

## CHAPTER SIX

### Boots on the Ground

IN HIS 1976 BLUEPRINT FOR THE CREATION OF A LIBERTARIAN MOVEMENT, Charles Koch had emphasized the need to use "all modern sales and motivational techniques." Less than a decade later, in 1984, he set out to launch a private political sales force. On paper, it was yet another Koch-funded conservative nonprofit group fighting for less government. It called itself Citizens for a Sound Economy (CSE). From the outside, it looked like an authentic political group, created by a groundswell of concerned citizens, much like Ralph Nader's Public Interest Research Groups, which had sprung up all over the country. A

According to the nonpartisan Center for Public Integrity, however, it was in fact a new kind of weapon in the arsenal of several of America's biggest businesses—a fake populist movement secretly manufactured by corporate sponsors—not grass roots, but "Astroturf," as such synthetic groups came to be known. Unlike corporate lobbying or campaign spending, contributions to Citizens for a Sound Economy could be kept hidden because it classified itself as a nonprofit "educational" group (as well as having its own charitable foundation and political action committee). By far the largest of the new group's shadowy sponsors were the Kochs, who provided it with at least \$7.9 million between 1986 and 1993.

The idea of employing a deceptive front group to mask corporate self-interest was not original, even within the Koch family. The same ruse had been used not just by the du Pont family and others during the New Deal years but also by a group to which Fred Koch belonged in the 1950s. He was an early and active member of the

Wichita-based DeMille Foundation for Political Freedom, an anti-labor union group that was a forerunner of the National Right to Work Legal Defense Foundation. In a revealing private letter, one of its staff members explained the group's "Astroturf" strategy. In reality, he said, big-business industrialists would run the group, serving as its "anonymous quarterbacks," and "call the turns." But he said they needed to sell the "yarn" that the group was "composed of housewives, farmers, small businessmen, professional people, wage earners—not big business industrialists." Otherwise, he admitted, the movement was "almost certainly doomed to failure."

Fred Koch's sons used the same playbook at Citizens for a Sound Economy. Libertarianism remained a lonely crusade, but CSE used corporate treasuries to market its spread and give it the aura of a mass movement. Its mission, according to one early participant, Matt Kibbe, "was to take these heavy ideas and translate them for mass America." Kibbe explained, "We read the same literature Obama did about nonviolent revolutions—Saul Alinsky, Gandhi, Martin Luther King. We studied the idea of the Boston Tea Party as an example of nonviolent social change. We learned we needed boots on the ground to sell ideas, not candidates."

Within a few years, the group had mobilized fifty paid field workers, in twenty-six states, to rally voters behind the Kochs' agenda of lower taxes, less regulation, and less government spending. CSE, for instance, pushed to abolish progressive taxes in favor of a flat tax and to "privatize" many government programs, including Social Security. "Ideas don't happen on their own," noted Kibbe. "Throughout history, ideas need patrons."

Although the Kochs were the founders and early funders of the group, it soon served as a front for dozens of the country's largest corporations. Its head denied that it was a rent-a-movement. But private records obtained by *The Washington Post* showed that a procession of large companies ranging from Exxon to Microsoft had made contributions to the organization after which it had mobilized public support for their agendas. Many of the companies were embroiled in fights against the government. Microsoft, for instance, was trying to stave off an antitrust suit. It reportedly made a contribution to the foundation set up by Citizens for a Sound Economy that was aimed at reducing the Justice Department's antitrust work.

The group's unorthodox practices occasionally stirred controversy.

In 1990, the organization created a spin-off, Citizens for the Environment, which called acid rain and other environmental problems "myths." When the *Pittsburgh Post-Gazette* investigated the matter, it discovered that the spin-off group had "no citizen membership of its own."

One insider said the main organization's membership claims were deceptive as well. "They always said they had 250,000 members," he later recalled, but when he asked if that meant they carried cards or paid dues, he was told no, it just meant they'd contributed money at one point, no matter how long ago or how small an amount. "It was intellectually dishonest," he maintains.

By the time Bill Clinton became president, Citizens for a Sound Economy had become a prototype for the kinds of corporate-backed opposition campaigns that would proliferate after Obama was elected. In 1993, it waged a successful assault on Clinton's proposed tax on energy, which would have taxed fossil fuel use but exempted renewable energy sources. In a show of force, without revealing its corporate sponsors, CSE ran advertisements, staged media events, and targeted political opponents. It also mobilized noisy, grassroots-seeming anti-tax rallies outside the Capitol—which NPR described as "designed to strike fear into the hearts of wavering Democrats."

