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Opinion: Will we remember Enron Corp. bankruptcy debacle and its lessons for today?

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Twenty years ago, this month, Enron Corporation, once the seventh largest U.S. corporation, suddenly filed for Chapter 11 bankruptcy protection, abruptly destroying the jobs and retirement savings of 25,000 employees and the value of shares held by nearly 60,000 stockholders.

The problems Enron's meltdown revealed in 2001 — deceptive accounting, runaway executive pay, tax avoidance, offshoring of profits and excessive speculation in high-risk financial instruments — predicted the destructive imbalances that seven years later caused the Great Recession and remain with us today.

In Enron's wake, Congress passed important reforms, but behavior in Washington and Wall Street today suggests that we're forgetting Enron's lessons. The question now is whether Congress and regulators have the capacity and will to prevent, detect and head off willful corporate misconduct before it erupts in another catastrophe threatening our economy and democracy.

The economic fallout from Enron's bankruptcy was so far-reaching that it produced a massive oversight effort with multiple House and Senate committees investigating various aspects of the scandal.

Meanwhile, several federal agencies launched their own criminal and civil investigations into Enron's actions, leading to over 30 criminal convictions. The congressional inquiries culminated in the passage of the Sarbanes-Oxley Act of 2002, which imposed sweeping changes on U.S. corporate governance, accounting and financial practices.

What the Enron collapse and Great Recession should have taught us is that the work of overseeing and policing the financial industry is never finished and even sweeping reforms often suffer backsliding or require updating to counter “innovations” that can pose grave risks to U.S. and global financial stability. But recent years have witnessed a gradual unlearning of those lessons.

Firms once again are getting away with inadequate or deceptive accounting because post-Enron internal controls have been gutted. Financial engineering that enabled Enron to manufacture revenues without producing any real products or services has reemerged in the form of cryptocurrency swaps, payment for order flow, leveraged exchange-traded funds and other gimmicks.

Enron manipulated electricity prices, harming businesses and working families. Today, speculators continue to whipsaw the American economy with roller coaster energy, metal and food prices, while poor enforcement of anti-speculation laws fails to stop the ongoing damage.

Are we equipped to do the oversight and enact the reforms necessary to safeguard our system from those who would follow in Enron’s footsteps? Several key indicators are worrying. U.S. Securities and Exchange Commission enforcement activities fell in 2021 to their lowest level in seven years, and SEC staffing levels declined by 4% in past years.

At the Internal Revenue Service, charged with ensuring profitable corporations pay the taxes they owe, staffing levels have fallen between 2010 and 2020 by 20%. And miserly congressional staff budgets, while slated for a significant increase in the pending FY 2022 appropriations bill, would restore staff pay to only 1995 levels after inflation.

Lawmakers must embrace their responsibility to oversee markets and invest in the institutions that protect the public from corporate and financial misconduct. Many doubt whether, given our extreme polarization, we can come together to ascertain the facts needed to enact sensible reforms.

But preservation of our economy, and even our democracy, demands that lawmakers tackle Enron-style challenges now by rolling up their sleeves, reaching across the aisle to find partners willing to conduct oversight, and getting to the heart of these complex matters.

We can choose to strengthen institutions and rules that curb financial excesses and help avert economic disruption. By doing so, we can also deny anti-democratic forces a powerful lever to pull Americans even further apart.

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