

DARK MONEY

*How a SECRETIVE GROUP of
BILLIONAIRES is TRYING to
BUY POLITICAL CONTROL in the US*

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SCRIBE

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CHAPTER ONE

Radicals: A Koch Family History

ODDLY ENOUGH, THE FIERCELY LIBERTARIAN KOCH FAMILY OWED PART of its fortune to two of history's most infamous dictators, Joseph Stalin and Adolf Hitler. The family patriarch, Fred Chase Koch, founder of the family oil business, developed lucrative business relationships with both of their regimes in the 1930s.

According to family lore, Fred Koch was the son of a Dutch printer and publisher who settled in the small town of Quanah, Texas, just south of the Oklahoma border, where he owned a weekly newspaper and print shop. Quanah, which was named for the last American Comanche chief, Quanah Parker, still retained its frontier aura when Fred was born there in 1900. Bright and eager to get out from under his overbearing old-world father, Fred once ran away to live with the Comanches as a boy. Later, he crossed the country for college, transferring from Rice in Texas to attend the Massachusetts Institute of Technology. There, he earned a degree in chemical engineering and joined the boxing team. Early photographs show him as a tall, formally dressed young man with glasses, a tuft of unruly curls, and a self-confident, defiant expression.

In 1927, Fred, who was an inveterate tinkerer, invented an improved process for extracting gasoline from crude oil. But as he would later tell his sons bitterly and often, America's major oil companies regarded him as a business threat and shut him out of the industry, suing him and his customers in 1929 for patent infringement. Koch regarded the monopolistic patents invoked by the major oil companies as anticompetitive and unfair. The fight appears to be an early version of the Kochs' later opposition to "corporate cronyism" in which they

contend that the government and big business collaborate unfairly. In Fred Koch's eye, he was an outsider fighting a corrupt system.

Koch fought back in the courts for more than fifteen years, finally winning a \$1.5 million settlement. He correctly suspected that his opponents bribed at least one presiding judge, an incompetent lush who left the case in the hands of a crooked clerk. "The fact that the judge was bribed completely altered their view of justice," one long-time family employee suggests. "They believe justice can be bought, and the rules are for chumps." Meanwhile, crippled by lawsuits in America during this period, Koch took his innovative refining method abroad.

He had already helped build a refinery in Great Britain after World War I with Charles de Ganahl, a mentor. At the time, the Russians supplied England with fuel, which led to the Russians seeking his expertise as they set up their own oil refineries after the Bolshevik Revolution.

At first, according to family lore, Koch tore up the telegram from the Soviet Union asking for his help. He said he didn't want to work for Communists and didn't trust them to pay him. But after securing an agreement to get paid in advance, he overcame his philosophical reservations. In 1930, his company, then called Winkler-Koch, began training Russian engineers and helping Stalin's regime set up fifteen modern oil refineries under the first of Stalin's five-year plans. The program was a success, forming the backbone of the future Russian petroleum industry. The oil trade brought crucial hard currency into the Soviet Union, enabling it to modernize other industries. Koch was reportedly paid \$500,000, a princely sum during America's Great Depression. But by 1932, facing growing domestic demand, Soviet officials decided it would be more advantageous to copy the technology and build future refineries themselves. Fred Koch continued to provide technical assistance to the Soviets as they constructed one hundred plants, according to one report, but the advisory work was less profitable.

What happened next has been excised from the official corporate history of Koch Industries. After mentioning the company's work in the Soviet Union, the bulk of which ended in 1932, the corporate history skips ahead to 1940, when it says Fred Koch decided to found a new company, Wood River Oil & Refining. Charles Koch is equally vague in his book *The Science of Success*. He notes only that his father's

company "enjoyed its first real financial success during the early years of the Great Depression" by "building plants abroad, especially in the Soviet Union."

A controversial chapter is missing. After leaving the U.S.S.R., Fred Koch turned to Adolf Hitler's Third Reich. Hitler became chancellor in 1933, and soon after, his government oversaw and funded massive industrial expansion, including the buildup of Germany's capacity to manufacture fuel for its growing military ambitions. During the 1930s, Fred Koch traveled frequently to Germany on oil business. Archival records document that in 1934 Winkler-Koch Engineering of Wichita, Kansas, as Fred's firm was then known, provided the engineering plans and began overseeing the construction of a massive oil refinery owned by a company on the Elbe River in Hamburg.

The refinery was a highly unusual venture for Koch to get involved with at that moment in Germany. Its top executive was a notorious American Nazi sympathizer named William Rhodes Davis whose extensive business dealings with Hitler would eventually end in accusations by a federal prosecutor that he was an "agent of influence" for the Nazi regime. In 1933, Davis proposed the purchase and conversion of an existing German oil storage facility in Hamburg, owned by a company called Europäische Tanklager A.G., or Euro-tank, into a massive refinery. At the time, Hitler's military aims, and his need for more fuel, were already well-known. Davis's plan was to ship crude petroleum to Germany, refine it, and then sell it to the German military. The president of the American bank with which Davis dealt refused to have anything to do with the deal, because it was seen as supporting the Nazi military buildup, but others extended the credit. After lining up the American financing, Davis needed the Third Reich's backing. To gain it, he first had to convince German industrialists of his support for Hitler. In his effort to ingratiate himself, Davis opened an early meeting with Hermann Schmitz, the chairman of I.G. Farben—the powerful and well-connected chemical company that soon after produced the lethal gas for the concentration camps' death chambers—by saluting him with a Nazi "Heil Hitler." When these efforts didn't produce the green light he sought, Davis sent messages directly to Hitler, eventually securing a meeting in which the führer walked in and ordered his henchmen to approve the deal. On Hitler's orders, the Third Reich's economic ministers sup-

ported Davis's construction of the refinery. In his biography of Davis, Dale Harrington draws on eyewitness accounts to describe Hitler as declaring to his skeptical henchmen, "Gentlemen, I have reviewed Mr. Davis's proposition and it sounds feasible, and I want the bank to finance it." Harrington writes that during the next few years Davis met at least half a dozen more times with Hitler and on one occasion asked him to personally autograph a copy of *Mein Kampf* for his wife. According to Harrington, by the end of 1933 Davis was "deeply committed to Nazism" and exhibited a noticeable "dislike for Jews."

In 1934, Davis turned to Fred Koch's company, Winkler-Koch, for help in executing his German business plan. Under Fred Koch's direction, the refinery was finished by 1935. With the capacity to process a thousand tons of crude oil a day, the third-largest refinery in the Third Reich was created by the collaboration between Davis and Koch. Significantly, it was also one of the few refineries in Germany, according to Harrington, that could "produce the high-octane gasoline needed to fuel fighter planes. Naturally," he writes, "Eurotank would do most of its business with the German military." Thus, he concludes, the American venture became "a key component of the Nazi war machine."

Historians expert in German industrial history concur. The development of the German fuel industry "was hugely, hugely important" to Hitler's military ambitions, according to the Northwestern University professor Peter Hayes. "Hitler set out to create 'autarchy,' or economic self-sufficiency," he explained. "Gottfried Feder, the German official in charge of the program, reasoned that even though Germany would have to import crude oil, it would be able to save foreign exchange by refining the products itself."

In the run-up to the war, Davis profited richly from the arrangement, engaging in elaborate scams to keep the crude oil imports flowing into Germany despite Britain's blockade. When World War II began, the high-octane fuel was used in bombing raids by German pilots. Like Davis, the Koch family benefited from the venture. Raymond Stokes, director of the Centre for Business History at the University of Glasgow in Scotland and co-author of a history of the German oil industry during the Nazi years, *Faktor Öl* (The oil factor), which documents the company's role, says, "Winkler-Koch benefited directly from this project, which was designed to help enable the fuel policy of the Third Reich."

