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**GLOBALIZATION AND ENERGY POLICY:
THE CRITICAL ROLE OF THE STATE
AND ITS CONSTITUENCIES**

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Allan Schnaiberg
Department of Sociology
Northwestern University
Evanston, IL 60208, USA
a-schnaiberg@northwestern.edu

Adam S. Weinberg
Department of Sociology and Anthropology
Colgate University
Hamilton, NY 13346
aweinberg@MAIL.COLGATE.EDU

Abstract

Some conceptions of globalization argue that the role of the nation state is essentially replaced by global organizations and multinational firms. In many ways, this is the very antithesis of subsidiarity. Yet there is a paradox posed by the fact that, in the United States, US-based multinationals have increasingly invested substantial sums in campaign financing.

Sharp changes in the Bush administration's energy policies suggest that this administration has been influenced by contributions from major contributors to the 2000 presidential campaign¹. Changes include a clearer rejection of the Kyoto Accord, and policies which are likely to increase the contributions of the US to global gases at even a faster rate than present emissions. We thus argue that the US state is not powerless, but rather, it has been coopted by capital forces in the global economy.

We examine the background of the largest energy contributor to the Bush campaign, Enron, in some detail. Corporate policies seem to depend substantially upon energy proposals such as Bush has recently promoted. There is no acknowledgement of global warming or the Kyoto proposals in Enron's annual report, and there is an expansionary thrust for energy (and other commodities) that is the antithesis of sustainable development.

While Bush's attacks on the Kyoto Accord have been in the name of "American workers", the Enron case suggests that it is stockholders and not stakeholders who will gain under these new proposals. Further complexity to the political infrastructure of this decision-making is added by considerations of how different groups of stockholders around the world may facilitate US campaign financing, working through the portals of "US-based" multinationals.

This preliminary analysis of contemporary "energy politics" suggests that environmental and social considerations of national energy policies are likely to be swamped by the influence of global stockholders, using campaign financing as well as other modes of influence.

The sudden financial collapse of Enron in late 2001 and 2002 occurred after our analysis of the electoral influences of the corporation. In many ways, though, it underscores the susceptibility of the modern state to influences by corporations that undermine the state's fiscal capacity, decrease worker opportunities, and weaken worker benefits. Yet the political arguments they make for an anti-environmental energy policy were premised on the 'nation's needs' in just such social arenas, and served as a core of Vice-President Cheney's National Energy Policy Task Force.

I. RECONSIDERING THE STATE UNDER GLOBALIZATION: THE CASE OF ENERGY POLICY

Our work on this paper occurs in the shadow of the G8 meeting of national leaders in Genoa, Italy, and its conflict around ratification of the "Kyoto Accord" on global warming. The central paradox represented by the Kyoto agreement is: (1) this "global" agreement relies on its ratification by the governments of nation states (Gould 1991); (2) conversely, such ratification processes of nation states are influenced by "global" corporations, acting within the national political systems; and (3) decisions by nation-states are often rationalized about government concerns about domestic "workers and citizens". Nowhere are these tensions so overt as in the case of the United States, especially with the actions of the new Bush administration. The US has refused to sign the Kyoto Accord, its politicians have been heavily financed by transnational energy corporations, and the president noted at the G8 conference that the US refused to sign the accord because of his concern for "American workers".

In many contemporary analyses of the rising tides of "globalization", a common theme is the diminishing power of the nation-state in the face of the mobility of capital and profits (Longworth 1998, Goldman 1998). To some, this represents the hegemony of the ideology and practice of "free trade". Essentially, this perspective argues that the growing concentration of profits, wealth, and capital investments has provided unprecedented power to multinational organizations, through their actual or threatened withdrawal of investments from their "home" nation states to others (Goldman 1998). In effect, this argument is that cumulative mobility of such capital has leapfrogged the power of the state.