Dan Glickman, one of the Democrats who supported the energy tax and who formerly represented the Kochs' hometown of Wichita, believes that secret money they funneled against him ended his eighteen-year congressional career. "I can't prove it, but I think I was probably their victim," he said. Having come from Wichita, he had friends in common with the Kochs who vouched for their ideological sincerity, yet to him it seemed obvious that sincere though they may be, "Their political theory is nothing more than a rationalization for self-interest."

Fink later gave credence to Glickman's suspicions. After the election, he admitted that their campaign to defeat the energy tax had been motivated by their bottom line. "Our belief is that the tax, over time, may have destroyed our business," he told *The Wichita Eagle*.

CSE's success in helping to kill Clinton's energy tax emboldened the group. Next, it went after his proposed tax increase on high earners. According to *The Wall Street Journal*, however, CSE's ads were

deeply misleading, focusing on owners of car washes and other mom-and-pop small businesses, implying that the tax was aimed at the middle class when in fact it would affect only the wealthiest 4 percent. It was the kind of exaggerated scare tactic that would become a Koch trademark during the Obama years. The secret corporate donors, though, were ecstatic about Citizens for a Sound Economy. "They can fly under the radar screen . . . There are no limits, no restrictions and no disclosure," one exalted.

But at the end of 2003, internal rivalries caused Citizens for a Sound Economy to split apart. "The split was about control," recalled Dick Armey, the former Republican House majority leader from Texas who chaired the organization after leaving Congress. "I never totally understood it, and I'm not sure I understand it now." He believed the Kochs wanted to use the group "to push their business interests; they wanted CSE to lobby on those issues," he said. Others have suggested it was Armey who was pushing the interests of his law firm's clients, a charge Armey denies. There was another factor, too, behind the split, Armey suggested. "I saw it as a power grab by Richard Fink. He was trying to get a greater place in the sun to maintain his standing and his good living with the Koch family."

Armey didn't know the Kochs well, but he had talked with Charles before joining the organization and found him "a little peculiar. Charles seemed half-mysterious," he said. "He was half-secretive. He'd speak in cryptic tones. You'd have to think, 'What does he mean?' He'd talk about this business of trying to 'save the country' and all that." It seemed to Armey that Charles had conflicting aims. "Charles wanted to be more in control, but he also wanted to be more behind the scenes. I don't get it." Another veteran of Citizens for a Sound Economy concluded that while the Kochs loved liberty as an abstraction, "they were very controlling, very top-down. You can't build an organization *with* them. *They* run it."

Armey went on to start another conservative free-market group, FreedomWorks, with a few other renegades from the organization. It was at this moment, in 2003, that the Kochs inaugurated the first of their twice-a-year donor summits, which, according to one insider, were originally designed as a means of off-loading the costs of Koch Industries' environmental and regulatory fights onto others. The first conference was a fairly dismal affair, with fewer than twenty partici-

pants, mostly from Charles's social circle. The lectures were painfully dull, according to one insider.

Meanwhile, David Koch and Richard Fink created a new non-profit advocacy group out of the remaining shards of Citizens for a Sound Economy. They called their new organization Americans for Prosperity. Like CSE, it would be accused by critics of using the guise of nonprofit status to work, behind a screen of anonymity, on behalf of the Kochs' corporate and political interests. Like Citizens for a Sound Economy, the new group had several different divisions, with different tax statuses. One wing of the new organization was the Americans for Prosperity Foundation, whose board members included both David Koch and Richard Fink. The foundation was a 501(c)(3) educational organization, so donations to it could be written off as tax-deductible charitable gifts. But while it could "educate" the public, it could not participate in electoral politics. The other division was an advocacy organization, just called Americans for Prosperity. Under the tax code, it was a 501(c)(4) "social welfare" group, which meant that it could participate in electoral politics so long as this was not its "primary" activity. Donations to this side of the organization could also be made in secret but were not tax deductible.

To run this more political side of the operation, the Kochs hired Tim Phillips, a political veteran who had worked with Ralph Reed, the former head of the Christian Coalition. Reed was regarded as the religious Right's savviest political operative. He and Phillips had co-founded Century Strategies, a dynamo of a campaign-consulting firm that became notorious for its close and lucrative business ties to Jack Abramoff, a lobbyist who went to prison for defrauding millions of dollars from Native American casino owners, among other clients. Phillips was not charged in connection with the scandal but had helped create a religious-sounding organization that in fact handled casino cash for Abramoff.