Fred Koch often traveled to Germany during these years, and according to family lore he was supposed to have been on the fatal May 1937 transatlantic flight of the *Hindenburg*, but at the last minute he got delayed. In late 1938, as World War II approached and Hitler's aims were unmistakable, he wrote admiringly about fascism in Germany, and elsewhere, drawing an invidious comparison with America under Franklin Roosevelt's New Deal. "Although nobody agrees with me, I am of the opinion that the only sound countries in the world are Germany, Italy, and Japan, simply because they are all working and working hard," he wrote in a letter to a friend. Koch added, "The laboring people in those countries are proportionately much better off than they are any place else in the world. When you contrast the state of mind of Germany today with what it was in 1925 you begin to think that perhaps this course of idleness, feeding at the public trough, dependence on government, etc., with which we are afflicted is not permanent and can be overcome."

When the United States entered World War II in 1941, family members say that Fred Koch tried to enlist in the U.S. military. Instead, the government directed him to use his chemical engineering prowess to help refine high-octane fuel for the American warplanes. Meanwhile, in an ironic turn, the Hamburg refinery that Winkler-Koch built became an important target of Allied bombing raids. On June 18, 1944, American B-17s finally destroyed it. The human toll of the bombing raids on Hamburg was almost unimaginable. In all, some forty-two thousand civilians were killed during the long and intense Allied campaign against Hamburg's crucial industrial targets.

Fred Koch's willingness to work with the Soviets and the Nazis was a major factor in creating the Koch family's early fortune. By the time he met his future wife, Mary Robinson, at a polo match in 1932, the oilman's work for Stalin had put him well on his way to becoming exceedingly wealthy.

Robinson, a twenty-four-year-old graduate of Wellesley College, was tall, slender, and beautiful, with blond hair, blue eyes, and an expression of amusement often captured in family photographs. The daughter of a prominent physician from Kansas City, Missouri, she had grown up in a more cosmopolitan milieu. Koch, who was seven years older than she, was so smitten he married her a month after they met.

Soon, the couple commissioned the most fashionable architect in

the area to build an imposing Gothic-style stone mansion on a large compound on the outskirts of Wichita, Kansas, where Winkler-Koch was based. Reflecting their rising social status, the estate was baronial despite the flat and empty prairie surrounding it, with stables, a polo ring, a kennel for hunting dogs, a swimming pool and wading pool, a circular drive, and stone-terraced gardens. Some of the best craftsmen in the country created decorative flourishes such as wrought-iron railings and a stone fireplace carved with a whimsical snowflake motif. Within a few years, the Kochs also purchased the sprawling Spring Creek Ranch near Reece, Kansas, where Fred, who loved science and genetics, bred and raised cattle. Family photographs show the couple looking glamorous and patrician, hosting picnics and pool parties, and riding on horseback, dressed in jodhpurs and polo gear, surrounded by packs of jolly friends.

In the first eight years of their marriage, the couple had four sons: Frederick, known by the family as Freddie, was born in 1933, Charles was born in 1935, and twins, David and William, were born in 1940. With their father frequently traveling and their mother preoccupied with social and cultural pursuits, the boys were largely entrusted to a series of nannies and housekeepers.

It is unclear what Fred Koch's views of Hitler were during the 1930s, beyond his preference for the country's work ethic in comparison with the nascent welfare state in America. But he was enamored enough of the German way of life and thinking that he employed a German governess for his first two sons, Freddie and Charles. At the time, Freddie was a small boy, and Charles still in diapers. The nanny's iron rule terrified the little boys, according to a family acquaintance. In addition to being overbearing, she was a fervent Nazi sympathizer, who frequently touted Hitler's virtues. Dressed in a starched white uniform and pointed nurse's hat, she arrived with a stash of gruesome German children's books, including the Victorian classic *Der Struwwelpeter*, that featured sadistic consequences for misbehavior ranging from cutting off one child's thumbs to burning another to death. The acquaintance recalled that the nurse had a commensurately harsh and dictatorial approach to child rearing. She enforced a rigid toilet-training regimen requiring the boys to produce morning bowel movements precisely on schedule or be force-fed castor oil and subjected to enemas.

The despised governess ruled the nursery largely unchallenged for

several years. In 1938, the two boys were left for months while their parents toured Japan, Burma, India, and the Philippines. Even when she was home, Mary Koch characteristically deferred to her husband, declining to intervene. "My father was fairly tough with my mother," Bill Koch later told *Vanity Fair*. "My mother was afraid of my father." Meanwhile, Fred Koch was often gone for months at a time, in Germany and elsewhere.

It wasn't until 1940, the year the twins were born, when Freddie was seven and Charles five, that back in Wichita the German governess finally left the Koch family, apparently at her own initiative. Her reason for giving notice was that she was so overcome with joy when Hitler invaded France she felt she had to go back to the fatherland in order to join the führer in celebration. What if any effect this early experience with authority had on Charles is impossible to know, but it's interesting that his lifetime preoccupation would become crusading against authoritarianism while running a business over which he exerted absolute control.

Fred Koch was himself a tough and demanding disciplinarian. John Damgard, David's childhood friend, who became president of the Futures Industry Association, recalled that he was "a real John Wayne type." Koch emphasized rugged pursuits, taking his sons big-game hunting in Africa and filling the basement billiard room with what one cousin remembered as a frightening collection of exotic stuffed animal heads, including lions and bears and others with horns and tusks, glinting glassy-eyed from the walls. In the summer, the boys could hear their friends splashing in the pool at the country club across the street, but instead of allowing the boys to join them, their father required them to dig up dandelions by the time they were five, and later to dig ditches and shovel manure at the family ranch. Fred Koch cared about his boys but was determined to keep them from becoming what he called "country-club bums," like some of the other offspring of the oil moguls with whom he was acquainted. "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."

All four sons later professed admiration and affection for their father, but their fond recollections gloss over a dark streak. Fred Koch's rule was absolute, and his idea of punishment was corporal.

He did not just spank the boys for their transgressions. Sometimes he hit them with a belt or worse. One family member remembers seeing him take a tree branch, strip it down, and "whip the twins like dogs." They had marred the stone patio in some way that enraged him. "He was a hard man to love," adds the family member, who declines to be identified. A second family member too remembers the belt beatings. Fred Koch "wasn't around much," he said, but when his sons misbehaved, they "really got it."

Sibling rivalry in the family, which reached epic levels in adulthood, was always intense. Family photographs and films show the brothers fenced in outdoor playpens, grabbing each other's toys, making each other cry, and boxing at early ages with gloves almost as big as their heads. Before long, Charles, the second born, emerged as the domineering leader of the pack. Fiercely competitive, driven, and self-confident, he appeared a paragon of handsome, blond athleticism. One family member recalls that Charles's favorite game was king of the hill. "It hasn't changed," another family member said.

Charles rarely lost, but when he did, he took it badly. When his younger brother Bill defeated him once in a boxing match, according to family lore, Charles refused to ever box again.

It became clear early that Freddie was different from the others, and not of his rough-hewn father's type. He was bookish and oriented toward his artistic mother, preferring to disappear into his room to read while the twins played ball with Charles, who liked to give commands. (Freddie did, however, hold his own against Charles on at least one occasion, punching him so hard in the face he broke his brother's nose.) Charles later told *Fame* magazine, "Father wanted to make all his boys into men and Freddie couldn't relate to that regime." Charles added, "Dad didn't understand and so he was hard on Freddie. He didn't understand that Freddie wasn't a lazy kid—he was just different."

The father was hard on the other boys too. David liked reading and became obsessed for a while with the Wizard of Oz books, which of course are set in Kansas, but his father preferred that he do chores. Increasingly, David attached himself to his elder brother Charles, becoming his sidekick and accomplice, willing to drop everything at

his brother's command. "I was closer to David because he was better at everything [than the others]," Charles told *Fame*, bluntly.

