then he lifted a silver .357 Magnum revolver to his right temple and fired a bullet into his head.

Seven days later, Cliff Baxter's friends from Enron gathered to mourn. The Houston energy giant's collapse into bankruptcy had already become the biggest scandal of the new century. Baxter's death had stoked the media bonfire and tossed a fresh element of tragedy into a bubbling stewpot of intrigue. Enron's influence ranged widely—from Wall Street to the White House. So feared was this company, so powerful were its connections, so much was at stake that there was open speculation Baxter had actually been murdered—the target of a carefully staged hit, aimed at silencing him from spilling Enron's darkest secrets. The rumblings had forced the Sugar Land police department to treat an open-and-shut case—Baxter had even left a suicide note in his wife's car—like a capital-murder investigation, requiring DNA testing, handwriting experts, ballistics studies, and blood-spatter tests.

The Texas memorial service took place after Baxter was buried in a private ceremony in his hometown on Long Island. He was laid to rest in a plot he had secretly purchased there just a few weeks earlier, in the throes of his deepening funk. An Enron corporate jet—a remaining vestige of the company's imperial ways—flew Cliff's family and a few others east for the funeral. Now it was Houston's turn. The precise location of the service—the ballroom of the St. Regis, the city's swankiest hotel—remained a secret until noon that day, at the insistence of Carol Baxter. Cliff's widow was bent on avoiding the press. She blamed reporters' intrusions for pushing her husband over the edge. So the 100 hand-picked guests who pulled up to the valet-parking station on this Friday afternoon had been summoned by furtive phone calls just two hours earlier.

For 90 minutes, those who knew Baxter—family members, fellow boat people, from his beloved yacht club, and Enron friends—heard warm stories about his gentler side. There were images of Cliff with his family, Cliff sailing, Cliff fronting his rock band. Baxter was a gifted musician. When police found his body, there were two guitar picks in his wallet. Everyone left the service with a compact disc of his favorite songs, prepared with the help of J. C. Baxter, Cliff's 16-year-old son. The opening track was perhaps Cliff's favorite: a bouncy pop tune called "Perfect Day." On this perfect day Nothing's standing in my way On this perfect day Nothing can go wrong It's a perfect day Tomorrows gonna come too soon I could stay Forever as I am On this perfect day

It was a tragedy layered on tragedy, but there wasn't much talk about the company's Icarus-like fall among the former Enron executives thrust together again that afternoon. This wasn't the time for such grim shoptalk; what's more, their lawyers had pointedly instructed them to avoid such conversations. Ken Lay, Enron's founding father, was conspicuously absent. At the insistence of the company's creditors, he had finally yielded his job as CEO and chairman just two days before Baxter's