Phillips was part of a tough, hardball-playing group, far from the wonky, intellectual mists of Charles Koch's early libertarian musings. Both Reed and Abramoff were early protégés of Grover Norquist, the influential Washington-based antitax activist famous for proclaiming his hope of shrinking government to the size where he could "drown it in the bathtub." Norquist had confided once that he regarded Reed and Abramoff as his two greatest students. "Grover told me Ralph

was his Trotsky, and Abramoff was his Stalin," recalls Bruce Bartlett, the conservative economist.

Phillips had grown up poor in South Carolina in a family of Democrats so ardent that his father, who worked in the textile mills before becoming a bus driver, was named Franklin Delano Roosevelt and his grandfather had worked in Roosevelt's WPA. But in what Phillips recalled as one of the most "traumatic" moments of his adolescence, he was mesmerized one evening in 1980 by Ronald Reagan while watching the television news. He told his father, "I'm gonna be for that guy." Shocked, his father turned off the television, called his mother into the room, and warned him sternly that the Republicans "are for the rich man, Son. Come on, are you kidding me?"

Phillips retorted, "Well maybe I want to be rich one day." His parents were so dismayed, he recalled, "You'd have thought I'd said, you know, I'm moving to the Soviet Union, I'm gonna become, you know, a Godless communist atheist or whatever."

A Southern Baptist, Phillips enrolled in Liberty University, Jerry Falwell's evangelical school in Lynchburg, Virginia. But after one semester, he ran out of money and dropped out. From that point on, he was helped by one conservative group after the next, taking internships with free housing until he was hired as an operative on a Republican congressional campaign in Virginia. By 1997, he had founded Century Strategies with Reed. Together, they helped turn out evangelical voters in 2004 to reelect George Bush. The Christian Right drew criticism that year for motivating social conservatives by fanning fears about gay rights. In 2005, David Koch and Art Pope, the North Carolina dime store magnate and regular at the Koch seminars, drafted him to run Americans for Prosperity. "I was intrigued by the idea of being able to build a movement based on economic issues, the way that Christian Right folks had built a movement based on social issues," he recalled, explaining why he took the job.

Phillips's online biography described him as an expert in "grass-tops" and "grassroots" political organizing. The Kochs' choice of Phillips, a hardened professional, signaled a tough new phase for the Kochtopus. Norquist, famous for praising "throat slitters" in politics, approvingly called Phillips "a grownup who can make things happen."

Phase three of Fink's plan could now begin in earnest.

## CHAPTER SEVEN

### Tea Time

ACCORDING TO MOST CONVENTIONAL WISDOM, THE TEA PARTY MOVEMENT sprang to life in America spontaneously, unsullied by vested financial interests. As with most creation myths, however, the reality is quite another story.

The often-told tale was that the remarkable awakening of anti-government rage that spread across the country in 2009 was triggered by an unplanned outburst on live television from Rick Santelli, a former futures trader, who was a regular on-air contributor to the CNBC business news network. The date of Santelli's tirade was notably early in Obama's presidency, February 19, 2009, less than one month after Obama was sworn in as president. At the time, Obama enjoyed approval ratings of over 60 percent. A year later, a congressman championing Obama's health-care proposal would be spat on, and two years later his party would lose control of the House of Representatives, effectively ending his ability to enact "change you can believe in," as promised in his campaign. Arguably, the precipitous downhill slide began that day.

Pundits, opponents, and disillusioned supporters would blame Obama for squandering the promise of his administration. Certainly he and his administration made their share of mistakes. But it is hard to think of another president who had to face the kind of guerrilla warfare waged against him almost as soon as he took office. A small number of people with massive resources orchestrated, manipulated, and exploited the economic unrest for their own purposes. They used tax-deductible donations to fund a movement to slash taxes on the rich and cut regulations on their own businesses. While they paid



focus groups and seasoned operatives to frame these self-serving policies as matters of dire public interest, they hid their roles behind laws meant to protect the anonymity of philanthropists, leaving more folksy figures like Santelli to carry the message.

What came to be known as Santelli's "rant" started slowly and built as he held forth from the floor of the Chicago Mercantile Exchange. The immediate provocation was the previous guest. Minutes before Santelli appeared, Wilbur Ross Jr. had denounced a proposal Obama had floated the previous day to provide emergency help in restructuring mortgages for millions of homeowners facing foreclosure. Ross, a personal friend of David Koch's, wasn't a disinterested policy analyst. His private equity company, WL Ross & Co., a so-called vulture fund, was heavily involved in servicing mortgages.