Mary Koch recalled that as a result, "Billy always felt that Charles and David were leaving him out." She said that he "had no confidence or self-esteem." The only redhead among the pack, Bill had an explosive temper that resulted in memorable tantrums, including one in which he picked up a priceless antique vase and hurled it to the floor, shattering it. Fred Koch's response was more spanking.

Clayton Coppin, a former associate professor and research historian based at George Mason University, was one of the rare outsiders to the Koch family with firsthand knowledge of its inner workings. In 1993, Koch Industries commissioned him to write a confidential corporate history. For the next six years, Coppin had nearly unlimited access to the private archives in the company's headquarters in Wichita, along with the private papers of Fred and Mary Koch. He also had carte blanche to interview their business associates. After he completed the history in 1999, the company laid Coppin off. Subsequently, in 2002, Bill Koch hired him for a second confidential research project, this time on his brother Charles's political activities. In interviews, Coppin described what he learned about the family while researching the first report and shared a copy of the second report, a lengthy three-part 2003 study titled "Stealth: The History of Charles Koch's Political Activities."

According to Coppin, who read many of Fred Koch's private letters, in 1946, when Freddie was thirteen, his father confided to a family friend that there was a child-rearing crisis at home with which he needed help. Freddie had undergone some kind of emotional turmoil while being forced to labor at the family ranch that summer. The family friend recommended a consultation with Portia Hamilton, a clinical psychologist in New York who specialized in child development, with whom Fred began to correspond. Hamilton met with the family and wrote up an evaluation. The psychologist recommended that the boys be separated and that Mary Koch, who was already busy with social life and travel, further distance herself from them in order to make them more "manly." Psychological theories during that period attributed homosexuality to "over mothering."

As a result, Freddie was sent to Hackley, a prep school in Tarrytown, New York, where he could follow his cultural interests, attend-

ing the opera in Manhattan and acting in school productions. Later, he came to feel that Hackley rescued him.

In order to keep him from picking on his brothers, the Kochs sent Charles away to school as well, in his case, at the age of eleven. The school they chose for him was the Southern Arizona School for Boys, renowned for its strictness. His mother made clear that it was done for his younger brother Billy's sake, which only heightened resentments between the boys.

"I pleaded with them not to send me away," Charles told *Fortune* in 1997. Charles did poorly at the boarding school, but instead of yielding to his pleas to come home, the Kochs sent him to an even more rigid boarding school, the Fountain Valley School in Colorado. "I hated all that," Charles recalled. At one point, his parents finally "took pity" on him, he said, and let him attend public high school in Wichita, which he loved, but "I got into trouble," he recalled, so they packed him off to the Culver Military Academy in Indiana, which also emphasized discipline. There, Charles did better academically but repeatedly got into trouble. Eventually, Culver expelled him for drinking on a train (although he was eventually readmitted, enabling him to earn his diploma). "I have a little bit of a rebel, and free spirit in me," Charles later acknowledged. As punishment, Charles's father banished him to live with his relatives in Texas. "Father put the fear of God in him," David later recalled. "He said, 'If you don't make it, you'll be worthless. You've disappointed me.' Father was a severe taskmaster."

In his confidential report for Bill Koch, Coppin wrote, "Charles spent little of the next fifteen years at home, only coming there for an occasional holiday." After he was exiled by the family, "the first thing Charles did when he came home on vacation was to beat up" his younger brother Bill.

Young Bill grew alarmingly depressed. He was socially withdrawn and preoccupied with his sense of inferiority to his twin, David, and his older brother Charles. Soon the twins too were sent to boarding school. Bill, interestingly, chose to follow Charles's footsteps to Culver Military Academy, while David chose the eastern prep school Deerfield Academy. "There was a lot of strife between the boys. Charles was in constant rebellion against authority. It was a miserable childhood," Coppin said in an interview.

Yet later, as a parent, Charles partially repeated the pattern. When his own son, Chase, then thirteen, played a halfhearted tennis match, Charles had an employee pick him up and deliver him to a baking, reeking feedlot on one of the family ranches where he was forced to work seven days a week, twelve hours a day. Charles proudly recounted the story with a grin, telling *The Wichita Eagle*, "I think he thought he'd have a job here in Wichita and could go out with his friends at night." Chase became an exceptionally good tennis player but later had another, more serious problem. While driving as a high school student in Wichita, he ran a red light and fatally injured a twelve-year-old boy. He pleaded guilty to a misdemeanor charge of vehicular manslaughter and was sentenced to eighteen months of probation and a hundred hours of community service and was required to pay for the boy's funeral. After college, Chase, like his father, joined the family company.

Meanwhile, in an online blog, Charles's other child, Elizabeth, a Princeton graduate, described her own efforts to prove herself to her father. Of a visit home, she wrote, "As soon as we arrived I felt an overwhelming urge to prostrate myself on the floor and eat dirt in order to illustrate how grateful I am for everything they've done for me, that I'm not the spoiled monster they warned me I'd become if I wasn't careful." She described "chasing" her father around the house, trying to impress him with her interest in economics, and "staring down that dark well of nothing you do will ever be good enough you privileged waste of flesh."

A generation before, stern admonitions against becoming spoiled had emanated from Fred Koch to his offspring as well. Even as he laid plans to leave huge inheritances to his sons, he wrote a prophetic letter to them in 1936. In it, he warned,

When you are 21, you will receive what now seems like a large sum of money. It will be yours to do what you will. It may be a blessing or a curse. You can use it as a valuable tool for accomplishment or you can squander it foolishly. If you choose to let this money destroy your initiative and independence, then it will be a curse to you and my action in giving it to you will have been a mistake. I should regret very much to have you miss the glorious feeling of accomplishment and I know you are not

going to let me down. Remember that often adversity is a blessing in disguise and certainly the greatest character builder. Be kind and generous to one another and to your mother.

Charles Koch keeps a framed copy of this letter in his office, but as *Fortune* observed, given the brothers' future protracted legal fights against each other, "Never did such good advice fall on such deaf ears."

David Koch recalled that his father tried to indoctrinate the boys politically, too. "He was constantly speaking to us children about what was wrong with government," he told Brian Doherty, an editor of the Koch-funded libertarian magazine *Reason* and the author of *Radicals for Capitalism*, a 2007 history of the libertarian movement with which the Kochs cooperated. "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."

Fred Koch's political views were apparently shaped by his traumatic exposure to the Soviet Union. Over time, Stalin brutally purged several of Koch's Soviet acquaintances, giving him a firsthand glimpse into the murderous nature of the Communist regime. Koch was also apparently shaken by a steely government minder assigned to him while he worked in the Soviet Union, who threatened that the Communists would soon conquer the United States. Koch was deeply affected by the experience and later, after his business deals were completed, said he regretted his collaboration. He kept photographs in the company headquarters in Wichita aimed at documenting how the refineries he had built had later been destroyed. "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," suggests Gus diZerega, a Wichita acquaintance of the family's.

In 1958, Fred Koch became one of eleven original members of the John Birch Society, the archconservative group best known for spreading far-fetched conspiracy theories about secret Communist plots to subvert America. He attended the founding meeting held by the candy manufacturer Robert Welch in Indianapolis. The organization drew like-minded businessmen from all over the country, includ-

ing Harry Bradley, the chairman of the Allen-Bradley company in Milwaukee, who later financed the right-wing Bradley Foundation. Members considered many prominent Americans, including President Dwight D. Eisenhower, Communist agents. (The conservative historian Russell Kirk, part of an effort to purge the lunatic fringe from the movement, famously retorted, "Ike isn't a Communist; he's a golfer.")