We agree with some of these arguments, but argue that they are both overstated, and unspecific about the mechanisms by which this state disempowerment takes place. A general theme in this literature is that the state is torn between its facilitation of economic growth in the private sector, and its support of social services aimed at its citizenry

(O'Connor 1973). Large multinationals threaten to move their capital out of the state, and the state offers a variety of inducements to counter this. The state goal is to retain employment prospects for its citizen-workers, as well as to use the taxes on producers to fund all the public sector services for citizen constituents, in order for politicians to retain legitimacy and voter support (Schnaiberg & Gould 2000)

Such state support occurs both in the arena of labor costs, and in environmental protection costs. US labor, which is relatively immobile in the world system, is disempowered much like the state. It is constrained by the globalization of "domestic" investments into new producing (and increasingly, service) facilities or the purchase of foreign firms. Given the significant increase in bargaining power of capital owners and managers, and the rising oversupply of American skilled (and unskilled) workers, multinational firms and national firms are opting more for contingent labor supplies, which involve fewer commitments and total wages to workers. This is the "low road to development" outlined by Harrison (1994) and other analysts.

It essentially creates rising profits through savings on labor costs (Gordon 1996), which have rising both with new labor-displacing electronic technologies and reducing total real wages per worker. The net result is a dramatic increase in "labor productivity", which eventuates in a gushing upward of returns on investments. This has become institutionalized as the demand for ever-higher "shareholder values" for investors. The globalization component here is also just below the surface: for shareholders from abroad can choose to invest in the US or elsewhere, with the declining barriers to wealth transfer across states (aka "free trade"). Likewise, US shareholders can transfer investment from "American" firms to multinational firms operating anywhere in the world (Bluestone & Harrison 1982).

In many ways, this "low road to development" treats ecosystems in much the same fashion. All components of ecosystems are designated primarily as "natural resources" available to multinational firms. With the combination of direct investment, bribery, and

threats to withdraw investments, multinational firms can overwhelm the state's environmental protection policies, and in effect have states create a "bargaining downward" spiral in environmental protection legislation and enforcement across states. Again, the state is somewhat constrained in reducing environmental protection, in terms of retaining its legitimacy with voters/constituencies, who may be highly vocal in demanding clean air and water, recreational facilities, or even retention of agricultural land and forest preserves. Yet these constituencies, like the state, are increasingly being coerced or seduced into accepting multinational investment, as "the only game in town" (Goldman 1998)

What then is unique in the modern globalization process, vis-a-vis the power of the nation-state's institutions? As we have argued elsewhere, two features have made globalization of investment and production possible. First, information technology has increased the central control of a network of facilities, with the speed and density of local or national communication. Similar technologies empower the transfer of wealth and investments, and increasingly, the new "environmental-economic" tools of emissions credits, mostly recently being proposed for dealing with global warming gas emissions, under pressures from the Kyoto proposals.

Second, and equally important, under pressure from large multinational investors (Longworth 1998, 1996), national controls of transactions across their borders have been diminished. Gradually, under pressure from currency speculators, states have been forced to create floating currency values, and reduced the controls over currency transfers. Moreover, with the replacement of older institutions (such as the General Agreement of Tarriffs and Trade, GATT), the World Trade Organization has begun to act to remove most tarriffs that slow the flow of goods across national boundaries. Moreover, such "global" institutions have taken under their control more of the "global environmental protection" rules, removing the power of the nation-state to make demands for environmental impacts of importing or exporting firms (Gould et al 1995, Longworth 1996).

The two elements above seem to support the initial characterization of globalization's diminution of state powers. Yet there are several contradictions in the argument. First, if the state is so powerless, why then do multinational firms exert such pressures on the state? If there is an automatic abdication by the state, then why do such firms act to penetrate both the electoral processes in the US, lobby so intensely in the legislative process, and devote such labor to shaping working committee rule-making (Lowi 1979).

The second contradiction is that the political influence of money and manpower of these "domestic" US multinationals may actually be a vehicle for foreign investors to influence the US state. Consider the following contrast. When a Chinese businessman offered a contribution to Clinton, through the vehicle of nuns at a Buddhist temple, there was an outcry of illegitimacy by "foreign interests", and the administration was penalized, and the contribution returned. Yet through the action of "domestic" US multinationals, a variety of foreign investments can occur through campaign financing, using corporate earnings generated abroad. Some of these "foreign" holdings actually have substantial foreign investment and foreign shareholders, and in some cases, profits arise from contracts with these foreign firms rather than ownership of them. For example, our corporate example in this paper, Enron, notes its alternative strategies:

in the second quarter of 2001 we expect to close the sale of five of the six electricity peaking generation units in operation. The result is the same earnings power with less invested capital. [Enron 2001, 9]

