

Enron Explained

In case you were wondering how Enron came into so much trouble, here is an explanation reputedly given by a Colorado Aggie professor to explain it in terms his students could understand.

Capitalism

- You have 2 cows. You sell one and buy a bull.
- Your herd multiplies, and the economy grows.
- You sell them and retire on the income.

Enron Capitalism

- You have 2 cows.
- You sell 3 of them to your publicly listed company, using letters of credit opened by your brother-in-law at the bank, then execute a debt/equity swap with an associated general offer so that you get all 4 cows back, with a tax exemption for 5 cows.

- The milk rights of the 6 cows are transferred via an intermediary to a Cayman Island company secretly owned by your CFO who sells the rights to all 7 cows back to your listed company.

The annual report says the company owns 8 cows, with an option on 6 more.

Now do you see why a company with \$62 billion in assets is declaring bankruptcy?

Economics clearly explained

DEMOCRAT: You have 2 cows. Your neighbor has none. You feel guilty for being successful. You vote people into office who put a tax on your cows, forcing you to sell 1 to raise money to pay the tax. The people you voted for then take the tax money, buy a cow and give it to your neighbor. You feel righteous. Barbara Streisand sings for you.

A CHRISTIAN DEMOCRAT: You have 2 cows. You keep 1 and give 1 to your neighbor.

SOCIALIST: You have 2 cows. The government takes 1 and gives it to your neighbor. You form a cooperative to tell him how to manage his cow.

REPUBLICAN: You have 2 cows. Your neighbor has none. So?

COMMUNIST: You have 2 cows. The government seizes both and provides you with milk. You wait in line for hours to get it. It is expensive and sour.

A FASCIST: You have 2 cows. The government seizes both and sells you the milk. You join the underground and start a campaign of sabotage.

CAPITALISM, AMERICAN STYLE: You have 2 cows. You sell 1, buy a bull and build a herd.

DEMOCRACY, AMERICAN STYLE: You have 2 cows. The government taxes you to the point you have to sell both to support a man in a foreign country who has only 1 cow, which was a gift from your government.

BUREAUCRACY, AMERICAN STYLE: You have 2 cows. The government takes them both, shoots 1, milks the other, pays you for the milk, then pours the milk down the drain.

TRADITIONAL CAPITALISM: You have 2 cows. You sell 1 and buy a bull. Your herd multiplies and the economy grows. You sell them and retire on the income.

ENRON VENTURE CAPITALISM: You have 2 cows. You sell 3 of them to your publicly listed company, using letters of credit opened by your brother-in-law at the bank, then execute a debt/equity swap with an associated general offer so that you get all 4 cows back, with a tax exemption for 5 cows. The milk rights of the 6 cows are transferred via an intermediary to a Cayman Island company secretly owned by the majority shareholder who sells, the rights to all 7 cows back to your listed company. The annual report says the company owns 8 cows, with an option on 1 more. Sell 1 cow to buy a new president of the United States, leaving you with 9 cows. No balance sheet provided with the release. The public buys your bull.

AN AMERICAN CORPORATION: You have 2 cows. You sell 1, lease it back to yourself and do an IPO on the second. You force the 2 cows to produce the milk of 4 cows. You're surprised when the cow drops dead. You spin an announcement to the analysts stating you have downsized and are reducing expenses. Your stock goes up.

A FRENCH CORPORATION: You have 2 cows. You go on strike because you want 3 cows. You go to lunch and drink wine. Life is good.

A JAPANESE CORPORATION: You have 2 cows. You re-design them so they are 1/10 the size of an ordinary cow and produce 20 times the milk. They learn to travel on unbelievably crowded trains. Most are at the top of their class at cow school. You then create clever cow cartoon images called Cowkimon and market them World-Wide.

A GERMAN CORPORATION: You have 2 cows. You reengineer them so they live for 100 years, eat once a month, milk themselves, are all blond, drink lots of beer, give excellent quality milk and run 100 miles an hour. Unfortunately they also demand 13 weeks of vacation per year.