In a 1960 self-published broadside, *A Business Man Looks at Communism*, Koch claimed that "the Communists have infiltrated both the Democrat [sic] and Republican Parties." Protestant churches, public schools, universities, labor unions, the armed services, the State Department, the World Bank, the United Nations, and modern art, in his view, were all Communist tools. He wrote admiringly of Benito Mussolini's suppression of Communists in Italy and disparagingly of the American civil rights movement. The Birchers agitated to impeach Chief Justice Earl Warren after the Supreme Court voted to desegregate the public schools in the case *Brown v. Board of Education*, which had originated in Topeka, in the Kochs' home state of Kansas. "The colored man looms large in the Communist plan to take over America," Fred Koch claimed in his pamphlet. Welfare in his view was a secret plot to attract rural blacks to cities, where he predicted that they would foment "a vicious race war." In a 1963 speech, Koch claimed 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."

Blazing a trail that would later be followed by his sons, Koch tapped his fortune to subsidize his political activism. He underwrote the distribution of what he claimed were over two and a half million copies of his book, as well as a speaking tour. According to the Associated Press, during one speech in 1961 he told the members of a Kansas Women's Republican club that if they were afraid of becoming too "controversial" by joining his fight against Communism, they should remember that "you won't be very controversial lying in a ditch with a bullet in your brain." Such rants brought Koch to the attention of the FBI, which filed a report describing his rhetoric as "utterly absurd."

The John Birch Society's views were primitive, but its marketing was quite sophisticated. Welch, the candy manufacturer who founded the group, urged organizers to implement a modern sales plan, adver-

tising heavily and pushing pamphlets door-to-door. The movement flourished in Wichita, where Fred Koch frequently attended local John Birch Society meetings and was a generous benefactor.

Ironically, the organization modeled itself on the Communist Party. Stealth and subterfuge were endemic. Membership was kept secret. Fighting "dirty" was justified internally, as necessary to combat the imputed treacherousness of the enemy. Welch "explicitly sought to use the same methods" he attributed to the Communists, "manipulation, deceit, and even dishonesty," recalled diZerega, who attended Birch Society meetings in Wichita in his youth. One ploy the group used, he said, was to set up phony front groups "pretending to be other than what they were." An alphabet soup of secretly connected organizations sprang up, with acronyms like TRAIN (To Restore American Independence Now) and TACT (Truth About Civil Turmoil). Another tactic was to wrap the group's radical vision in mundane and unthreatening slogans that sound familiar today, such as "less government, more responsibility." One of Welch's favorite tropes, decrying "collectivism," would cause some head-scratching more than fifty years later when it was echoed by Charles Koch in a 2014 diatribe in *The Wall Street Journal* denouncing his Democratic critics as "collectivists."

Welch was "a very intelligent, sharp man, quite an intellectual," Fred Koch's wife, Mary, later told her hometown newspaper *The Wichita Eagle*. The family's admiration for the John Birch Society, however, proved somewhat embarrassing on November 22, 1963, when President John F. Kennedy was assassinated. As Lee Fang recounts in his book, *The Machine: A Field Guide to the Resurgent Right*, when President Kennedy arrived in Dallas that morning, he was confronted by a hate-stoked, full-page newspaper ad paid for by several Texas members of the John Birch Society, accusing him of treasonously promoting "the spirit of Moscow." At the time, Kennedy had moved from trying to ignore the Birchers to realizing he needed to confront their increasingly pernicious fearmongering, which he denounced as "crusades of suspicion" and "extremism."

In a hasty turnabout, soon after the assassination Fred Koch took out full-page ads in *The New York Times* and *The Washington Post* mourning JFK. The ads advanced the conspiracy theory that JFK's assassin, Lee Harvey Oswald, had acted as part of a Communist plot. The Communists wouldn't "rest on this success," the ads warned. In

the corner was a tear-out order form, directing the public to sign up for John Birch Society mailings. In response, the columnist Drew Pearson slammed Koch's "gimmick" and exposed him as a hypocrite for having profited himself from Soviet Communism by building up the U.S.S.R.'s oil industry.

Fred Koch continued to be active in extremist politics. He provided substantial support for Barry Goldwater's right-wing bid for the Republican nomination in 1964. Goldwater, too, opposed the Civil Rights Act and the Supreme Court's landmark desegregation decision, *Brown v. Board of Education*. Instead of winning, the Far Right helped ensure the Republican Party's humiliating defeat by Lyndon Johnson that year. In 1968, Fred Koch went further right still. Before the emergence of George Wallace, he called for the Birch Society member Ezra Taft Benson to run for the presidency with the South Carolina senator Strom Thurmond on a platform calling for racial segregation and the abolition of all income taxes.

David and Charles absorbed their father's conservative politics and joined the John Birch Society too, but they did not share all of his views. According to diZerega, who befriended Charles in the mid-1960s after meeting him while browsing in a John Birch Society bookstore in Wichita, Charles didn't accept all of the group's conspiracy theories. He recalls that Charles, who was several years older, steered him away from the Communist conspiracy books and toward the collection of antigovernment economic writers whose work he found especially exciting. "This is the good stuff," he recalls Charles telling him. The founder of the John Birch Society, Welch, was a board member of the Foundation for Economic Education, which spread a version of laissez-faire economics so extreme "it bordered on anarchism," as Rick Perlstein writes in his history of Goldwater's ascent, *Before the Storm*. Unlike his father's conspiracies, these were the theories that captivated Charles.

The postcollege years were a restless period in Charles's life. In 1961, when he was twenty-six, his father, whose health was failing, persuaded him despite his doubts to return to Wichita to help run the family business. After graduating with a bachelor of science in engineering and master's degrees in nuclear and chemical engineering from MIT, where his father was on the board of trustees, Charles had been enjoying his freedom working in Boston as a business consultant. Convinced that his father would sell the company otherwise,

Charles reluctantly returned to Wichita to help but found himself intellectually hungry back in his hometown. In his telling, he was almost feverishly bent on finding some overarching system of political theory to bridge his father's emotional anti-Communism with his own more analytical approach to the world. He also wanted to merge his thinking about business and his interests in engineering and mathematics. "I spent the next two years almost like a hermit, surrounded by books," he told *The Wall Street Journal* in 1997. Visitors to his apartment recall him littering almost every surface with abstruse economic and political texts. He later explained that having learned that "there are certain laws that govern the natural world," he was trying to discover "if the same isn't true for the societal world."

Contributing to Charles's intellectual ferment at this time were his father's dinner table diatribes against taxation. Fred saw taxes in America darkly, as incipient socialism. Early on, the Internal Revenue Service had sued his company for underpayment of taxes, requiring a large additional payment as well as penalties and legal fees. He remained vehemently opposed to estate taxes, and told Charles that he feared the U.S. government would tax him so heavily it might force him to sell the family business, diminishing his sons' inheritances. To minimize future taxes, Fred Koch took advantage of elaborate estate planning. Among other strategies, he set up a "charitable lead trust" that enabled him to pass on his estate to his sons without inheritance taxes, so long as the sons donated the accruing interest on the principle to charity for twenty years. To maximize their self-interest, in other words, the Koch boys were compelled to be charitable. Tax avoidance was thus the original impetus for the Koch brothers' extraordinary philanthropy. As David Koch later explained, "So for 20 years, I had to give away all that income, and I sort of got into it."

Fred Koch's estate plan treated each son equally, but according to Coppin, to ensure that his offspring would continue to obey him, he arranged to pass his fortune on to them in two stages, with the second half passing on only after his death. The first distribution gave all four boys equal ownership of Koch Engineering, the smaller of his two companies. The later distribution thus hung over his sons' heads, subject to their father's whim.

Charles's embrace of the John Birch Society, according to Coppin, was in part designed to please the old man. According to diZerega, whom Charles invited to participate in an informal discussion group

at the Koch mansion during this period, "It was pretty clear that Charles thought some of the Birch Society was bullshit." He recalls that "Charles was bright as hell." And in fact, in 1968, the year after his father died, Charles resigned from the organization over its support for the Vietnam War, which he opposed.

