

Covert Operations (Part I)

Written by shabait Administrator
Friday, 15 October 2010 07:26 -

The billionaire brothers who are waging a war against Obama.

By Jane Mayer

On May 17th, a black-tie audience at the Metropolitan Opera House applauded as a tall, jovial-looking billionaire took the stage. It was the seventieth annual spring gala of American Ballet Theatre, and David H. Koch was being celebrated for his generosity as a member of the board of trustees; he had recently donated \$2.5 million toward the company's upcoming season, and had given many millions before that. Koch received an award while flanked by two of the gala's co-chairs, Blaine Trump, in a peach-colored gown, and Caroline Kennedy Schlossberg, in emerald green. Kennedy's mother, Jacqueline Kennedy Onassis, had been a patron of the ballet and, coincidentally, the previous owner of a Fifth Avenue apartment that Koch had bought, in 1995, and then sold, eleven years later, for thirty-two million dollars, having found it too small. The gala marked the social ascent of Koch, who, at the age of seventy, has become one of the city's most prominent philanthropists. In 2008, he donated a hundred million dollars to modernize Lincoln Center's New York State Theatre building, which now bears his name. He has given twenty million to the American Museum of Natural History, whose dinosaur wing is named for him. This spring, after noticing the decrepit state of the fountains outside the Metropolitan Museum of Art, Koch pledged at least ten million dollars for their renovation. He is a trustee of the museum, perhaps the most coveted social prize in the city, and serves on the board of Memorial Sloan-Kettering Cancer Center, where, after he donated more than forty million dollars, an endowed chair and a research center were named for him.

One dignitary was conspicuously absent from the gala: the event's third honorary co-chair, Michelle Obama. Her office said that a scheduling conflict had prevented her from attending. Yet had the First Lady shared the stage with Koch it might have created an awkward tableau. In Washington, Koch is best known as part of a family that has repeatedly funded stealth attacks on the federal government and on the Obama Administration in particular.

With his brother Charles, who is seventy-four, David Koch owns virtually all of Koch Industries, a conglomerate, headquartered in Wichita, Kansas, whose annual revenues are estimated to be a hundred billion dollars. The company has grown spectacularly since their father, Fred, died, in 1967, and the brothers took charge. The Kochs operate oil refineries in Alaska, Texas, and Minnesota, and control some four thousand miles of pipeline. Koch Industries owns Brawny paper towels, Dixie cups, Georgia-Pacific lumber, Stainmaster carpet, and Lycra, among other products. Forbes ranks it as the second-largest private company in the country, after Cargill,

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and its consistent profitability has made David and Charles Koch—who, years ago, bought out two other brothers—among the richest men in America. Their combined fortune of thirty-five billion dollars is exceeded only by those of Bill Gates and Warren Buffett.

The Kochs are longtime libertarians who believe in drastically lower personal and corporate taxes, minimal social services for the needy, and much less oversight of industry—especially environmental regulation. These views dovetail with the brothers' corporate interests. In a study released this spring, the University of Massachusetts at Amherst's Political Economy Research Institute named Koch Industries one of the top ten air polluters in the United States. And Greenpeace issued a report identifying the company as a "kingpin of climate science denial." The report showed that, from 2005 to 2008, the Kochs vastly outdid Exxon Mobil in giving money to organizations fighting legislation related to climate change, underwriting a huge network of foundations, think tanks, and political front groups. Indeed, the brothers have funded opposition campaigns against so many Obama Administration policies—from health-care reform to the economic-stimulus program—that, in political circles, their ideological network is known as the Kochtopus.

In a statement, Koch Industries said that the Greenpeace report "distorts the environmental record of our companies." And David Koch, in a recent, admiring article about him in New York, protested that the "radical press" had turned his family into "whipping boys," and had exaggerated its influence on American politics. But Charles Lewis, the founder of the Center for Public Integrity, a nonpartisan watchdog group, said, "The Kochs are on a whole different level. There's no one else who has spent this much money. The sheer dimension of it is what sets them apart. They have a pattern of lawbreaking, political manipulation, and obfuscation. I've been in Washington since Watergate, and I've never seen anything like it. They are the Standard Oil of our times."