Santelli, who tended in general toward tough-guy, free-market pronouncements, excitedly agreed with Ross that the government shouldn't help. "Mr. Ross has nailed it!" he began. He denounced Obama's plan as Cuban-style statism. Stressed homeowners in his view were "losers" who deserved their fate. He objected to the government playing a redistributive role, casting his argument in moral terms. By helping to bail out homeowners who made bad financial bets, he argued, the government was "promoting bad behavior." Critics would later point out that his indignation had not been similarly stirred by the Bush administration's bailouts of the country's largest banks, about which he had grudgingly conceded, "I agree, something needs to be done." Yet when Obama proposed help for the overextended underclasses, Santelli looked into the camera and shrieked, "This is America! How many of you people want to pay your neighbor's mortgage that has an extra bathroom, and can't pay their bills? Raise their hand. President Obama, are you listening?"

As his fellow traders whistled and cheered, he went on to say, "We're thinking of having a Chicago Tea Party in July. All you capitalists that want to show up to Lake Michigan, I'm gonna start organizing." From the start, the analogy was inapt. As Michael Grunwald, author of *The New New Deal*, a richly reported book about Obama's stimulus plan, observed, "The Boston Tea Party was a protest against an unelected leader who raised taxes, while Obama was an elected leader who had just cut them."

Nonetheless, Santelli's spontaneous invocation of the Boston Tea Party, according to most accounts, was what launched the movement.

For instance, the Kochs' political adviser, Richard Fink, said, "It was the guy in Chicago, yelling on the stock exchange floor," that started it. He added, "Our programs had nothing to do with it."

In April 2009, as the Tea Party movement was gathering force, Melissa Cohlman, a spokesperson for Koch Industries, also denied that the Kochs had any direct links to the unrest, issuing a statement saying, "No funding has been provided by Koch companies, the Koch foundations, or Charles Koch or David Koch specifically to support the tea parties." A year later, David Koch continued to insist in *New York* magazine, "I've never been to a tea-party event. No one representing the tea party has ever even approached me." When asked by a sympathetic interviewer for *The Daily Beast*, Elaine Lafferty, if *The New Yorker's* report on the Kochs' involvement was true, he responded, "Oh, please."

Such denials helped shape the early narrative of the Tea Party movement as an amateur uprising by ordinary citizens, "a new strain of populism metastasizing before our eyes," as Mark Lilla wrote in *The New York Review of Books*. Its members were described as non-partisan everymen, incensed by the "Democrats and Republicans, national debt and other assorted peeves," as National Public Radio reported.

These reports of spontaneous political combustion weren't entirely wrong. But they were far from the whole story. To begin with, the Tea Party was not "a new strain" in American politics. The scale was unusual, but history had shown that similar reactionary forces had attacked virtually every Democratic president since Franklin Roosevelt. Earlier business-funded right-wing movements, from the Liberty League to the John Birch Society to Scaife's Arkansas Project, all had cast Democratic presidents as traitors, usurpers, and threats to the Constitution. The undeniable element of racial resentment that tinged many Tea Party rallies was also an old and disgracefully enduring story in American politics. Nor could the Tea Party accurately be described as nonpartisan. As a *New York Times* poll later showed, over three-quarters of its supporters identified as Republican. The bulk of the remainder felt the Republican Party was not Republican enough. Finally, although many of its supporters were likely political neophytes, from the start the ostensibly anti-elitist rebellion was

funded, stirred, and organized by experienced political elites. On closer inspection, as the Harvard political scientist Theda Skocpol and the Ph.D. student Vanessa Williamson observed in their 2012 book, *The Tea Party and the Remaking of Republican Conservatism*, the Tea Party movement was a "mass rebellion . . . funded by corporate billionaires, like the Koch brothers, led by over-the-hill former GOP kingpins like Dick Armey, and ceaselessly promoted by millionaire media celebrities like Glenn Beck and Sean Hannity."

Behind the street theater were some of the country's wealthiest businessmen who had painstakingly been trying to build up the "counter-establishment" since the 1970s and now saw the public's unrest as an amazing opportunity to at long last mobilize popular support for their own agendas. As Bruce Bartlett, the economist, put it, "The problem with the whole libertarian movement is that it's been all chiefs and no Indians. There weren't any actual people, like voters, who gave a crap about it. So the problem for the Kochs has been trying to create an actual 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, immediately began "trying to shape and control and channel the populist uprising into their own policies."

