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**To:** Friends of Democracy Corps

**From:** Stan Greenberg  
James Carville  
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**RE: ENRON**

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The year 2002 begins with three unfolding stories – the on-going war on terrorism (and the President’s popularity), the weak economy and growing budget deficits, and Enron. There is no doubt that the politics of November 2002 will little resemble the politics of this January.

Tomorrow, the President will deliver his State of the Union address, which will be well applauded. The White House, Congress and the country should indeed give themselves a round of applause for coming together and addressing this new threat to our security. The President’s standing will rise, and voters will think for a short while that this Administration has the right priorities and an adequate domestic program. Remember, President Clinton’s highpoint came at the end of January 1994, when Democrats outperformed Republicans on virtually every issue. That was all erased by the electoral disaster of 1994.

We are confident that the budget process will put the spotlight on the President’s real priorities and the dangers they pose for the country. There is plenty of time for that, as the ball is in the President’s court. The economic debate has only begun.

This memorandum will focus on Enron and present the results of Democracy Corps’ first survey on this emerging scandal.<sup>1</sup> Enron has the potential to shape the entire political environment for 2002, impact other issues and reduce confidence in the Bush Administration and Republicans.

For now, the public and political attention is on the Enron employees who lost their money, and on the greed, lying and cover-up on the part of the high-level corporate executives. People are paying attention (72 percent closely) and fully understand the es-

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<sup>1</sup> Democracy Corps’ national survey was conducted January 21<sup>st</sup> to 24<sup>th</sup>, with 1000 respondents likely to participate in the off-year elections.

stantial corruption that lies at the heart of this scandal. In the Democracy Corps survey, we ask people what “Enron” is all about, and their answers are clear:

*The people that were in charge took care of themselves and didn't care about the others.*

*People in high places became greedy.*

*Working people not getting anything.*

*I just think that a few people have ripped off so many people is terrible.*

*People losing their money and their jobs and the deceit.*

*Big guys on the top took advantage of the small guys.*

*The greedy people at the top will always be greedy, and they'll die greedy and they don't care about the little people.*

*How they intentionally fooled their own employees and they lost their retirement and when you are old it is gone...*

*The crookedness of it all, from the top down.*

An astonishing 78 percent of the American people say they are “very angry” about Enron executives cashing out while employees were trapped.

The first damage, not surprisingly, is to the image of corporate America. The thermometer rating for “big corporations” has dropped from 51.2 to 47.6 (on a 100 degree scale). Arthur Andersen and Enron have headed toward the coolest levels possible, 25.6 degrees and 13.7 degrees respectively. A dramatic 62 percent of the public say they now have less confidence in corporate America; only 18 percent say more – a net 44-point drop in confidence.

Already close to the surface in the public's understanding is the close association between Enron and the politicians: “Enron is funding most of Capitol Hill and people funded by them looked the other way;” “politicians had their hands in it and all the top executives got the change to come out rich;” “they gave money to the Democrats and the Republicans;” and “the connections it had with the government.”

Today, the unformed political picture includes Congress more than the White House, and both parties more than either one. The White House will surely try to keep it that way, but there is already evidence the wall is starting to crumble. Enron has the ability to color a broad range of issues. During the course of the survey, there was a sharp

shift against the Bush Administration – despite the President’s popularity. The more people hear, the more corrosive it becomes.

This is an issue where Democrats ought to talk about right and wrong, greed and responsibility. Democrats can let the facts speak for themselves – an angry public is clearly ready for a full and fair investigation.

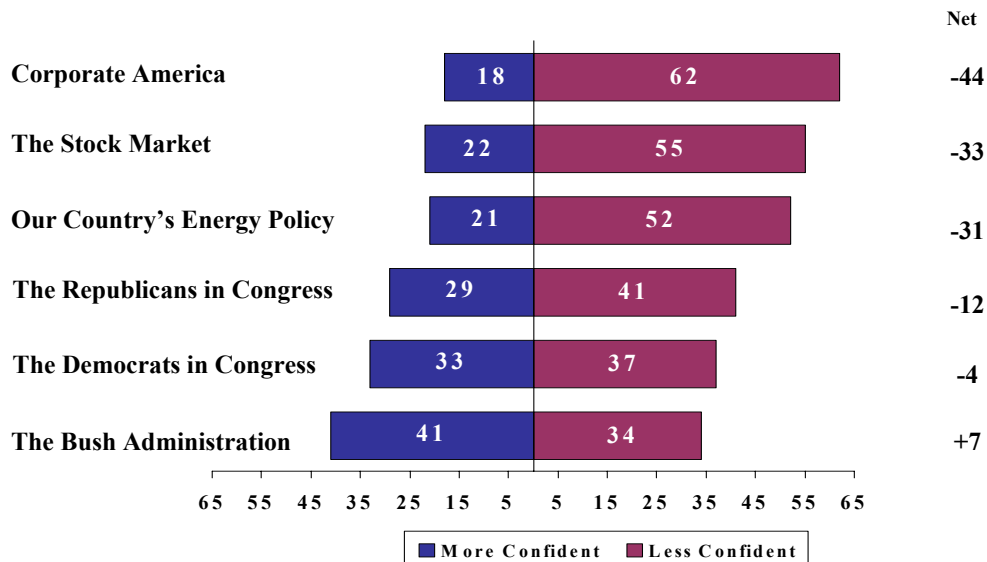
### The Enron Impact

The Enron issue, even in its raw anger, is already beginning to change the political landscape.