A related fringe group, though, became seminal to Charles Koch's political evolution during this period, the Freedom School, which was led by a radical thinker with a checkered past named Robert LeFevre. LeFevre opened the Freedom School in Colorado Springs in 1957 and from the start there were close ties to the John Birch Society. In 1964, Robert Love, a major figure in the Wichita branch of the John Birch Society, introduced Charles to the school, which offered one- and two-week immersion courses in "the philosophy of freedom and free enterprise." Robert Welch, the John Birch Society's founder, also visited. But LeFevre's preoccupations were slightly different. He was almost as adamantly opposed to America's government as he was to Communism.

LeFevre favored the abolition of the state but didn't like the label "anarchist," so he called himself instead an "autarchist." LeFevre liked to say that "government is a disease masquerading as its own cure." Doherty, the historian of the libertarian movement, related 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." An FBI file on the Freedom School shows that by 1966 Charles Koch was not only a major financial supporter of the school but also an executive and trustee.

LeFevre, who looked like a jolly, white-haired Santa, had reportedly been indicted earlier for mail fraud in connection with his role in a cultlike right-wing self-actualization movement called the Mighty "I AM" that worked audiences into frenzies as they chanted in response to Franklin and Eleanor Roosevelt's names, "Annihilate them!" As the journalist Mark Ames recounts, LeFevre escaped prosecution by becoming a witness for the state, but he continued on a wayward path, claiming to have supernatural powers and struggling through bankruptcy and an infatuation with a fourteen-year-old girl. Later, at the height of Senator Joe McCarthy's anti-Communist crusades, LeFevre became an FBI informant, accusing Hollywood figures of Commu-

nist sympathies and leading a drive to purge the Girl Scouts of Reds. A stint writing editorials for the archconservative *Gazette-Telegraph* in Colorado Springs enabled him to drum up funds to launch the Freedom School on a rustic, five-hundred-acre campus nearby. There, he assumed the title of dean.

The school taught a revisionist version of American history in which the robber barons were heroes, not villains, and the Gilded Age was the country's golden era. Taxes were denigrated as a form of theft, and the Progressive movement, Roosevelt's New Deal, and Lyndon Johnson's War on Poverty, in the school's view, were ruinous turns toward socialism. The weak and poor, the school taught, should be cared for by private charity, not government. The school had a revisionist position on the Civil War, too. It shouldn't have been fought; instead, the South should have been allowed to secede. Slavery was a lesser evil than military conscription, the school argued, because human beings should be allowed to sell themselves into slavery if they wished. Like Charles Koch during this period, the school tried to meld its version of history, economics, and philosophy into one theoretical framework, which it called "Phronhistory."

A group of Illinois teachers sent to a session at the school in 1959 by a local chamber of commerce returned so shocked that they notified the FBI and published a letter denouncing the school for advocating "no government, no police department, no fire department, no public schools, no health or zoning laws, not even national defense." They noted that "this of course is anarchy." They also described the school as proposing that the Bill of Rights be reduced to "just a single one: the right to own property."

In 1965, *The New York Times* ran a feature describing the school as a bastion of "ultraconservatism" and mentioning that among the prized alumni whose lives had been transformed by its teachings was Charles Koch. He had obtained a second graduate degree from MIT in chemical engineering, the *Times* reported, after realizing that his previous degree in nuclear engineering would have required him to work closely with the government. At the time, according to the paper, the school was so implacably opposed to the U.S. government it was proposing that the Constitution be scrapped in favor of one that limited the government's authority to impose "compulsory taxation." The *Times* described LeFevre as also opposing Medicare and antipoverty programs and hinted that the school opposed government-sponsored

integration, too. LeFevre told the paper that black students, of which the school had none, might pose a problem because, the *Times* wrote, "some of his students are segregationists."

Charles Koch was so enthusiastic about the Freedom School he talked his three brothers into attending sessions. But Freddie, the outlier in the family, who had spent more time than the others studying history and literature, disparaged the curriculum as bilge. He said that LeFevre reminded him of the con artists in Sinclair Lewis's novels. Charles was so incensed by his brother's apostasy, Fred told people later, he threatened to "deck" him if he didn't toe the line.

DiZerega says that Charles arranged for him to attend a session at the school, too, and, he believes, paid his tuition. At the time, the only other faculty member he recalls besides LeFevre was James J. Martin, an anarchist historian who later won a reputation as a notorious Holocaust denier for his "revisionist" work with the Institute for Historical Review, in which he described claims of Nazi genocide in World War II as "invented." "It was a stew pot of ideas," recalled diZerega, who later became a liberal academic, "but if you grew up with more money than God, and felt weird about it, this version of history, where the robber barons were heroes, would certainly make you feel a lot better about it."

At the Freedom School, Charles became particularly enamored of the work of two laissez-faire economists, the Austrian theorist Ludwig von Mises and his star pupil, Friedrich Hayek, an Austrian exile, who visited the Freedom School. Hayek's book *The Road to Serfdom* had become an improbable best seller in 1944, after *Reader's Digest* published a condensed version. It offered a withering critique of "collectivism" and argued that centralized government planning, in which liberals were then engaged, would lead, inexorably, to dictatorship. In many respects, Hayek was a throwback, romanticizing a lost golden age of idealized unfettered capitalism that arguably never existed for much of the population. But Hayek's views were more nuanced than many American adherents understood. As Angus Burgin describes in *The Great Persuasion*, many reactionary Americans knew only the distorted translation of Hayek's work that had appeared in *Reader's Digest*. The conservative publication omitted Hayek's politically inconvenient support for a minimum standard of living for the poor, environmental and workplace safety regulations, and price controls to prevent monopolies from taking undue profits.

Hayek's ideas arrived in America during the post-Depression years, when conservative businessmen were scrambling to salvage the credibility of the laissez-faire ideology that had been popular before the 1929 market crash. Since then, Keynesian economics had taken its place. Hayek's genius was to recast the discredited ideology in an appealing new way. As Kim Phillips-Fein writes in her book *Invisible Hands: The Making of the Conservative Movement from the New Deal to Reagan*, rather than describing the free market as just an economic model, Hayek touted it as the key to all human freedom. He vilified government as coercive, and glorified capitalists as standard-bearers for liberty. Naturally, his ideas appealed to American businessmen like Charles Koch and the other backers of the Freedom School, whose self-interest Hayek now cast as beneficial to all of society.

Charles's funding of the Freedom School was his first step toward what would become a lifelong, tax-deductible sponsorship of libertarianism in America. His hope was to use his wealth to inject his fringe views into the mainstream by turning the Freedom School into an accredited graduate school and then a four-year undergraduate program specializing in libertarian philosophy, to be called Rampart College. A 1966 brochure features a photograph of LeFevre with Charles, shovel in hand, breaking ground for the new institution. Martin was hired to head Rampart's history department. But, as Ames recounts, the venture soon fell victim to mismanagement, leaving a trail of disgruntled backers. Eventually, the school moved to the South, where for a number of years it was sustained by the anti-union textile tycoon Roger Milliken. By the time LeFevre died in 1986, the Kochs had largely distanced themselves from him, perhaps sensing that he was a political liability. But Charles wrote a warm letter to LeFevre in 1973. He also gave a speech in the 1990s crediting the Freedom School with profoundly influencing him. It was, he said, "where I began developing a passionate commitment to liberty as the form of social organization most in harmony with reality and man's nature, because it's where I was first exposed in-depth to thinkers such as Mises and Hayek." He added, "In short, market principles have changed my life and guide everything I do."

As Charles grew increasingly ideologically driven, his brothers David and Bill, as he had, earned engineering degrees at their father's

alma mater, MIT. In contrast, Frederick, who no longer went by the name Freddie, attended Harvard and later, after serving in the U.S. Navy, studied playwriting at the Yale School of Drama. He evinced no interest in joining the family company, preferring to write and produce plays and to collect art, antiques, antiquarian books, and spectacularly lavish historic houses.