A few weeks after the Lincoln Center gala, the advocacy wing of the Americans for Prosperity Foundation—an organization that David Koch started, in 2004—held a different kind of gathering. Over the July 4th weekend, a summit called Texas Defending the American Dream took place in a chilly hotel ballroom in Austin. Though Koch freely promotes his philanthropic ventures, he did not attend the summit, and his name was not in evidence. And on this occasion the audience was roused not by a dance performance but by a series of speakers denouncing President Barack Obama. Peggy Venable, the organizer of the summit, warned that Administration officials "have a socialist vision for this country."

Five hundred people attended the summit, which served, in part, as a training session for Tea Party activists in Texas. An advertisement cast the event as a populist uprising against vested

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corporate power. “Today, the voices of average Americans are being drowned out by lobbyists and special interests,” it said. “But you can do something about it.” The pitch made no mention of its corporate funders. The White House has expressed frustration that such sponsors have largely eluded public notice. David Axelrod, Obama’s senior adviser, said, “What they don’t say is that, in part, this is a grassroots citizens’ movement brought to you by a bunch of oil billionaires.”

In April, 2009, Melissa Cohlma, a company spokesperson, denied that the Kochs had direct links to the Tea Party, saying that Americans for Prosperity is “an independent organization and Koch companies do not in any way direct their activities.” Later, she issued a statement: “No funding has been provided by Koch companies, the Koch foundations, or Charles Koch or David Koch specifically to support the tea parties.” David Koch told New York, “I’ve never been to a tea-party event. No one representing the tea party has ever even approached me.”

At the lectern in Austin, however, Venable—a longtime political operative who draws a salary from Americans for Prosperity, and who has worked for Koch-funded political groups since 1994—spoke less warily. “We love what the Tea Parties are doing, because that’s how we’re going to take back America!” she declared, as the crowd cheered. In a subsequent interview, she described herself as an early member of the movement, joking, “I was part of the Tea Party before it was cool!” She explained that the role of Americans for Prosperity was to help “educate” Tea Party activists on policy details, and to give them “next-step training” after their rallies, so that their political energy could be channeled “more effectively.” And she noted that Americans for Prosperity had provided Tea Party activists with lists of elected officials to target. She said of the Kochs, “They’re certainly our people. David’s the chairman of our board. I’ve certainly met with them, and I’m very appreciative of what they do.”

Venable honored several Tea Party “citizen leaders” at the summit. The Texas branch of Americans for Prosperity gave its Blogger of the Year Award to a young woman named Sibyl West. On June 14th, west, writing on her site, described Obama as the “cokehead in chief.” In an online thread, West speculated that the President was exhibiting symptoms of “demonic possession (aka schizophrenia, etc.)” The summit featured several paid speakers, including Janine Turner, the actress best known for her role on the television series “Northern Exposure.” She declared, “They don’t want our children to know about their rights. They don’t want our children to know about a God!”

During a catered lunch, Venable introduced Ted Cruz, a former solicitor general of Texas, who told the crowd that Obama was “the most radical President ever to occupy the Oval Office,” and had hidden from voters a secret agenda—“the government taking over our economy and our lives.” Countering Obama, Cruz proclaimed, was “the epic fight of our generation!” As the crowd rose to its feet and cheered, he quoted the defiant words of a Texan at the Alamo: “Victory, or

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death!"

Americans for Prosperity has worked closely with the Tea Party since the movement's inception. In the weeks before the first Tax Day protests, in April, 2009, Americans for Prosperity hosted a Web site offering supporters "Tea Party Talking Points." The Arizona branch urged people to send tea bags to Obama; the Missouri branch urged members to sign up for "Taxpayer Tea Party Registration" and provided directions to nine protests. The group continues to stoke the rebellion. The North Carolina branch recently launched a "Tea Party Finder" Web site, advertised as "a hub for all the Tea Parties in North Carolina."