**1. Republicans: More part of the problem.** Voters believe politicians of both parties have their hands out, but there is something about this scandal that puts Republicans first in line: they are already more closely associated with Enron and the corporate-political nexus. In the *New York Times* survey, voters see Republican – more than Democratic – ties (45 to 10 percent). In the Democracy Corps survey conducted during the first week of hearings, Republicans were becoming exposed:

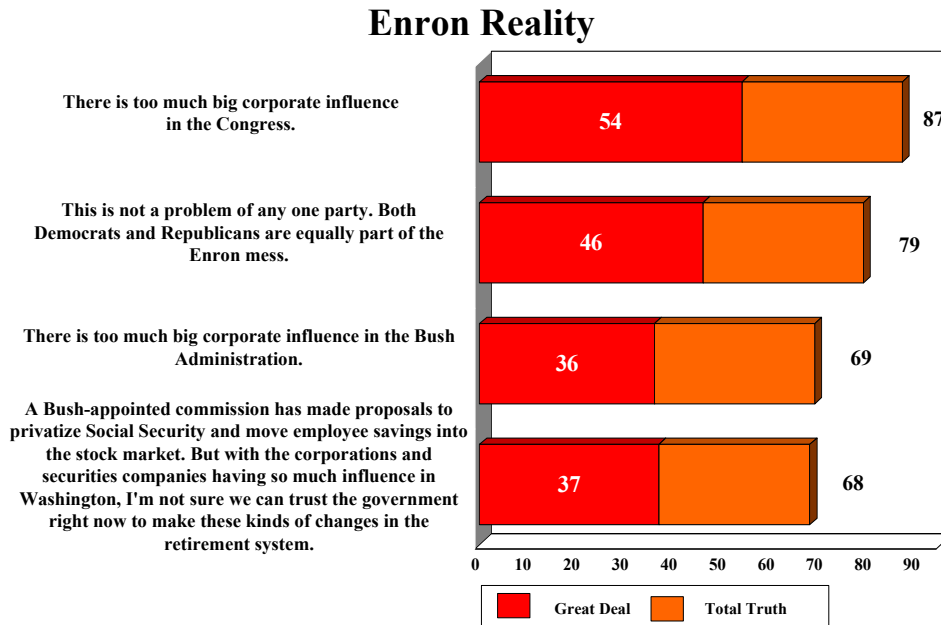
- Forty-one percent said they now feel less confident about the **Republicans in Congress**, with only 29 percent more confident – a net 12-point loss in confidence.
- The **Democrats in Congress** are less exposed: 37 percent less confident and 33 percent more – a net four-point loss.

### Enron Impact on Voters’ Confidence



While the Republicans will seek to use the congressional investigations to distance themselves from Enron and Arthur Andersen, the facts tell a different story – all of which is compounded by Republican and White House opposition to campaign finance reform.

**2. Corporate excess and influence.** This is, after all, a story about high-level corporate malfeasance and excessive corporate influence in government – in Congress, to be sure, but increasingly in the Bush Administration.



*“Thinking about what has happened with Enron, please tell me how much truth you think there is in each of the following statements - a great deal of truth, a fair amount of truth, not very much truth or no truth at all.”*

**3. Tarnishing the Bush policy initiatives.** Before the hearings and investigations have really begun, voters are beginning to rethink the character of Bush’s domestic initiatives.

- **Energy policy.** One of the more remarkable findings is the loss in confidence in “our country’s energy policy.” Over half of the electorate (52 percent) says it feels less confident, with only 21 percent more confident – a net 31-point loss in confidence.
- **Energy policy and big corporate influence.** A very large majority (62 percent) says that we cannot trust this government to make new energy policies:

**The Bush Administration has proposed new energy policies, which relax environmental regulations to allow oil drilling. But with corporation and**

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energy companies having so much influence in Washington, I'm not sure we can trust the government right now to make these kinds of changes in our energy and environmental policies (62 percent say a great deal or fair amount of truth).