The private life of the younger Frederick, who remained single, became the focus of a vicious blackmail attempt by the other brothers, according to a sworn deposition given by Bill Koch in 1982. In his deposition, Bill described an emotionally wrenching confrontation in the mid-1960s in which he, Charles, and David tried to force their older brother Frederick, who they believed was gay, to relinquish his claim to a share of the family company, or else they threatened to expose his private life to their father.

According to Bill's account, the brothers' blackmail scheme began after Charles and a friend talked the manager of the Greenwich Village building in which Frederick lived into letting them into his apartment without his permission when he was not home. Evidently, once inside, they snooped around and discovered personal information that they regarded as compromising. Frederick returned to find the uninvited twosome in his apartment. Soon after, according to Bill's deposition, Charles called his younger brothers to discuss whether Frederick should be allowed to continue as an officer of the family company. Bill admitted in cross-examination that he, along with his brothers, had regarded the situation as potentially embarrassing to the family enterprise, and so they had entrusted Charles to work out a plan to confront Frederick. According to the deposition, Charles then arranged a meeting in Boston of the directors of Koch Engineering, the part of the enterprise that the four boys had inherited together by this point and whose board they formed. In reality, as Bill described it, the meeting was a trap. Instead of addressing corporate business, it was a kangaroo court aimed at putting Frederick's personal life on trial. Chairs were arranged so that Frederick was on one side, facing his three brothers. According to the deposition, Charles then led an inquisition in which he accused Frederick of being gay and argued that his behavior was inappropriate for the family company. If Frederick refused to turn over his shares to his brothers, he was told, they would expose him to their father. If their father learned, they warned, it would likely impair his fragile health and also result in Frederick's disinheritance.

The subject of Frederick's private life had never been openly discussed in the family. Mary Koch referred to her eldest son, with whom she was close, as "artistic," and the senior Fred Koch evidently avoided the subject. One family member says homosexuality was so taboo in the family during those years, "it would have meant excommunication."

According to Bill's deposition, Frederick tried to defend himself in the face of his brothers' accusations, arguing that he had a right to speak. But Charles cut him off, telling him to "shut up," insisting that he had no say in the matter. At that point, Frederick stood up, said he wanted no more of the discussion, and walked out. Bill swore that he had tried to intercede on Frederick's behalf in the end, feeling bad for him. Because of this, he claimed, Charles had angrily reprimanded him after Frederick left, saying the three brothers had to stand together. Under cross-examination Bill recounted that afterward he had apologized to Frederick, who had thanked him for trying to defend him, however belatedly. The subject, though, remained almost too painful to talk about.


The full story of this confrontation never surfaced because Bill's deposition is sealed. But in 1997 *Fortune* carried a fleeting reference to "a homosexual blackmail attempt by Charles against Freddie to get his stock at a cheap price." The magazine noted that Charles "vigorously denied" it. Years later, Frederick also briefly alluded to it, telling the biographer Daniel Schulman that "Charles' 'homosexual blackmail' to get control of my shares did not succeed for the simple reason that I am not homosexual." For reasons that remain disputed, Frederick's inheritance was nonetheless handled differently than that of the other boys. He took more money up front, and was left out of a final distribution.

In the midst of this filial rancor, in 1967, Fred Koch died of a heart attack. Charles, then thirty-two years old, became chairman and CEO of the family business, which the sons renamed Koch Industries, in honor of their father. At the time, the company's principal business was refining oil, operating pipelines, and cattle ranching. Its annual revenues were estimated at \$177 million, making it a substantial company but slight in comparison with the behemoth it would become.

Fred Koch's fears of confiscatory taxes turned out to be overblown. When he died, he was described as the wealthiest man in

Kansas, and his will made his sons extraordinarily rich. Charles Koch has often lauded the virtuous habits it takes to succeed, publishing a book on the subject in 2007 called *The Science of Success*. He has been less forthcoming about his inheritance. His brother David, in contrast, has made less pretense of being self-made. He joked about his good fortune in a 2003 speech to alumni at Deerfield Academy, the Massachusetts prep school from which he graduated and where, after pledging \$25 million, 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!"

Fred Koch also left his sons the building blocks with which they could construct one of the most lucrative corporate empires in the world. The crown jewel, according to one former Koch Industries insider, was the Pine Bend Refinery, then called the Great Northern Oil Company, in Rosemount, Minnesota, not far from Minneapolis. In 1959, Fred Koch bought a one-third interest in the concern.

In 1969, two years after Charles Koch took the company's helm, Koch Industries acquired the majority share in the refinery. Charles later described the purchase as "one of the most significant events in the evolution of our company." 

Pine Bend was a gold mine because it was uniquely well situated geographically to buy inexpensive, heavy, "garbage" crude oil from Canada. After refining the cheap muck, the company could sell it at the same price as other gasoline. Because the heavy crude oil was so cheap, Pine Bend's profit margin was superior to that of most other refineries. And because of a host of environmental regulations, it became increasingly difficult for rivals to build new refineries in the area to compete.

By 2015, Pine Bend was processing some 350,000 barrels of Canadian crude a day, and according to David Sassoon of the Reuters-affiliated *InsideClimate News*, Koch Industries was the world's largest exporter of oil out of Canada. In 2012, he wrote, "This single Koch refinery is now responsible for an estimated 25 percent of the 1.2 million barrels of oil the U.S. imports each day from Canada's tar

sands territories." The Kochs' good fortune, however, was the globe's misfortune, because crude oil derived from Canada's dirty tar sands requires far greater amounts of energy to produce and so is especially harmful to the environment.

In 1970, a year after Koch Industries completed the Pine Bend deal, the twins joined their elder brother at Koch Industries, with David working out of New York and Bill near Boston. Charles characteristically assumed control, and it was not long before the longstanding sibling rivalries flared anew. Bill, according to court records, felt slighted and resented Charles's insistence on plowing almost all of the earnings back into the company, skimping on pay for his brothers. "Here I am one of the wealthiest men in America and I had to borrow money to buy a house," he complained. A political independent, Bill also complained that "Charles was giving as much to the Libertarians as he was paying out in dividends. Pretty soon we would get the reputation that the company and the Kochs were crazy."

In 1980, Bill, with assistance from Fred, attempted to wrest control of the company from Charles, who ran it with "an iron hand," according to Bruce Bartlett, a former associate. The attempted coup fizzled when Charles and David caught on and swung the board their way and, in retaliation, fired Bill.

Lawsuits were filed, with Bill and Frederick on one side and Charles and David on the other, re-creating the sibling rivalries of their childhood. In 1983, Charles and David bought out their brothers' shares in the company for about \$1.1 billion. The settlement reportedly left Charles and David owning over 80 percent of Koch Industries' stock, evenly split between the two of them. But the fraternal litigation continued for seventeen more years. Among other accusations, Bill and Frederick alleged that Charles and David had cheated them by undervaluing the company. The Pine Bend Refinery in particular became the focus of contention, with Bill and Frederick arguing that Charles and David had hidden its true worth from them—an accusation Charles and David denied. As the acrimony built, the brothers hired rival legal teams and rival private investigators, who reportedly literally rummaged through the family garbage of the opposing brothers.

In 1990, the brothers walked past one another with stony expressions at their mother's funeral. Frederick, however, was absent. A confidant claimed later that Charles, who lived in Wichita, where

their mother had died, hadn't given him early enough notice about the funeral arrangements for him to be able to attend. There had been an ice storm in Chicago, which complicated his travel arrangements. In the end, Frederick was only able to arrive in Kansas in time to attend a reception after the service. "He was heartbroken," the confidant said.

