The Enron Scandal Is the Result of a Corrupt Capitalist System

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The guilty verdicts handed down at the Enron trial have led some to argue that the American capitalist system “works,” that most businesses are run by honest people, and that when corruption occurs, the law provides a means to address problems. In fact, however, the problems at Enron are indicative of a deeply-rooted and systemic culture of corruption. Wall Street analysts, investors, banks, political parties, and the media all conspire in creating a myth of benevolent capitalism that conceals rampant social inequality, injustice, dishonesty, and greed.

The guilty verdicts handed down by a Houston jury [in May 2006] against former Enron chiefs Kenneth Lay and Jeffrey Skilling provide an opportunity to evaluate the significance of the company’s rise and fall within the context of American capitalism.

Accounts by jurors given after the verdicts were announced indicate they all agreed that the evidence against the two executives was overwhelming. It consisted mainly of testimony from over a dozen former executives, who implicated Lay and Skilling for their roles in defrauding investors and employees.

through various forms of accounting manipulation. The ju-
rors quickly rejected the absurd position of the defense that
Enron was basically a healthy company that collapsed into
bankruptcy in December 2001 largely as the result of Wall
Street machinations and negative press coverage.

Several jurors indicated they reacted negatively to the testi-
mony of the defendants, and particularly Lay, who could not
hide his arrogance while on the stand. Others said Lay’s move
to sell millions of dollars of company stock in the months be-
fore the bankruptcy, even as he encouraged employees to keep
buying, was appalling.

One juror noted, “That was very much the character of
the person that he was. He cashed out before the employees
did.” Some jurors spoke about social conditions in the US,
voicing the hope that the verdicts would send a message to
other executives across the country.

A Judgment Against Greed and Corruption

There is certainly an element of social protest here, directed
both at Enron and the broader conditions of inequality and
corporate greed, whatever limitations there might be in the
jurors’ understanding of the underlying forces at work. The
conviction of Lay and Skilling stems ultimately from the fact
that they headed a company that engaged in market manipu-
lations and fraud which, in their scale and flagrancy, exceeded
anything that had gone before in a long history of corrupt
business practices. And Enron has since been shown to have
been only one of many companies that engaged in similar
practices.

It is by no means assured that the two executives will
spend significant time in prison, though commentators have
generally agreed that the legal bases for their appeals are very
limited. But, as one juror suggested, money has a way of solv-
ing such problems.