- ***Social Security privatization and corporate influence.*** An even larger number of voters – two-thirds – wonder whether they can trust this government to deal with Social Security reform. In the survey, we note that a “Bush-appointed commission has made proposals to privatize Social Security and move employee savings into the stock market.” But then we added the following: “But with the corporations and securities companies having so much influence in Washington, I'm not sure we can trust the government right now to make these kinds of changes in the retirement system.” A striking 68 percent said there is a great deal or fair amount of truth in that statement (including 37 percent who said a great deal).

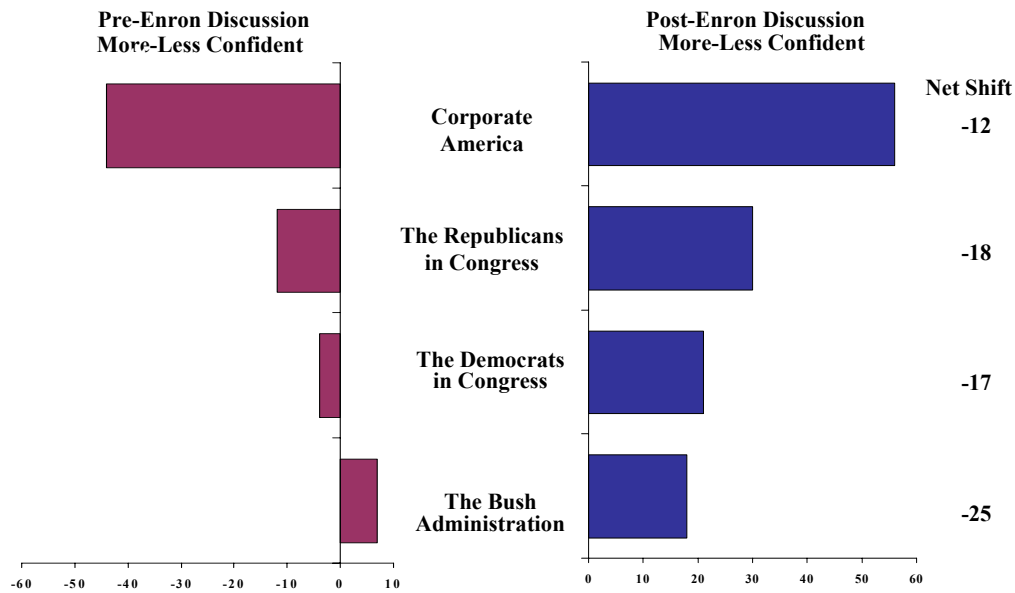
The Enron issue is already raising questions about whether we can trust this government to make energy policy and Social Security reforms. At what point do voters wonder whether they can trust this government on the budget, taxes and the economy?

**4. *George W. Bush and big corporations.*** During the last election, over 60 percent of the public felt that George Bush too often sided with corporations rather than the public interest. That number grew with the introduction of the energy legislation and assault on environmental regulations. In the Democracy Corps research at the end of last year, we noted that those doubts were still pretty close to the surface.

Well, those assessments have again reached the surface. Though George W. Bush's job approval rating approaches 80 percent, 69 percent say right now that “there is too much big corporate influence in the Bush Administration.” In fact, a large majority of Americans (58 percent) say there is considerable truth in this much more severe charge of partiality: “When it comes to domestic policies, the Bush Administration always seems to do what the big corporations want.”

**5. *Bush Administration vulnerability: No Teflon here.*** At the end of the survey, after hearing a list of practices and potential abuses, there is an across-the-board crash in confidence – with the Bush Administration suffering the greatest drop. Net confidence in corporate America falls further to –56 points (a 12-point further net loss in confidence). Both Democrats and Republicans lose further ground, though the Republicans are at net –30 and Democrats are at net –21.

### Impact of Enron Discussion



*“Now, thinking about what has happened with Enron, please tell me whether you are feeling more or less confident about each of the following. The first/next is ...”*

Most telling is the erosion of the Bush Administration’s Teflon coating. There is a net loss of confidence of 18 points, but that represents a 25-point swing from the beginning of the survey. As the areas of inquiry open up during the survey, the Bush Administration suffers a bigger loss in confidence than any other institution. Enron obviously re-opens a side to George W. Bush that even now raises important worries for voters.

### Specific Concerns

At this point, the greatest public anger centers on the behavior of the corporate executives who deceived their employees. In the graph below, anger at the executives and former Enron CEO Ken Lay top the list. The shredding of documents is almost as serious.

The top tier of political issues, some directly associated with the White House, centers on tax shelters, tax cuts and tax evasion. Right now, 67 percent of the electorate says it gets “very angry” about Enron using 900 off-shore tax shelters to escape taxes in four of the last five years. When we mention the Bush Administration’s effort to protect those shelters, 47 percent say it makes them “very angry” (with 68 percent saying “angry”). While including language about the political connection to the Bush Administration results in a drop in the level of anger, it is important to note that almost half the electorate says the Administration’s support for these tax havens makes them “very angry.”