Bill, too, nearly missed the funeral. He was given such short notice he had to charter a private plane to make it in time and then was seated not with the immediate family but with cousins. In addition, both he and Frederick believed they were excluded from a private memorial at their father's ranch, arranged and attended by Charles and David.

Then, when Mary Koch's will was opened, it included a provision denying any inheritance from her \$10 million estate to any son who was engaged in litigation against any other within six weeks of her death. Frederick and Bill, who were in the midst of suing their other two brothers, suspected their mother, who had suffered from dementia, had been unduly influenced during her fading days into adding this provision to her will. Again they sued, but lost, appealed, and lost again.

Eventually, Frederick, who lived alone, spent much of his life abroad, buying and restoring spectacular historic estates in France, Austria, England, New York, and Pennsylvania and filling them with art, antiques, and literary manuscripts, many of which he donated to museums and rare book libraries. Unlike his brothers, Frederick preferred to keep most of his donations anonymous, explaining to friends that his father had taught them to be modest and that taking credit for charity was vulgar. He refused to speak to Charles for the rest of his life.

Bill founded his own carbon-heavy energy company, Oxbow, becoming a billionaire in his own right, according to *Forbes*. He lived lavishly, spending an estimated \$65 million to win yachting's America's Cup in 1992. Like his brothers, he was a major Republican donor and became embroiled in tumultuous legal fights against environmentalists, opposing a proposed wind farm in the waters off his Cape Cod summer compound, because it would interfere with his view. He, too, barely spoke to Charles for decades but gradually underwent a rapprochement with his twin, David.

With Charles as the undisputed chairman and CEO, Koch Industries expanded rapidly. Roger Altman, who heads the investment-banking firm Evercore, described the company's performance as

"beyond phenomenal." He added, "I'd love to know how they do it." Much of the credit went to Charles, who won a reputation as a brilliant, detail-oriented, metrics-driven manager. He was such a tough negotiator, one associate joked, that "in a fifty-fifty deal, he takes the hyphen."

As the company grew, Charles remained in Wichita, working ten-hour days, six days a week. When he proposed to his future wife, Liz, he did so reportedly over the phone, and she could hear him flipping through his busy date book in search of an open day for the wedding. In preparation, he required her to study free-market economics.

David, meanwhile, resided in New York City, where he became an executive vice president of the company and the CEO of its Chemical Technology Group. A financial expert who knows Koch Industries confided, "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." David was known for his laugh, which has been described as a "window-shattering honk." To one longtime family insider, however, he often seemed "a bit lost" and "socially awkward. People don't really register with him that much," she said. In 1991, he was badly injured in a plane crash in Los Angeles. He was the sole passenger in first class to survive. As he was recovering, a routine physical exam led to the discovery of prostate cancer. He received treatment and reconsidered his life. He got married, settled down, and started a family. As he told *Upstart Business Journal*, "When you're the only one who survived in the front of the plane and everyone else died—yeah, you think, 'My God, the good Lord spared me for some greater purpose.' My joke is that I've been busy ever since, doing all the good work I can think of, so He can have confidence in me."

When they are not at their vacation houses in Southampton, Palm Beach, and Aspen, he and his wife, Julia Flesher, a former fashion assistant, live in a nine-thousand-square-foot duplex at 740 Park Avenue with their three children. The wealthiest resident of New York, David has become a huge benefactor of the arts and medicine, donating millions of dollars to Lincoln Center, the Metropolitan Museum of Art, and the American Museum of Natural History, among other

institutions. But according to *Park Avenue*, a documentary by the Academy Award winner Alex Gibney, he has been less generous with the household help. A former doorman described Koch as "the cheapest person" in the building. "We would load up his trucks—two vans usually—every weekend for the Hamptons. In and out, in and out, heavy bags. We would never get a tip from Mr. Koch. We would never get a smile from Mr. Koch." For Christmas, which the doorman had anticipated would make up for the year's travails, Koch merely gave him a \$50 check. When the documentary aired on the Public Broadcasting Service in 2012, David Koch was so incensed he resigned from the board of New York's public television station, WNET, reneging on a promise to make a major donation. A spokeswoman at Koch Industries declined to comment on whether the documentary was his reason for punishing the station, but Koch bluntly told one friend about the film, "It's going to cost them \$10 million."

"They live, and always have, in a rarefied bubble," said the longtime family insider, explaining the Kochs' outrage at being subjected to critical scrutiny. "They move in a world with people like them, or who want to be. They know no poor people at all. They're not the kind of people who feel obligated to get to know the help."

As their fortunes grew, Charles and David Koch became the primary underwriters of hard-line libertarian politics in America. Though David's manner is more cosmopolitan, and more sociable, than that of Charles, Doherty, the libertarian chronicler who has interviewed both brothers, couldn't think of a single issue on which the brothers disagreed. Charles's aim, he said, was to tear the government out "at the root."

Having read the family's private letters and conducted interviews with the Kochs and their intimates as few other outsiders could, Clayton Coppin, the researcher hired first by the company and later by Bill Koch, saw Charles Koch's strong political views in the context of his family upbringing. In "Stealth," his unpublished 2003 report on Charles's political development, Coppin suggests that Charles harbored a hatred of the government so intense it could only be truly understood as an extension of his childhood conflicts with authority.

From his earliest years, he writes, Charles's goal was to achieve total control. "He did not escape his father's authority until his father

died," he notes. After that, Charles went to great lengths to ensure that neither his brothers nor anyone else could challenge his personal control of the family company. Later clashes with unionized workers at the Pine Bend Refinery and with the expanding regulatory state strengthened his resolve. "Only the governments and the courts remained as sources of authority," Coppin writes, and if enacted, Charles's "libertarian policies would eliminate these."

Had Charles wanted merely to promote free-market economic theories, he could have supported several established organizations, but instead he was attracted to fringe groups that bordered on anarchism. Coppin suggests, "He was driven by some deeper urge to smash the one thing left in the world that could discipline him: the government."

Drawing on a cache of private documents, some of which remain in the possession of Bill Koch, Coppin was able to trace Charles's political evolution as he moved away from the intellectual fringe of his old mentor, LeFevre, in favor of gaining hands-on power. In response to libertarian thinkers who argued that ideas, not practical politics, were the best instruments of change, Charles wrote a revealing 1978 article in the *Libertarian Review*, arguing that outsiders like themselves needed to organize. "Ideas do not spread by themselves; they spread only through people. Which means we need a movement," he wrote. His language was militant, demanding that "our movement must destroy the prevalent statist paradigm."

In Coppin's view, it was already clear by this point, at the end of the 1970s, that Charles "was not going to be satisfied with being the Engels or even the Marx of the libertarian revolution. He wanted to be the Lenin."

Around the same time, an obscure conference subsidized by Charles Koch laid out much of the road map for the Kochs' future attempted takeover of American politics. In 1976, with a contribution of some \$65,000 from Charles Koch, the Center for Libertarian Studies in New York City was launched and soon held a conference featuring several leading lights of the libertarian movement. Among those delivering papers on how the fringe movement could obtain genuine power was Charles Koch. The papers are striking in their radicalism, their disdain for the public, and their belief in the necessity of political subterfuge. Speakers proposed that libertarians hide their true antigovernment extremism by banishing the word "anar-

chism," because it reminded too many people of "terrorists." To attract a bigger following, some suggested, they needed to organize synthetic "grassroots" groups and issue meaningless titles to volunteers, without yielding any real control.

Charles Koch's contribution was a paper that methodically analyzed the strengths and weaknesses of a group he knew intimately, the John Birch Society, as a model for their future enterprise. His assessment was clear-eyed and businesslike. He pointed out that despite the fringe group's shortcomings, it boasted 90,000 members, 240 paid staffers, and a \$7 million annual budget. While these numbers were impressive, he faulted the John Birch Society's obsession with conspiracies, as well as the unchecked cult of personality that Welch had built up. He noted that Welch's ownership of the organization's stock had centralized control in his hands, making him impervious to constructive criticism. (Interestingly, Charles would go on to issue stock in his own nonprofit think tank, the Cato Institute, in much the same way.) But he also found much to admire. In particular, he argued in favor of copying the John Birch Society's secrecy.