In fact they and a handful of other wealthy allies had made repeated efforts to foment antigovernment rebellions well before Santelli's rant, often invoking the image of the Boston Tea Party. The history stretched back decades, to Charles Koch's blueprint for a libertarian revolution in the late 1970s and Richard Fink's three-part plan, "The Structure of Social Change," in the 1980s. By the 1990s, nonprofit "grassroots" advocacy groups funded by the Kochs and a few close associates had begun explicitly pushing the antitax Tea Party theme. But the early efforts, as Bartlett suggested, got little traction.

In 1991, Citizens for a Sound Economy promoted what was advertised as a massive "re-enactment of the Boston Tea Party" in Raleigh, North Carolina, to protest tax increases. Among those present, the press corps nearly outnumbered the clutch of protesters in Revolutionary War, Uncle Sam, and Santa Claus costumes. The following year, Citizens for a Sound Economy was involved in another plan to stage a Tea Party protest. This one was secretly funded by tobacco companies to fight cigarette taxes and was canceled after its covert funding was exposed. By 2007, Citizens for a Sound Economy

had split up. The Kochs' new organization, Americans for Prosperity, tried to stage another Tea Party protest against taxes, this time in Texas. It too was a dud. Nonetheless, by the time Obama was elected and the economy was melting down, the rudiments of a political machine were in place, along with a network of paid operatives expert in creating colonially garbed "Astroturf" groups to fake the appearance of public support.

What Obama was up against was a new form of permanent campaign. It was waged not by politicians but by people whose wealth gave them the ability to fund their own private field operations with which they could undermine the outcome of the election. So-called outside money—that spent by individuals and groups outside of the campaigns themselves—exploded during the Obama years. Much attention was paid to the portion of this spending that was directed at elections. Less attention was paid to the equally unrivaled role that outside money played in influencing the way the country was governed. Most of this spending was never disclosed. But as the Kochs' political lieutenant, Fink, boasted to *The Wichita Eagle* in 2012, "I think that's actually one of the things that happened at the Obama administration, is that every rock they overturned, they saw people who were against it, and it turned out to be us."

A trial run of this non-electoral outside spending actually began in the summer of 2008. Karl Rove, the operative whom George W. Bush called "the architect" of his 2004 reelection, had long dreamed of creating a conservative political machine outside the traditional political parties' control that could be funded by virtually unlimited private fortunes. His hope was to draft conservative donors of all stripes into creating a self-financed militia that could be called into action without the transparency, legal restrictions, or accountability that circumscribed conventional campaigns. And that summer, the Kochs had participated briefly in a version of this project, according to the *Politico* reporter Kenneth Vogel. Their representatives met clandestinely with political operatives working for other hugely wealthy donors, such as the Las Vegas casino magnate Sheldon Adelson. The ideal, one participant said, was "a never-ending campaign." After the disappointment of Obama's victory, though, the group disbanded. The Kochs, among others, regrouped.

The lesson learned, as one donor, the late Texas billionaire Harold Simmons, put it, was that next time they needed to spend even

civil  
society  
har  
y  
L  
hairs

more. Simmons, who made a fortune in leveraged buyouts, had put almost \$3 million into a group running television ads trying to tie Obama to the 1960s radical Bill Ayers during the 2008 campaign. "If we had run more ads, we could have killed Obama," he lamented.

When Obama took office, the stock market was down nearly six thousand points, and unemployment was shooting up toward 7 percent. As the former senator Tom Daschle later recalled, "There was a growing sense of calamity." Obama expected bipartisan support at a moment that seemed like an economic version of the September 11, 2001, crisis. He had proclaimed in his 2004 keynote address to the Democratic National Convention, "There is not a liberal America and a conservative America. There is the United States of America!" Or so he thought.

Obama's billionaire opponents wasted no time indulging him in a honeymoon. Forty-eight hours after Obama was sworn in, Americans for Prosperity started attacking his first major piece of legislation, a massive \$800 billion Keynesian-inspired boost in public spending and tax cuts meant to stimulate the economy, the American Recovery and Reinvestment Act. The Kochs' advocacy group began organizing "Porkulus" rallies around the country, deriding public spending as corrupt "pork." The term was coined by Rush Limbaugh. It's reasonable to assume that the Kochs were too busy to follow such minutiae, but a former member of their inner circle asserts that Americans for Prosperity did "nothing more, and nothing less than they wanted it to do." Poorly attended at first, the "Porkulus" rallies became dress rehearsals for the Tea Party.