The anti-government fervor infusing the 2010 elections represents a political triumph for the Kochs. By giving money to "educate," fund, and organize Tea Party protesters, they have helped turn their private agenda into a mass movement. Bruce Bartlett, a conservative economist and a historian, who once worked at the National Center for Policy Analysis, a Dallas-based think tank that the Kochs fund, said, "The problem with the whole libertarian movement is that it's been all chiefs and no Indians. There haven't been any actual people, like voters, who give a crap about it. So the problem for the Kochs has been trying to create a movement." With the emergence of the Tea Party, he said, "everyone suddenly sees that for the first time there are Indians out there—people who can provide real ideological power." The Kochs, he said, are "trying to shape and control and channel the populist uprising into their own policies."

A Republican campaign consultant who has done research on behalf of Charles and David Koch said of the Tea Party, "The Koch brothers gave the money that founded it. It's like they put the seeds in the ground. Then the rainstorm comes, and the frogs come out of the mud—and they're our candidates!" The Kochs and their political operatives declined requests for interviews. Instead, a prominent New York public-relations executive who is close with the Kochs put forward two friends: George Pataki, the former governor of New York, and Mortimer Zuckerman, the publisher and real-estate magnate. Pataki, a Republican who received campaign donations from David Koch, called him "a patriot who cares deeply about his country." Zuckerman praised David's "gentle decency" and the "range of his public interests."

The Republican campaign consultant said of the family's political activities, "To call them under the radar is an understatement. They are underground!" Another former Koch adviser said, "They're smart. This right-wing, redneck stuff works for them. They see this as a way to get things done without getting dirty themselves." Rob Stein, a Democratic political strategist who has studied the conservative movement's finances, said that the Kochs are "at the epicenter of the anti-Obama movement. But it's not just about Obama. They would have done the same to Hillary Clinton. They did the same with Bill Clinton. They are out to destroy progressivism." Oddly enough, the fiercely capitalist Koch family owes part of its fortune to Joseph Stalin. Fred Koch was the son of a Dutch printer who settled in Texas and ran a weekly newspaper. Fred

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attended M.I.T., where he earned a degree in chemical engineering. In 1927, he invented a more efficient process for converting oil into gasoline, but, according to family lore, America's major oil companies regarded him as a threat and shut him out of the industry. Unable to succeed at home, Koch found work in the Soviet Union. In the nineteen-thirties, his company trained Bolshevik engineers and helped Stalin's regime set up fifteen modern oil refineries. Over time, however, Stalin brutally purged several of Koch's Soviet colleagues. Koch was deeply affected by the experience, and regretted his collaboration. He returned to the U.S. In the headquarters of his company, Rock Island Oil & Refining, in Wichita, he kept photographs aimed at proving that some of those Soviet refineries had been destroyed in the Second World War.

Gus di Zerega, a former friend of Charles Koch, recalled, "As the Soviets became a stronger military power, Fred felt a certain amount of guilt at having helped build them up. I think it bothered him a lot."

In 1958, Fred Koch became one of the original members of the John Birch Society, the arch-conservative group known, in part, for a highly skeptical view of governance and for spreading fears of a Communist takeover. Members considered President Dwight D. Eisenhower to be a Communist agent. In a self-published broadside, Koch claimed that "the Communists have infiltrated both the Democrat and Republican Parties." He wrote admiringly of Benito Mussolini's suppression of Communists in Italy, and disparagingly of the American civil-rights movement. "The colored man looms large in the Communist plan to take over America," he warned. Welfare was a secret plot to attract rural blacks to cities, where they would foment "a vicious race war." In a 1963 speech that prefigures the Tea Party's talk of a secret socialist plot, Koch predicted that Communists would "infiltrate the highest offices of government in the U.S. until the President is a Communist, unknown to the rest of us."

