Group on Financial Markets to prevent moves toward regulation of derivatives, following the collapse of Long Term Capital Management (LTCM) in the Summer of 1998. In that case, despite the danger of a systemic meltdown inherent in the collapse of speculative entities such as LTCM, Enron lobbyists were successful again, as the Group issued a recommendation in November 1999 that electronic exchanges which trade derivatives be excluded from regulation.

On paper, Enron grew to be the seventh-largest corporation in America, and its praises were sung from every pulpit where free-trade fanatics gathered to worship. For example, take the Nobel Prize in Economics acceptance speech delivered by Myron Scholes on Dec. 9, 1997. Scholes—whose notoriety exploded in his face when the application of his Prize options model precipitated LTCM's collapse—singled out Enron and GE for praise for employing a "new model" in trading over-the-counter energy derivatives. Said Scholes, "Financial products are becoming so specialized that, for the most part, it would be prohibitively expensive to trade them in organized markets"; i.e., diligent regulators would never allow them! Or, as Ken Lay put it in one of his regular pep talks—which could be published as "Economic mantras for idiots"—"An imperfect market is better than a perfect regulation."

The Looting of California

While greedy, wild-eyed traders foaming at the mouth on the floor of exchanges may believe that the nominal value of the financial paper issued as derivatives has some inherent, mystical worth, the more senior members of the Anglo-American financial oligarchy are aware that ultimately, there must be an income stream to support otherwise unsustainable speculative gambles.

For example, Michael Milken's thievery of the 1980s was possible only because he could draw upon mob-linked sources of funds up front, from "Milken's Monsters" such as Meshulam Riklis, for seed capital to take over corporations; then, he looted the pension funds of the targeted companies to pay back some of the debt.

For Lay and the other energy pirates which followed in Enron's wake, the income streams to sustain the derivative bubble would come from the suckers in those states which fell for their brand of snake oil: Deregulation, they chanted, will make energy markets more efficient through increased competition, which will benefit the consumer. While the suckers lined up for their promised savings—Enron-scripted deregulation bills were passed by the Congress and many state legislatures, including California, often with little opposition—Lay and his allies engaged in orgies of self-congratulation, while dispensing huge amounts of funds to politicians to protect their golden goose.

But there is little doubt that they knew the real consequences of their actions. When reporting on quarterly profits at Enron in 2000, fueled by the looting of California, Skilling commented, "Prices are rising, and I know that's hurting consumers—but it certainly has been beneficial for Enron."

It is in California that the ugly face behind deregulation—and ultimately, the true criminality of Enron—became clear. From the beginning, Enron teed up the people of California for a major-league fleecing. As prices first jumped, in the Summer of 2000, Lay and his allies blamed the state, even as Enron traders were jacking up prices through various kinds of illegal practices with telling names such as "Death Star," "Fat Boy," and "Get Shorty," to game the markets. As recently released tapes of discussions of the traders engaged in such practices prove, they were fully conscious of what they were doing and the harm they were causing.

During the power crisis of 2000-01, when the state was hit with rolling blackouts, soaring rates, and the bankruptcy of major utility company Pacific Gas and Electric, Enron's "angels" bragged about getting "Grandma Millie," and causing California to "Burn, baby, burn." One now-jailed operative, Timothy Belden, the chief of Enron's West Coast trading division, boasted on one of the tapes that one trader "steals money from California to the tune of about a million" dollars

LaRouche Called for Enron's Demise

LaRouche's December 2000 solution for the California crisis: "The first step . . . is to put the entire, formerly regulated sections of our nation's energy industry under Chapter 11 bankruptcy protection . . . putting some entities under Chapter 11 protection immediately. But it also means putting a protective umbrella, of Federal and state government threat to provide such protection, to any relevant entity within the domain of maintaining national and regional security.

"As a leading feature of that use of Chapter 11 methods, bankruptcy reorganization must be conducted to further the aims of immediate reinstitution of former types of Federal and state regulation of the generation and distribution of the nation's energy supplies; that, at prices sustainable by businesses and typical households, and consistent with pre-2000 trends in such prices.

"The difficulty in taking those urgently needed reforms of corrective action, is not only that deregulation has become, like cocaine, a habit; but that the financial interests associated most closely with the campaign for the election of the present administration, represent chiefly a Southern Strategy-based complex of financial interests which are deeply committed to defending the revenues from activities which are choking California's economy to death."