[M]arket conditions, such as increased liquidity, have diminished the need to own physical assets. For energy networks in other geographical areas where liquidity may be an issue, Enron will evaluate whether its existing network will benefit from additional physical assets. The existing networks in North America and Europe should continue to provide opportunities for sustained volume growth and increased profits. [Enron 2001, 24]

In key international markets, where deregulation is underway, Enron plans to build energy networks by using the optimum combination of acquiring or constructing physical assets and securing contractual access to third-party assets. [Enron 2001, 24]

If globalization is translated as growing profitability abroad, through the movement of domestic capital, the obverse is also true. Foreign investors may channel their influence through the transfer of profits back to the US holding companies, thereby providing a kind of "domestic" laundering of foreign interests. Indeed, even in Bush's agenda for increasing *national* control of its energy supply, there is nothing to prevent the investment of *international* investors in the domestic peaking power plants that Enron was planning to sell off.

We trace this process by examining the energy policy of the Bush administration, the campaign financing by energy corporations, and the complex route of political capital through the operations of a reconstructed American "global" firm, Enron. But first we lay out our assumptions about the modern political economy, which we have modelled as a *treadmill of production*.

II. MONEY AS THE FUEL & LUBRICANT FOR THE TREADMILL OF PRODUCTION

We view the dominant political and economic system of industrial societies as a "treadmill of production" (Schnaiberg 1980b; Schnaiberg & Gould 1994; Gould et al. 1996; Weinberg 1997a, 1997b; Pellow forthcoming 2001). The concept of the treadmill visualizes a political-economy driven by several core factors.

First, there is a social and political assumption of the need to continuously expand industrial production and economic development. Economic expansion is generally viewed as the core of any viable social, economic, or environmental program. Economic expansion

is thought to increase the profits that corporate managers and their investors require for capital outlays. Workers benefit from these outlays because they lead to increased production, which creates new local employment opportunities both in direct industrial production and, more indirectly, in the construction and service sectors. The service sector is thought to grow most rapidly due to the economic multiplier of having more workers with higher wages living and spending within a community. Capital outlays also lead to higher levels of productivity--a precondition for rising wages. Finally, local and national governments view economic expansion as increasing the taxation capacity of the government, allowing it to distribute compensatory benefits to displaced workers and dependent citizens. Governments believe that tax revenues rise more rapidly than citizen demands, and thus government officials and agencies increasingly share a stake in the economic expansion of the private sector (Schnaiberg & Gould 1994; Logan & Swanstrom 1990).

Second, the treadmill is structured by the need to ensure that consumption keeps pace with production. If economic growth comes about through increased production of goods, consumers have to have the disposable income to purchase the goods. The state works with private capital to make low interest loans available to consumers for the purchase of homes and other items. In the United States we have seen 20 years of state/private deregulation making credit cards and mortgage loans easier to obtain (Ritzer 1995).

Third, there exists the sociopolitical belief that social and ecological problems are best solved by ratcheting up the treadmill's pace. Social problems are generally thought to be best solved "through the market." Thus, there is a magical sense that any type of economic expansion will reduce social and ecological problems. Poverty will be reduced by a growing economy, because there is an expanded job base and an increase in wages. A growing economy also supports government social expenditures (for education, housing, and other needs of the poor to achieve upward mobility).

Fourth, economic growth is tied to a commitment to an expansion of corporate-centered development. In this model, nation-states and cities prioritize the needs of private capital over the needs of the state itself and its constituent citizen-workers. Economic expansion can only be fostered through the growth of large firms--what are often referred to as "core firms." Large firms are thought to be the engine of the economy. Their growth creates the most demand for jobs, and it creates secondary demand for supplies, which fuel the growth of smaller entrepreneurial firms. The wages paid to the large labor pools provide consumption needs in the stores that keep local merchants in business (Reich 1991).

Fifth, and finally, all of these elements of sociopolitical belief are reinforced by substantial economic and political socialization efforts on the part of core firms and their dependent institutions (trade associations, advertising, educational efforts in promoting "free trade", etc.). What has resulted until recently in industrial societies is an enduring political alliance of private capital, trade associations, and governments to promote these goals.

