

## INTRODUCTION

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, too—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  
Tomorrow's 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, who—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."