"In order to avoid undesirable criticism, how the organization is controlled and directed should not be widely advertised," Charles wrote, arguing for stealth in his future plans to influence American politics.

He also wrote that to fund their future political enterprise, they should, like the John Birch Society, make use of "all modern sales and motivational techniques to raise money and attract donors . . . including meeting in a home or other place the prospect enjoys being." The Kochs' donor summits would follow this marketing approach, transforming fund-raising into exclusive, invitation-only social events held in luxurious settings.

Charles cautioned his fellow radicals that to win, they would need to cultivate credible leaders and a positive image, unlike the John Birch Society, requiring them to "work with, rather than combat, the people in the media and arts." The brothers followed this plan too. David became a lavish supporter of the arts in New York and appeared regularly in the society pages. Charles, meanwhile, kept a lower profile but assiduously invited sympathetic members of the media to his donor summits, such as the talk radio host Glenn Beck, the *Washington Post* columnist Charles Krauthammer, and the *National Review* columnist Ramesh Ponnuru. Two of the top donors in the Koch network owned

their own news outlets. The oil tycoon Philip Anschutz owned the *Washington Examiner* and *The Weekly Standard*, and the mutual fund magnate Foster Friess was the largest shareholder of *The Daily Caller*. The Kochs seriously considered buying the Tribune Company in 2013, too.

As for gaining adherents, Charles suggested, their best bet was to focus on "attracting youth" because "this is the only group that is open to a radically different social philosophy." He would act on this belief in years to come by funneling millions of dollars into educational indoctrination, with free-market curricula and even video games promoting his ideology pitched to prospects as young as grade school.

In support of building their own youth movement, another speaker, the libertarian historian Leonardiggio, cited the success of the Nazi model. In his paper titled "National Socialist Political Strategy: Social Change in a Modern Industrial Society with an Authoritarian Tradition," Liggio, who was affiliated with the Koch-funded Institute for Humane Studies (IHS) from 1974 until 1998, described the Nazis' successful creation of a youth movement as key to their capture of the state. Like the Nazis, he suggested, libertarians should organize university students to create group identity.

George Pearson, a former member of the John Birch Society in Wichita, who served as Charles Koch's political lieutenant during these years, expanded on this strategy in his own eye-opening paper. He suggested that libertarians needed to mobilize youthful cadres by influencing academia in new ways. Traditional gifts to universities, he warned, didn't guarantee enough ideological control. Instead, he advocated funding private institutes within prestigious universities, where influence over hiring decisions and other forms of control could be exerted by donors while hiding the radicalism of their aims.

As Coppin summarized Pearson's arguments, "It would be necessary to use ambiguous and misleading names, obscure the true agenda, and conceal the means of control. This is the method that Charles Koch would soon practice in his charitable giving, and later in his political actions."

Soon after the 1976 conference, Charles plunged into Libertarian Party politics. He became not just the group's financial angel but also the author of its plank on energy policy, which called for the abolition

of all government controls. The brothers took an even more audacious step into electoral politics in 1979, when Charles, who preferred to operate behind the scenes, persuaded David, then thirty-nine, to run for public office. The brothers were by then backing the Libertarian Party's presidential candidate, Ed Clark, who was running against Ronald Reagan from the right. They opposed all limits on campaign donations, so they found a legal way around them. They contrived to make David the vice presidential running mate, and thus according to campaign-finance law he could lavish as much of his personal fortune as he wished on the campaign rather than being limited by the \$1,000 donation cap.

"David Koch ran in '80 to go against the campaign-finance rules. By being a candidate, he could give as much as he wanted," the conservative activist Grover Norquist later acknowledged. "It was a trick," suggests Bartlett, the economist who formerly worked at a Koch-funded think tank. David Koch had no political experience and was little known, which initially caused consternation. But at the Libertarian Party convention, when he pledged to spend half a million dollars on his campaign, whoops of joy reportedly rose from stunned party members. The ticket's slogan was "The Libertarian Party has only one source of funds: You." The populist language was misleading. In fact, its primary source of funds was David Koch, who spent more than \$2 million on the effort, just short of 60 percent of the campaign's entire budget.

In hindsight, it seems that David Koch's 1980 campaign served as a bridge between LeFevre's radical pedagogy and the Tea Party movement. Indeed the Libertarian Party's standard-bearer that year, 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 party's platform, meanwhile, was almost an exact replica of the Freedom School's radical curriculum. It called for the repeal of all campaign-finance laws and the abolition of the Federal Election Commission (FEC). It also favored the abolition of all government health-care programs, including Medicaid and Medicare. It attacked Social Security as "virtually bankrupt" and called for its abolition, too. The Libertarians also opposed all income and corporate taxes, including capital gains taxes, and called for an end to the prosecution of tax evaders. Their platform called for the abolition too of the Securities and Exchange Commission, the Environmental Protection

Agency, the FBI, and the CIA, among other government agencies. It demanded the abolition of "any laws" impeding employment—by which it meant minimum wage and child labor laws. And it targeted public schools for abolition too, along with what it termed the "compulsory" education of children. The Libertarians also wanted to get rid of the Food and Drug Administration, the Occupational Safety and Health Administration, seat belt laws, and all forms of welfare for the poor. The platform was, in short, an effort to repeal virtually every major political reform passed during the twentieth century. In the view of the Kochs and other members of the Libertarian Party, government should be reduced to a skeletal function: the protection of individual and property rights.

That November, the Libertarian ticket received only 1 percent of the vote. Its stance against war and the military draft, and in favor of legalizing drugs and prostitution, won it some support among young rebels. But as a market experiment, libertarianism proved a massive flop. 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 history, the Kochs came to regard elected politicians as merely "actors playing out a script." Instead of wasting more time, a confidant of the Kochs' told Doherty, the brothers now wanted to "supply the themes and words for the scripts." In order to alter the direction of America, they realized they would have to "influence the areas where policy ideas percolate from: academia and think tanks."

After the 1980 election, Charles and David Koch receded from the public arena. "They weren't really on my radar," recalls Richard Viguerie, whose hugely successful right-wing direct-mail company won him the nickname the "Founding Funder of the Right." But during the next three decades, they contributed well over \$100 million, much of it undisclosed, to dozens of seemingly independent organizations aimed at advancing their radical ideas. Their front groups demonized the American government, casting it as the enemy rather than the democratic representative of its citizens. They defined liberty as its absence, and the unfettered accumulation of enormous private wealth as America's purpose. Cumulatively, the many-tentacled ideological machine they built came to be known as the Kochtopus.

The Kochs were not alone. As they sought ways to steer American politics hard to the right without having to win the popular vote, they got valuable reinforcement from a small cadre of like-minded wealthy conservative families who were harnessing their own corporate fortunes toward the same end. Philanthropy, with its guarantees of anonymity, became their chosen instrument. But their goal was patently political: to undo not just Lyndon Johnson's Great Society and Franklin Roosevelt's New Deal but Teddy Roosevelt's Progressive Era, too.

In taking on this daunting task, they were in many cases refighting battles that had been lost by their fathers. Complacent liberals, and many Republicans also, assumed by the 1970s that the political pendulum in America had shifted permanently away from archconservative groups like the John Birch Society. Robust government was almost universally accepted as a necessary instrument for social and economic betterment. Redistributive taxes and spending were largely uncontroversial. Even Richard Nixon had proclaimed in 1971, "I am now a Keynesian in economics."

Not everyone in the Grand Old Party, however, agreed. A small but deep-pocketed reactionary rear guard was already hard at work, devising plans to fight moderation and win the battle for the radical Right in an ingenious new way.