Diffusion of these treadmill attributes to larger parts of the world system have been facilitated by the rise of communication and transportation technology, permitting greater control from the central firms to their peripheral outposts. In addition, the reduction of trade barriers through GATT and now the World Trade Organization has diminished some degrees of freedom of national producers and their state allies for some forms of protection against foreign competitors and investors. Next, the barriers to capital have been diminished, permitting greater penetration of national markets and organizations by foreign investors. Finally, the decline of fixed currency exchange rates has permitted greater penetration by world-systemic investors and currency speculators of national banks and currencies.

In most cases, though, there are elements of the state that can alter the speed and extent of these changes, sometimes in association with national firms resisting foreign competition and investment. Moreover, the state is actually more important to the business

of business with the rise of the global economy. Firms are more dependent upon it and hence have more incentive to control and corrupt it.

First, even low road firms need more from labor to increase productivity and shareholder values. Educational investment and productivity are pushed on the state's agenda, in recent years focusing on increased national testing of students and ratings of teacher efficacy. The state is expected to provide basic education to the population, and even retraining of displaced adult workers.

Second, the basic globalization infrastructure is dependent upon high levels of state involvement. Firms cannot reduce the risks of global investment without a stable national currency, reduced national tariffs, agreed upon rules of commerce, and military systems that ensure some levels of peace and high levels of protection of investment. In past years, the US has used its DISC [?] program to offer insurance for US investors in foreign countries. Firms need the state to create and sustain this infrastructure for global commerce.

In this paper, we focus primarily upon the direct political actions of treadmill producers, specifically one of the largest energy corporations, Enron. In many ways, Enron is the epitome of modern "global" corporations, operating with a narrow treadmill of production orientation. For example:

Enron is laser-focused on earnings per share, and we expect to continue strong earnings performances. We will leverage our extensive business networks, market knowledge and logistical experience to produce high-value bundled products for an increasing number of global customers....[Enron 2001, 2]

We have established core wholesale business in both natural gas and power in North America and Europe, where we are market leaders...[I]n Europe...as markets open, we tenaciously pursue the difficult, early deals that break ground for subsequent business. We are the only pan-European player, and we are optimizing our advantage to conduct cross-border transactions. [Enron 2001, 3]

Breakthrough technology applications, such as Enrol Online, accelerate our market penetration. These competitive advantages have made us the most successful energy marketer in the two largest deregulating energy markets, North America and Europe. We expect to achieve a similar leadership position as we extend our business approach to new regions, products and industries... [Enron 2001, 9]

III. ENERGY POLICY AND THE ANTI-ENVIRONMENTAL ROLE OF CORPORATE POLITICAL FINANCING

We have chosen to illustrate our argument by focusing on the role of the largest energy corporation campaign contributor to the 2000 election, Enron. This global corporation offered \$2.5 million to the campaign, with approximately 3/4 of this going to George Bush's campaign. Although it was "only" 36th in the top 100 contributors to the 2000 campaign, it nonetheless ranked only slightly below the United Auto Workers' contributions of \$2.6 million. The UAW is one of the most powerful of the remaining unions in the US, representing hundreds of thousands of "stakeholders" in the economic and environmental systems. (We suspect that major Enron shareholders number far fewer than worker stakeholders.) Unlike Enron, 99% the UAW's contribution was to Democrats; Enron actually chose to spread its wealth in a somewhat less-risky way, providing 28% of its support to Democrats.

Why did Enron invest so heavily in the 2000 election? What might it have hoped to gain? And how does this relate to its global investments and profits? What follows is a set of inferences, based on recent energy policy history, a knowledge of the treadmill structure, and globalization trends. First, it is clear that Enron has no interest in environmental preservation, and probably a great antipathy to it. Nowhere in its 2000 Annual Report is there any discussion of environmental degradation associated with the extraction of, refining of, or application of fossil fuels. The only minor chords are its entry into trading of air emissions credits, and its creation of an Enron Wind

We have metamorphosed from an asset-based pipeline and power generating company to a marketing and logistics company...these markets present a \$3.9 trillion opportunity for Enron, and we have just scratched the surface. Add to that the other big markets we are pursuing -- forest products, metals, steel, coal and *air-emission credits* -- and the opportunity rises by \$830 billion to reach nearly \$4.7 trillion...[Enron 2001, 5]

With focused efforts in the world's three key wind power markets -- Germany, Spain and the United States -- Enron Wind completed 2000 with revenues of approximately \$460 million. Strong growth in both the US and Europe will account for a projected sales increase of approximately 100 percent in 2001. [Enron 2001, 13]

In effect, both air-emission credits and windpower are commodities, to be invested in or divested of as profits change.