POLISH CORPORATION: You have 2 bulls. Employees are regularly maimed and killed attempting to milk them.

A BRITISH CORPORATION: You have 2 cows. Both are mad.

AN ITALIAN CORPORATION: You have 2 cows, but you don't know where they are. While ambling around, you see a beautiful woman. You break for lunch.

A RUSSIAN CORPORATION: You have 2 cows. You count them and learn you have 5 cows. You count them again and learn you have 42 cows. You count them again and learn you have 12 cows. You stop counting cows and open another bottle of vodka. You produce your 10th 5-year plan in the last 3 months. The Mafia shows up and takes over however many cows you really have. Who cares as long as the Vodka doesn't run out!

A MEXICAN CORPORATION: You think you have 2 cows, but you don't know what a cow looks like. You take a nap.

A BRAZILIAN CORPORATION: You have 2 cows. You enter into a partnership with an American corporation. Soon you have 1000 cows and the American corporation declares bankruptcy.

A SWISS CORPORATION: You have 5000 cows, none of which belong to you. You charge others for storing them.

A HINDU CORPORATION: You have 2 cows. You worship them.

TALIBAN CORPORATION: You have all the cows in Afghanistan, which is 2. You don't milk them because you cannot touch any creature's private parts. At night when no one is looking, you have sex with both of them. Then you kill them and claim a US bomb blew them up while they were in the hospital.

A CHINESE CORPORATION: You have 2 cows. You have 300 people milking them. You claim full employment, high bovine productivity and arrest the newsman who reported the numbers.

AN ISRAELI CORPORATION: So, there are these 2 Jewish cows, right? They open a milk factory, an ice cream store and then sell the movie rights. They send their calves to Harvard to become doctors. So, who needs people?

FLORIDA CORPORATION: You have a black cow and a brown cow. Everyone votes for the best-looking 1. Some of the people who like the brown 1 best, vote for the black one. Some people vote for both. Some people vote for neither. Some people can't figure out how to vote at all. Finally, a bunch of guys from out-of-state tell you which is the best-looking one.

NEW YORK CORPORATION: You have 15 million cows. You have to choose which 1 will be the leader of the herd, so you pick some fat cow from Arkansas.

AN ARKANSAS CORPORATION: You have two cows. That 1 on the left is kinda cute!

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"I used to think I was poor. Then they told me I wasn't poor - I was needy. Then they told me it was self-defeating to think of myself as needy. I was deprived. Then they told me that underprivileged was overused. I was disadvantaged. I still don't have a dime. But I have a great vocabulary." - Jules Feiffer, 1965 cartoon

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"My problem lies with reconciling my gross habits with my net income." --Errol Flynn

Glossary of Investment Items

Bull Market - A random market movement causing an investor to mistake himself for a financial genius.

Bear Market - A period when the kids get no allowance, the wife gets no jewelry and the husband gets no sex.

Stock Split - When your ex-wife and her lawyer split all your assets equally between themselves.

Your Broker - Poorer than you were last year.

P/E ratio - The percentage of investors PEeing in their pants as this market keeps crashing.

Standard and Poor - Your life in a nut shell.

Market Correction - The day after you buy stocks.

Cash Flow - The movement your money makes as it disappears down the toilet.

Call Option - Something people used to do with a telephone in ancient times before e-mail.

Day Trader - Someone who is disloyal from 9-5.

Microsoft - A condition temporarily remedied by Viagra.

Yahoo - What you yell after selling it to some poor sucker for \$540/share.

Windows 2000 - What you jump out of when you're the sucker that bought Yahoo for \$540/share.

Institutional Investor - Past year investor who's now locked up in a nut house.

Profit - Religious guy who talks to God.

Bill Gates - Where God goes for a loan.

Alan Greenspan - God.