Koch married Mary Robinson, the daughter of a Missouri physician, and they had four sons: Freddie, Charles, and twins, David and William. John Damgard, the president of the Futures Industry Association, was David's schoolmate and friend. He recalled that Fred Koch was "a real John Wayne type." Koch emphasized rugged pursuits, taking his sons big-game hunting in Africa, and requiring them to do farm labor at the family ranch. The Kochs lived in a stone mansion on a large compound across from Wichita's country club; in the summer, the boys could hear their friends splashing in the pool, but they were not allowed to join them. "By instilling a work ethic in me at an early age, my father did me a big favor, although it didn't seem like a favor back then," Charles has written. "By the time I was eight, he made sure work occupied most of my spare time." David Koch recalled that his father also indoctrinated the boys politically. "He was constantly speaking to us children about what was wrong with government," he told Brian Doherty, an editor of the libertarian magazine *Reason*, and the author of "Radicals for Capitalism," a 2007 history of the libertarian movement. "It's something I grew up with—a fundamental point of view that big government was bad, and imposition of government controls on our lives and economic fortunes was not good."

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David attended Deerfield Academy, in Massachusetts, and Charles was sent to military school. Charles, David, and William all earned engineering degrees at their father's alma mater, M.I.T., and later joined the family company. Charles eventually assumed control, with David as his deputy; William's career at the company was less successful. Freddie went to Harvard and studied playwriting at the Yale School of Drama. His father reportedly disapproved of him, and punished him financially. (Freddie, through a spokesperson, denied this.)

In 1967, after Fred Koch died, of a heart attack, Charles renamed the business Koch Industries, in honor of his father. Fred Koch's will made his sons extraordinarily wealthy. David Koch joked about his good fortune in a 2003 speech to alumni at Deerfield, where, after pledging twenty-five million dollars, he was made the school's sole "lifetime trustee." He said, "You might ask: How does David Koch happen to have the wealth to be so generous? Well, let me tell you a story. It all started when I was a little boy. One day, my father gave me an apple. I soon sold it for five dollars and bought two apples and sold them for ten. Then I bought four apples and sold them for twenty. Well, this went on day after day, week after week, month after month, year after year, until my father died and left me three hundred million dollars!"

David and Charles had absorbed their father's conservative politics, but they did not share all his views, according to di Zerega, who befriended Charles in the mid-sixties, after meeting him while browsing in a John Birch Society bookstore in Wichita. Charles eventually invited him to the Kochs' mansion, to participate in an informal political-discussion group. "It was pretty clear that Charles thought some of the Birch Society was bullshit," di Zerega recalled.

Di Zerega, who has lost touch with Charles, eventually abandoned right-wing views, and became a political-science professor. He credits Charles with opening his mind to political philosophy, which set him on the path to academia; Charles is one of three people to whom he dedicated his first book. But di Zerega believes that the Koch brothers have followed a wayward intellectual trajectory, transferring their father's paranoia about Soviet Communism to a distrust of the U.S. government, and seeing its expansion, beginning with the New Deal, as a tyrannical threat to freedom. In an essay, posted on Beliefnet, diZerega writes, "As state socialism failed . . . the target for many within these organizations shifted to any kind of regulation at all. 'Socialism' kept being defined downwards."

Members of the John Birch Society developed an interest in a school of Austrian economists who promoted free-market ideals. Charles and David Koch were particularly influenced by the work of Friedrich von Hayek, the author of "The Road to Serfdom" (1944), which argued that centralized government planning led, inexorably, to totalitarianism. Hayek's belief in unfettered capitalism has proved inspirational to many conservatives, and to anti-Soviet dissidents; lately, Tea Party supporters have championed his work. In June, the talk-radio host Glenn Beck, who has supported the Tea Party rebellion, promoted "The Road to Serfdom" on his show; the paperback soon became a No. 1 best-seller on Amazon. (Beck appears to be a fan of the Kochs; in the midst of a recent on-air parody of Al Gore, Beck said, without explanation, "I want to thank Charles Koch for this information." Beck declined to elaborate on the relationship.)

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Charles and David also became devotees of a more radical thinker, Robert LeFevre, who favored the abolition of the state but didn't like the label "anarchist"; he called himself an "autarchist." LeFevre liked to say that "government is a disease masquerading as its own cure." In 1956, he opened an institution called the Freedom School, in Colorado Springs. Brian Doherty, of Reason, told me that "LeFevre was an anarchist figure who won Charles's heart," and that the school was "a tiny world of people who thought the New Deal was a horrible mistake." According to di Zerega, Charles supported the school financially, and even gave him money to take classes there.