In effect, the Bush administration has signalled a clear shift in environmental consciousness and policy. Energy is treated almost exclusively as a valuable commodity, regardless of the environmental impact of its extraction, distribution, refinement, and use. Even without the recent pressures from warnings of negative impacts of global warming, there were already sufficient ecological disruptions from energy use of all types, especially fossil fuels and nuclear energy. In a scant half-year in office, Bush has promoted:

- (1) withdrawal from negotiating commitments to the Kyoto Agreement to reduce global warming gases
- (2) eliminated Clinton controls over carbon dioxide emissions from power plants
- (3) increased energy production
- (4) increased oil drilling, refining, and transportation
- (5) increased exploration of new nuclear power plants

(6) decreased exploration of renewable energy sources

(7) increased deregulation of power industries

Paradoxically, a substantial majority of Americans want increased environmental protection, as well as energy availability. This finding is consistent in almost every survey (Dunlap & Mertig 1992) and in the case-based research that we have collected over the last fifteen years (Schnaiberg 1980, Schnaiberg and Gould 1994, Gould et al. 1996, Weinberg, et al. 2000). Despite this, virtually no significant environmental legislation has been passed, implemented, and **sustained intact** over the last twenty years. The problem is not primarily ideological. Even under a democratic Clinton-Gore administration with an environmental vice president, we got very little environmental legislation. The barriers to environmental protection are structural. In the globalizing political economy, our national political sphere has become weaker as the economic sphere has become empowered.

In the United States, this has occurred as external political-economic changes outside the state increased stratification. Concurrently and relatedly, internal changes within the state essentially increased the capacity of money to "buy" political allegiances. Money has effectively corroded our political system to the point where:

(1) politicians are beholden to their donors, making it virtually impossible for environmental groups or community groups to be political players. Unions have a more mixed history. On one hand, national unions represented 19 of the top 100 contributors to the 2000 campaign. Yet a number of unions could not guarantee the adherence of their membership to vote "properly", because of the advertising effectiveness and media influence of corporation campaign contributions (especially soft-money ones).

(2) the average citizen cannot raise the money to launch an effective campaign. Hence even Green Party members in environmental states were prevented from running credible campaigns, and achieving significant Congressional representation.

Indeed, the Nader campaign succeeded mostly in admitting a conservative, anti-environmental Republican to the White House, and similar politicians to Congress.

(3) politicians spend most of their time raising money and learning about the issues. Environmental issues are complex. Most members of Congress do not have the time to master their complexity, which makes them even more vulnerable to well paid spokespeople for the Treadmill of Production (lobbyists, trade association, conservative think tanks, and national media attention).

This last issue is especially important in the field of energy policy. The last serious public debate about energy use was in the 1976-1980 administration of Jimmy Carter, during the "energy crisis" of reduced OPEC exports. With the advent of Reagan and Bush administrations, energy was removed from the national political agenda. Indeed, Reagan's initial efforts involved the physical removal of the Energy Information Agency's reports on conservation in early 1980 (Stern & Aronson 1984). With the sharp and deep withdrawal from energy policy discussions in the early 1980s, little attention was paid to this during much of the last 20 years. The initial and growing assessment of global warming threats has repeatedly been dismissed by many politicians and agency heads. Yet the Department of Agriculture has quietly been preparing weather impact assessments for regions of the US. Without the persistence of global scientific organizations, it is fair to guess that no attention to global warming would have penetrated US politics.