The House Republican stimulus bill is a new target of opportunity – in the context of Enron. Over half the voters (51 percent) gets “very angry” at these corporate tax cuts parading as a stimulus bill, including a \$254 million tax cut rebate for Enron. Almost three-quarters say this gets them angry. It is easy to imagine a chain of argument: an economic stimulus bill that became a corporate giveaway, including hundreds of millions more for Enron, which dodged taxes in 4 of the last 5 years.

California power deregulation and White House policies take on a new meaning in the context of Enron: 44 percent express strong anger (and 63 percent “anger”) that Enron may have used its access and influence to keep prices high at the expense of California consumers.

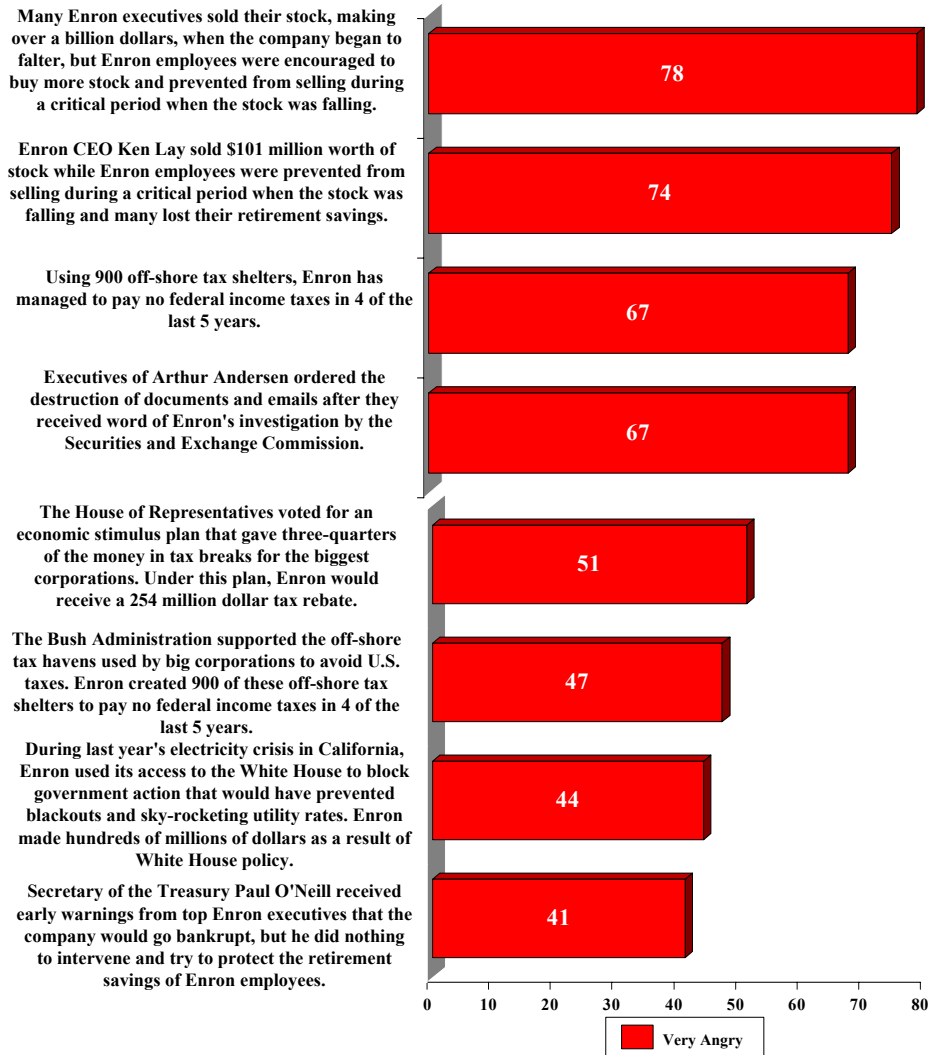
The Administration is also held to account for acts of omission. When asked about the Secretary of Treasury learning of the Enron financial collapse and subsequently not intervening to protect the interests of the employees, 41 percent say this makes them “very angry” (and 60 percent “angry”).

These are the concerns that elicit a strong public response and a shift away from the Bush Administration. Initially, there is less interest in issues that center on campaign contributions and regulatory appointments, although they may develop later.

The bottom line: Enron is not a “Beltway” issue, but a national issue. The concerns people have are powerful and likely to be increasingly corrosive for the Bush Administration.

Stay tuned.

## Anger Towards Enron



*“Now I’m going to read you a list of things reported to have happened in the Enron situation. As I read each one, please tell me whether it makes you very angry, angry, a little angry, or not at all angry.”*