Throughout the seventies, Charles and David continued to build Koch Industries. In 1980, William, with assistance from Freddie, attempted to take over the company from Charles, who, they felt, had assumed autocratic control. In retaliation, the company's board, which answered to Charles, fired William. ("Charles runs it all with an iron hand," Bruce Bartlett, the economist, told me.) Lawsuits were filed, with William and Freddie on one side and Charles and David on the other. In 1983, Charles and David bought out their brothers' share in the company for nearly a billion dollars. But the antagonism remained, and litigation continued for seventeen more years, with the brothers hiring rival private investigators; in 1990, they walked past one another with stony expressions at their mother's funeral. Eventually, Freddie moved to Monaco, which has no income tax. He bought historic estates in France, Austria, and elsewhere, filling them with art, antiques, opera scores, and literary manuscripts. William founded his own energy company, Oxbow, and turned to yachting; he spent an estimated sixty-five million dollars to win the America's Cup, in 1992.

With Charles as the undisputed chairman and C.E.O., Koch Industries expanded rapidly. Roger Altman, who heads the investment-banking firm Evercore, told me that the company's performance has been "beyond phenomenal." Charles remained in Wichita, with his wife and two children, guarding his privacy while supporting community charities. David moved to New York City, where he is an executive vice-president of the company and the C.E.O. of its Chemical Technology Group. A financial expert who knows Koch Industries well told me, "Charles is the company. Charles runs it." David, described by associates as "affable" and "a bit of a lunk," enjoyed for years the life of a wealthy bachelor. He rented a yacht in the South of France and bought a waterfront home in Southampton, where he threw parties that the Web site New York Social Diary likened to an "East Coast version of Hugh Hefner's soirées." In 1996, he married Julia Flesher, a fashion assistant. They live in a nine-thousand-square-foot duplex at 740 Park Avenue, with their three children. Though David's manner is more cosmopolitan, and more genial, than that of Charles, Brian Doherty, who has interviewed both brothers, couldn't think of a single issue on which the brothers disagreed.

As their fortunes grew, Charles and David Koch became the primary underwriters of hard-line libertarian politics in America. Charles's goal, as Doherty described it, was to tear the

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government “out at the root.” The brothers’ first major public step came in 1979, when Charles persuaded David, then thirty-nine, to run for public office. They had become supporters of the Libertarian Party, and were backing its Presidential candidate, Ed Clark, who was running against Ronald Reagan from the right. Frustrated by the legal limits on campaign donations, they contrived to place David on the ticket, in the Vice-Presidential slot; upon becoming a candidate, he could lavish as much of his personal fortune as he wished on the campaign. The ticket’s slogan was “The Libertarian Party has only one source of funds: You.” In fact, its primary source of funds was David Koch, who spent more than two million dollars on the effort.

Many of the ideas propounded in the 1980 campaign presaged the Tea Party movement. Ed Clark told *The Nation* that libertarians were getting ready to stage “a very big tea party,” because people were “sick to death” of taxes. The Libertarian Party platform called for the abolition of the F.B.I. and the C.I.A., as well as of federal regulatory agencies, such as the Securities and Exchange Commission and the Department of Energy. The Party wanted to end Social Security, minimum-wage laws, gun control, and all personal and corporate income taxes; it proposed the legalization of prostitution, recreational drugs, and suicide. Government should be reduced to only one function: the protection of individual rights. William F. Buckley, Jr., a more traditional conservative, called the movement “Anarcho-Totalitarianism.” That November, the Libertarian ticket received only one per cent of the vote. The brothers realized that their brand of politics didn’t sell at the ballot box. Charles Koch became openly scornful of conventional politics. “It tends to be a nasty, corrupting business,” he told a reporter at the time. “I’m interested in advancing libertarian ideas.” According to Doherty’s book, the Kochs came to regard elected politicians as merely “actors playing out a script.” A longtime confidant of the Kochs told Doherty that the brothers wanted to “supply the themes and words for the scripts.” In order to alter the direction of America, they had to “influence the areas where policy ideas percolate from: academia and think tanks.”