In essence, the 1980s and 1990s have seen a shift from a modest managed scarcity synthesis of the society-environment dialectic (Schnaiberg 1994) towards an economic synthesis. While this is more true of Republican administrations, the Clinton-Gore policies were not significantly different, as the administration was a "centrist" one. All of these administrations increasingly invested in the treadmill of production as **the** solution to national and global environmental problems, as well as social and economic ones. With more wealth, we would have potential technological solutions to most environmental

problems. Largely ignored was the question of what would induce firms to expend their accumulated profits in that direction, rather than simply accelerating the treadmill to please even more shareholders. Enron notes, for example, that:

The company's total returns to shareholders was 89 percent in 2000, compared with a negative 9% returned by the S&P 500. The 10-year return to Enron shareholders was 1,415 percent compared with 383 percent for the S&P 500. [Enron 2001, 4]

At December 31, 2000, Enron had working capital of \$2.0 billion. If a working capital deficit should occur, Enron has credit facilities in place to fund working capital requirements....for up to \$4.2 billion of committed and uncommitted credit, of which \$290 million was outstanding...Total capitalization at December 31, 2000 was \$25.0 billion. Debt as a percentage of total capitalization increased to 40.9 percent as compared to 38.5 percent at December 31, 1999. The increase in the ratio primarily affects increased debt levels and the impact on total equity of the decline in the value of the British pound sterling...[Enron 2001, 27]

There is no indication that Enron would willingly advance more capital for environmental protection technologies, unless coerced to do so by US and other national governments of states in which it operates. Indeed, under classical economics, such internalization of negative externalities is a drain on profits and shareholder returns, and should be resisted. It seems clear that Enron's \$2.4 million investment in the 2000 US campaign was in part directed at reducing any such political coercion. Rejection of the Kyoto accord, removal of CO₂ caps for power plants, and proposed incentives for drilling in Alaska and other sensitive ecological systems appear to represent high returns on this modest investment.

Moreover, deregulation of the energy industry in both the US and Europe makes more difficult the imposition of environmental controls. Indeed, such deregulation seems to offer new profit centers for this global energy corporation:

The ongoing energy crisis in California has focused everyone's attention on the complexities of incomplete deregulation, the risks of unreliable supply and the costs of unmanaged energy demand.....we remain the only firm with the skill, experience and depth of versatility to provide a comprehensive solution to address uncertain, rapidly changing markets. [Enron 2001, 14]

In late 1999 we extended our successful business model to a web-based systems, Enrol Online. Enrol Online has broadened our market reach, accelerated our business activity, and enabled us to scale our business beyond our own expectations. By the end of 2000, Enrol Online had executed 548,000 transactions with a notional value of \$336 billion, and it is now the world's largest web-based eCommerce system. [Enron 2001, 3]

As indicated by this, Enron would rather invest in expanding its online commercial system technology, and pays no attention in its report to investing in environmental protection technologies. The Bush administration's energy policy would strongly support this direction of corporate resources. Further deregulation, which fits with Bush's and Congress's treadmill-oriented economic conservatism, is thus likely to expand Enron's investment in energy supplies, systems, and networks.

IV. GLOBALIZING RESOURCES & NATIONAL POLITICAL INVESTMENT: USES OF INTERNATIONAL PROFITS

In all of the above discussion, the globalization factor has been noted only occasionally. We now turn more centrally to the globalization of energy investment, the environmental consequences of this, and the role of campaign financing and other domestic strategies as both cause and outcome of this globalization.

First, we look at the global reach and commodity orientation of our transnational treadmill exemplar, Enron. Much of our environmental concern about global warming is

the dramatic change it can produce in regional weather, including rainfall. Here is Enron's economic "solution" to this major ecological disruption:

Our weather risk management business is up about five-fold to 1,629 transactions in 2000 from 321...the year before...[W]e bring cross-commodity capabilities to our weather products. For instance, we closed a three-year precipitation transaction that provides financial compensation linked to natural gas prices if precipitation falls below a pre-determined minimum. ...The weather unit worked with several other Enron groups to transfer Enron's risk...with 10 external companies in three markets (natural gas, weather products and insurance). The bundled end-product resulted in an effective hedge for the customer...[Enron 2001, 13]

Following is an even more dramatic example of the complex grasp of Enron, substituting its cross-border and cross-commodity transactions for the "hand of God" in our earlier religion, the "invisible hand" of Adam Smith, or to the "workings of the atmospheric system" in our modern science:

Cominco Ltd, a zinc producer and an Enron Metals customer in Vancouver, British Columbia, worked with Enron to halt zinc production for six weeks and sell its power into the Northwestern power market, where it was needed. Enron North America protected Cominco by structuring a fixed-price swap to guarantee the sale price of the power, and Enron Metals arranged to supply a portion of the zinc required to fulfill Cominco's obligations. Cominco's profit from the deal exceeded the annual profit it makes from producing zinc...[Enron 2001, 12]

An overview of Enron's "global reach" is illustrated in tables 1 and 2.