death; Lay sent his wife, Linda, to attend the service instead. Enron's deposed chief financial officer, a onetime whiz kid named Andrew Fastow, was missing, too; he and Baxter had fought bitterly. But former chief executive officer Jeffrey Skilling—once touted as a brilliant visionary and the man who shaped Enron in his own image—was very much in evidence. Baxter had been his closest confidant at Enron, the nearest thing Skilling, who kept his own counsel, had to a sounding board. Widely feared during his reign at Enron, known for his unflinchingly Darwinist view of the world, Skilling spent the service in tears. In the months after Cliff Baxter's memorial service, Jeff Skilling could often be found in an otherwise empty hole-in-the-wall Houston bar called Muldoon's, downing glasses of white wine. A short, fit man of 48 with slicked-back hair and cool blue eyes, Skilling typically appeared in faded jeans, a white T-shirt, and a two-day growth of beard. This is where he came to brood over what had happened at Enron—often for hours at a time. More than anyone else, Skilling had come to personify the Enron scandal. Part of it was his audacious refusal, in the face of a dozen separate investigations, to run for cover. Alone among Enron's top executives summoned before a circuslike series of congressional hearings, Skilling had ignored his lawyers' advice to take the Fifth and defiantly spoken his piece. The legislators were convinced that Skilling had abruptly resigned as CEO of the company—just four months before Enron went belly up—because he knew the game was over. But Skilling wouldn't have any of it. At the time he quit, he insisted, he believed Enron was "in great shape"; he had left for "personal reasons." The nationally televised testimony was vintage Skilling: articulate, unapologetic, and prickly. He didn't hesitate to lecture, even scold, U.S. senators. "Enron was a great company," Skilling repeatedly declared. And indeed that's how it seemed almost until the moment it filed the largest bankruptcy claim in U.S. history. Fortune magazine named it "America's most innovative company" six years running. Washington luminaries like Henry Kissinger and James Baker were on its lobbying payroll. Nobel laureate Nelson Mandela came to Houston to receive the Enron Prize. The president of the United States called Enron chairman Lay "Kenny Boy." Enron had transformed the way gas and electricity flowed across the United States. And it had bankrolled audacious projects around the globe: state-of-the-art power plants in third world countries, a pipeline slicing through an endangered Brazilian forest, a steel mill on the coast of Thailand. As Skilling saw it, Enron had fallen victim to a cabal of short sellers and scoop-hungry reporters that triggered a classic run on the bank. Privately, he would grudgingly acknowledge occasional business mistakes—including one, the failure of Enron's broadband venture, that cost the company more than \$1 billion. Yet Skilling remained remarkably unwilling to accept any personal responsibility for the company's demise. "You're not going to find one memo where Skilling said, 'Fuck with the numbers,'" he told a friend. "It isn't there." He was reluctant even to pronounce judgment on Fastow, his handpicked finance chief, whom—the U.S. Justice Department alleged—had not just done a lousy job as CFO but stolen millions and collected kickbacks right under Skilling's nose. What happened to Enron, Skilling insisted, was part of the brutal cycle of business life. "Shit happens," he liked to say. Enron was a victim. Unfortunately for Skilling, no one else believed that. Enron, which once aspired to be known as "the world's greatest company," became a different kind of symbol—shorthand for all that was wrong with corporate America. Its bankruptcy marked not merely the death of a company but the end of an era. Enron's failure resonated powerfully because the entire company stood revealed as a sort of wonderland, where little was as it seemed. Rarely has there ever been such a chasm between corporate illusion and reality. The public scrutiny Enron triggered exposed more epic business scandals—tales of cooked books and excess at companies like Tyco, WorldCom, and Adelphia. Enron's wash swamped the entire U.S. energy industry, wiping out hundreds of billions in stock value. It destroyed the nation's most venerable accounting firm, Arthur Andersen. And it exposed holes in our patchwork system of business oversight—shocking lapses by government regulators, auditors, banks, lawyers, Wall Street analysts, and credit agencies—shaking faith in U.S. financial markets. Yet Skilling continued to plead his case with a compelling arrogance. At different times, before different audiences, he could be self-righteous, self-pitying, sarcastic, profane, even naive. Sometimes, he was all of these things at once. Periodically, he'd launch into an extended rant: about the media, about politicians, about the aggressive tactics of government prosecutors ("Welcome to North Korea"). The investigation was "a travesty," Skilling declared. "It makes me ashamed to be an American." Even after the bankruptcy filing, he continued to exult over the innovative ways in which Enron went about its business. In an industry built on brawn, Enron prided itself on being a company that ran on brains. And Enron was smart—in many ways, too smart as it turned out. Just as he had when Enron was riding high, Skilling labeled ExxonMobil a "dinosaur"—as though it didn't matter that the oil giant was thriving while Enron was nearly extinct. "We were doing something special. Magical." The money wasn't what really mattered to him, insisted Skilling, who had banked \$70 million from Enron stock. "It wasn't a job—it was a mission," he liked to say. "We were changing the world. We were doing God's work." In the public eye, Enron's mission was nothing more than the cover story for a massive fraud. But what brought Enron down was something more complex—and more tragic—than simple thievery. The tale of Enron is a

story of human weakness, of hubris and greed and rampant self-delusion; of ambition run amok; of a grand experiment in the deregulated world; of a business model that didn't work; and of smart people who believed their next gamble would cover their last disaster—and who couldn't admit they were wrong. In less combative moods, Skilling reflected on his plight. "My life is fucked," he said. He would tear up as he spoke about what building Enron had cost him: he had destroyed his marriage, ignored his kids. "People didn't just go to work for Enron," Skilling would tell acquaintances. "It became a part of your life, just as important as your family. More important than your family. But at least I knew we had this company." Skilling was seeing a psychiatrist and taking antidepressants. "I view my life as over," he said during an extended dark spell. Before his funk eased, in the months after Baxter took his own life, Skilling openly mulled over whether his friend had done the right thing. "Depending on how it plays out, it may reach a point where it's not worth sticking around," he said. "Cliff figured out how it was going to play out."