

## Our View: A Conspiracy of Fools

Philip Verleger

June 4, 2023

*Conspiracy of Fools* by Kurt Eichenwald describes Enron's rise and collapse.<sup>1</sup> Enron was once a great company. It revolutionized natural gas marketing and natural gas and electricity trading. The firm's risk managers were the best in the world. Many energy billionaires began their careers there. Then Enron was brought to bankruptcy by the arrogant belief that it could extend its business model far beyond natural gas, electricity, and oil marketing and trading. *Conspiracy of Fools* describes the company's overreach and the consequences.

Saudi Arabia's oil ministry and national oil company are repeating Enron's mistakes. Because the country needs increased income, its oil traders are buying Russian diesel for domestic consumption while exporting the diesel the country produces to Asia and Europe. The exports boost revenue, but they also depress crude prices. The tradeoff costs Saudi Arabia more than \$1 billion per month.

Then, at the June 4 OPEC meeting, Saudi Arabia tried to get the member producers to cut production more. When that effort failed, the Saudis announced they would unilaterally reduce output a further one million barrels per day in July. This cut may boost oil prices, but it will also reduce Saudi Arabia's export income, especially as higher interest rates force global inventory reductions. The resulting decrease runs contrary to Crown Prince Mohammed bin Salman's demand for greater export revenue to fund his gigaprojects.

Enron's failure led to market chaos. Chaos may await oil markets in coming months when the conspiracy of fools in Saudi Arabia realizes its actions have reduced the country's income from oil.

---

<sup>1</sup> Kurt Eichenwald, *Conspiracy of Fools* (New York: Broadway Books, 2005) [<https://tinyurl.com/ywa24z4c>].