Table 1. Enron's Distribution of Income and Assets (in Millions of \$US)

<i>Financial Parameter</i>	<i>2000</i>	<i>1999</i>	<i>1998</i>
<i>Operating revenues (external customers)</i>			
<i>US</i>	77,891	30,176	25,247
<i>Foreign</i>	22,898	9,936	6,013
<i>% Foreign of Total</i>	23	14	7
<i>Pretax income, before minority interests & debt service</i>			
<i>US</i>	2,131	1,273	1,008
<i>Foreign</i>	351	722	574
<i>% Foreign of Total</i>	25	36	22
<i>Long-lived assets</i>			
<i>US</i>	10,899	8,286	9,382
<i>Foreign</i>	844	2,395	1,275
<i>% Foreign of Total</i>	19	36	12

Source: Enron 2001, 50

Table 2. Enron Domestic and Foreign Revenues (in Millions of \$US)

<i>Income before income taxes</i>	<i>2000</i>	<i>1999</i>	<i>1998</i>
<i>US</i>	\$640	357	197
<i>Foreign</i>	\$773	771	681
<i>% Foreign of Total</i>	55	68	77

Source: Enron 2001, 40

When juxtaposed, these two tables illustrate important "global features of Enron's profitability patterns. We *believe* that the income figures in table 2 are the net undistributed incomes, left **after** distribution to shareholders. The corresponding income data in the middle panel of table 1 appear to be incomes **before** distribution to shareholders.

Enron's foreign revenues and gross income from foreign operations show a modest role for foreign activities' contributions shareholder values, in table 1. But in table 2, the foreign component of pre-tax income constitutes the **majority** of net income for Enron. It is this net income that would be available for campaign financing and other US political activities (since these expenses do not appear in the balance sheets provided by Enron to its shareholders).

Let us consider the full implications of these tabulations. On a pro-rata basis, the majority of campaign funding by Enron could consist entirely of earnings outside of the US. Whether this global revenue is actually used for this purpose is indeterminable, and also largely immaterial for our purposes. If foreign revenues are not directly used for campaign financing and other political investments, then these revenues fill in the voids created by Enron's use of domestic earnings, and permit expansion of campaign funding.

But this is merely the tip of the global iceberg (soon to be globally warmed away?). Tables 1 and 2 represent a complex set of transnational relationships. These income come from transactions between Enron shareholders, national investors in many foreign subsidiaries or contractors of Enron. Moreover, Enron shareholders are likely to be themselves increasing located outside the US, as Enron stock is traded globally.

This suggests that the \$2.4M Enron political contribution can serve the following kinds of interests (generally, of shareholders rather than stakeholders):

- US shareholders
- foreign shareholders of Enron
- US managers of Enron

- foreign managers of Enron subsidiaries
- US managers of contractual firms
- foreign managers of contractual firms
- foreign and/or US consumers

V. CONCLUSIONS: CAMPAIGN FINANCE AS ONE LINK BETWEEN DOMESTIC AND GLOBAL POLITICS

In general, we can say with some confidence that the two domains in which Enron's campaign finance contribution is **not** allocated are: (1) domestic and transnational ecosystems, and (2) domestic and transnational workers. Contrary to President Bush's statement that "American workers' hopes and dreams" are at the core of his rejection of the Kyoto Accord, it appears that the Bush regime (not unlike some of its precursors) is far more attentive to the needs of capital owners and managers. In many ways, this is but one example of how the treadmill of production generally orients governments to treat **shareholders** with far more concern than it does **stakeholders**.

What we have suggested is that **foreign shareholders** and **American shareholders** of **foreign firms** are treated with political attentiveness by the national government. One of the reasons for this is that "global corporations" have substantial financial resources to support the political campaigns under the American political system. This means that the "effective political demand" of shareholders is far higher than that of stakeholders, such as workers and their dependents, living in local and global ecosystems. Two responses have been made in recent years to redress this imbalance: (1) attempts to involve labor unions and environmental movements into greater financial support of political campaigns, and (2) attempts to create new caps to campaign spending, to somewhat level the political demand exercised through campaign support.

