

blind them. They directed Enron's traders to branch out into the buying and selling of wholesale electricity. Diversification into water utilities and trading broadband capacity soon followed. Skilling, who rose to serve as Lay's number two, exhorted his subordinates to exploit Securities and Exchange Commission (SEC) and tax rules, squeezing every possible advantage from the deals he struck at a furious pace. But Enron's skill as middleman in the natural-gas trade simply failed to translate to other realms. Skilling's investment gambles didn't provide adequate cash to fund the commodity-trading operations, and by 1997, profits were declining.

Rather than rethink and retrench, Lay and Skilling unleashed their chief financial officer, Andrew Fastow, to sell overvalued and underperforming assets to off-the-balance-sheet partnerships, some of which Fastow himself controlled in a blatant conflict of interest approved by a somnolent board of directors. The plan, such as it was, involved "managing" the company's reported earnings, minimizing its reported debt, and preserving its pumped-up credit rating and stock price. It all worked for a while—the deception part, anyway—transforming Lay and Skilling into heroes of the business press and heroically compensated icons of a supercharged, digitalized economy, circa 2000.

You remember the rest. In 2001, Arthur Andersen, Enron's auditor-turned-enabler, suddenly "discovered" accounting irregularities related to the off-balance-sheet partnerships. Massive charges against earnings and write-downs of shareholders' equity ensued. Its trading partners quickly losing faith, Enron collapsed into bankruptcy in what Skilling described as an energy-industry version of a "run on the bank." Before they shut off the lights, he and Lay personally cashed in more than \$200 million from sales of Enron shares and exercised stock options.

It took the Justice Department more than three years to sort out the mess and start the indictment process, critically aided by Fastow, who turned state's evidence. The sort-of-repentant ex-financial whiz admitted he had distorted Enron's earnings and enriched himself at the expense of shareholders. Five major banks that allegedly had colluded with Enron agreed to pay billions to settle civil suits. Arthur Andersen, targeted by prosecutors for obstruction of justice, closed its doors.

O P E N B O O K

"A Liar's Biography"

An art forger's success has less to do with "his prowess as a visual artist than with his use and misuse of history." So writes Jonathan Lopez '91 in "A Liar's Biography," the introduction to his new work, *The Man Who Made Vermeers: Unvarnishing the Legend of Master Forger Han van Meegeren* (Harcourt, \$26). More from the astonishing tale:

At the end of World War II, shortly after the liberation of Amsterdam, the Dutch government threw wealthy artist Han van Meegeren into jail as a Nazi collaborator, charging that he had sold a priceless Vermeer to Hermann Goering during the German occupation. In a spectacular turn of events, Van Meegeren soon broke down and confessed that he himself had painted Goering's Vermeer. The great masterpiece was a phony.

While he was at it, Van Meegeren also admitted to forging several other pictures, including Vermeer's famed *Supper at Emmaus*, the pride of Rotterdam's Boijmans Museum, a painting once hailed by the prominent art historian Abraham Bredius not merely as a masterpiece, but indeed "the masterpiece of Johannes Vermeer of Delft." When the news got out, it made headlines around the world, and the forger became an instant folk hero. In widely reported interviews at the time, Van Meegeren claimed to be a misunderstood genius who had turned to forgery only late in life, seeking revenge on the critics who had scorned him early in his artistic career.

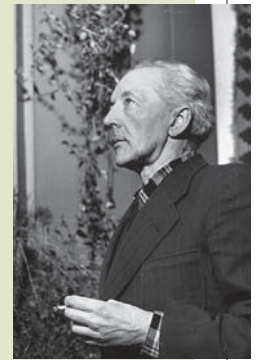
An ancient grievance redeemed; a wrong put right. It was a wildly appealing tale back in 1945, and indeed it remains quite seductive today. In the Netherlands...the story of the wily Dutchman who swindled Hermann Goering continues to raise a smile.

But the forger had one more trick up his sleeve: his version of events turns out to have been extravagantly untrue.

...Van Meegeren worked for decades with a ring of shady art dealers promoting fake old masters, some of which ended up in the possession of such prominent collectors as Andrew Mellon and Baron Heinrich Thyssen. All the while, Van Meegeren cultivated a fascination with

Hitler and Nazism that, when the occupation came, would provide him entrée to the highest level of Dutch collaborators.

Art fraud, like other fields of artistic endeavor, has its own traditions, masters, and lineages. When Van Meegeren entered the world of forgery, he joined a preexisting culture of illicit commerce that had thrived in Europe and America for years



An early fake: *The Lace Maker*, a forgery in the style of Vermeer, ca. 1926. Above, Han van Meegeren, 1945



and would continue to thrive throughout the first half of the twentieth century, a time when the market for old masters was booming....The picture swindles with which Van Meegeren was involved during the 1920s were remarkable both for their financial scale and for the numbers and types of people involved....[H]e knew precisely how to seize on the zeitgeist and turn it to his own ends; to match what people wanted to hear with what he wanted them to believe.

FROM THE BOOK