Our model of the treadmill of production suggests that the first of these strategies is likely to fail, since the treadmill accelerates and increasingly concentrates financial resources among capital managers and shareholders. Collective aggregation of workers' or members'

resources has some financial influence. But it is unlikely with the global upward gushing of profits and only a trickle-down to workers for any parity to be achieved. Thus, financial parity seems illusory in the political financing market.

Instead, by capping a variety of routes by which shareholders influence politicians, we open up the possibility that the **numbers** of workers, environmentalists, and other socially progressive movement members may have a more direct role in legitimizing policies and politicians. Concentration of profits in a small core, both domestically and globally, allows for a division of interests that may tilt towards a democratic action of stakeholders, whose numbers can influence voting patterns. We are not naive in supposing that reducing campaign financing will block all efforts of shareholders to influence US and other domestic governments. But we think this permits a new political opening for more progressive environmental and social forces to shape domestic policy and global patterns of investment and allocation.

We thus conclude that, in order to create a global form of environmental control such as the Kyoto accord, the actions of particular nation-states are vital. The "internal" politics of states such as the US, paradoxically, are also subject to the influence of global investors in energy and related industries. Thus the constituencies for a Kyoto-type agreement have been diminished because of the influence of capital applied to campaign funding. Ironically, in addition to discovering **national** modes of offsetting the influence of both national and global shareholders, we might begin to think of new efforts to aggregate resources of **global stakeholders**. This effort would help elect decision-makers in countries such as the United States, to pressure Congress and federal administrations into taking more positive energy-conserving policies.

VI. POSTSCRIPT: ENRON AS A TROJAN HORSE FOR U.S. ENERGY POLICY

Our analyses of the role of Enron in the financing of the 2000 U.S. elections were completed before the fiscal collapse of Enron itself. Current preliminary analyses indicate that Enron, in its rush towards market share increases, presented a false picture of profits, by outsourcing its indebtedness to over 800 off-shore subsidiaries. To some extent, its major accounting firm, Andersen, appeared to have colluded in disguising the over-reach of the corporation. . The data reported here were constructed in part by Andersen and Enron executives, and we have no way of distinguishing accurate from distorted presentation in our tables.

While much has been made of the failure of Enron in recent months, we should note that this obscures some of the powerful **gains** of its executives. First, the senior executives of Enron cashed in perhaps 200 million dollars of their stock options, before the financial instability was made public. They were clear financial beneficiaries. Second, top executives of Enron were core members of Vice-President Cheney's energy policy committee in 2001, and helped draft a plan to expand U.S. energy production, including in the Alaskan wildlife sanctuary, and to further deregulate state control over energy corporations (such as Enron).

Equally important, though, we need to note the social **losses** imposed by the Enron collapse. Enron workers and retirees suffered enormous losses – of employment, wages, and retirement savings built around Enron stock. Stockholders throughout the U.S. (and probably abroad) found portfolios deflated, as did major financial institutions holding Enron shares. Finally, the U.S. state is currently struggling with further drains on U.S. and Texas tax revenues because of the collapse of Enron, the decline of taxable wages of its workers. More pressure is being exerted on the state because of the political desire to create a state-sponsored financial cushion for some senior workers, retirees, and some

stockholders. Attention has shifted from Enron to the auditors, Anderson, since the former is bankrupt while the latter still has substantial income from other clients.

Paradoxically, Enron and other energy corporations had achieved some political legitimacy in the Bush-Cheney administration. They stressed the importance of expanding US energy supplies to expanding state revenues, employees' wages, and financial gains for all energy sector stockholders, in association with expanded energy corporation profits. Enron's role in Vice-President Cheney's National Energy Policy Development Group has especially been noted recently (Dingell 2002).

But concern over undue influence by major energy corporate donors in this group was initiated even before Enron's collapse, by the Government Accounting Office. To date, Cheney's office has, since May 2001, refused to report who participated in the group's deliberations. Of course, there were no environmental movement representatives to offer a report of these deliberations. The discrediting of Enron may ultimately lead to the discreditation of the National Energy Policy Task Force. But it is nonetheless clear that both the political economy of the US and its environment will pay dearly for the heavy political influence of Enron.

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¹¹All data for the 2000 Presidential campaign are taken from <http://www.opensecrets.org/>.