Americans for Prosperity soon launched a "No Stimulus" effort that sponsored anti-Obama media events featuring the star of the Koch seminar that January, South Carolina's senator Jim DeMint. The group also hosted a Web site, aired television advertisements, and pushed a petition that it claimed collected 500,000 signatures aimed at stopping Congress from passing Obama's stimulus bill. "We cannot spend our way to prosperity," it proclaimed. As the bill took shape, the group sent a sharply worded letter to Republicans in Congress, demanding that they vote no on the spending bill, regardless of any compromises or modifications that the new administration might offer.

The attacks reflected Charles Koch's revisionist belief that government interference in the economy was what had caused the last

Great Depression. "Bankers, brokers and businessmen," he argued, had been falsely blamed. The true culprits were Herbert Hoover and Franklin Roosevelt, both of whom he regarded as dangerous liberals. In his view, the economic policies of Warren Harding and Calvin Coolidge—the latter had famously declared, "The chief business of the American people is business"—had been unfairly maligned. Charles argued that the New Deal only "prolonged and deepened the decline." Shortly after Obama was elected, Charles sent out a newsletter with this "History Lesson" to his seventy thousand or so employees, essentially reprising the robber barons' revisionism that he had been taught at the Freedom School. He also mobilized the Kochtopus, the sprawling network of some thirty-four public policy and political organizations his fortune supported by 2008. During the Bush years, it had been relatively quiescent.

Think tanks funded by the Kochs and their allied network of donors, such as the Cato Institute, the Heritage Foundation and the Hoover Institution at Stanford University—where six attendees at the Kochs' annual seminars served in official capacities—began cranking out research papers, press releases, and op-ed columns opposing Obama's stimulus plan. Much of the research was later challenged by less biased experts. The Mercatus Center at George Mason University, for instance, released a report claiming that stimulus funds were directed disproportionately at Democratic districts. Eventually, the author was forced to correct the report but not before Rush Limbaugh, citing the paper, had labeled Obama's program "a slush fund" and Fox News and other conservative outlets had echoed the sentiment.

The paid advocates formed a national echo chamber. Phil Kerven, the vice president for policy at Americans for Prosperity, was a contributor to the Fox News Web site. Another officer at Americans for Prosperity, Walter Williams, the John M. Olin Distinguished Professor of Economics at George Mason University, was a frequent guest host on Limbaugh's radio show, which claimed to have an audience of twenty million listeners.

Some conservatives have insisted that the Tea Party movement owed nothing to wealthy donors, citing the example of Keli Carender, an ostensibly lone Seattle activist whose "Porkulus" protest preceded Santelli's rant by a week. Carender, however, borrowed the term "porkulus" from Limbaugh. The company that syndicated Limbaugh's show, Premiere Networks, meanwhile, was getting paid a

handsome \$2 million or so a year by the Heritage Foundation to push the think tank's line on issues, tying the message back to the same ultrarich funding pool.

The steady stream of exposés accusing the fledgling Obama administration of malfeasance fanned public anger and provided useful ammunition for congressional Republicans, who in truth needed all the help they could get. The conventional wisdom at the beginning of the Obama presidency was that the 2008 election had been such a wipeout for Republicans that their only hope of staying relevant was to cut deals with Obama, who was seen as far too popular to oppose. But those who expected compromise—which included the president and his top aides—hadn't noticed the growing extremism in the Grand Old Party.

Even before the new congressional session began, Eric Cantor, a lawyer from Richmond, Virginia, who was about to become the new minority whip in the House, told a handful of trusted allies in a private planning meeting in his Washington condo, "We're not here to cut deals and get crumbs and stay in the minority for another forty years." Instead, he argued, the Republicans needed to fight. They needed to unite in opposition to virtually anything Obama proposed in order to deny him a single bipartisan victory. The group, which included his deputy, Kevin McCarthy, called itself the Young Guns. The strategy of obstruction that they adopted won the Republicans the nickname the Party of No.

At their first official leadership retreat in January 2009, the model that the House Republicans chose to emulate was the Taliban. The Texas congressman Pete Sessions, the new leader of the Republican House campaign committee, held up Afghanistan's infamous Islamic extremists as providing an example of how they could wage "asymmetric warfare." The country might be in an economic crisis, but governing, he told his colleagues, was not the reason they had been elected. As he flashed through a slide presentation at the Annapolis Inn, he asked his colleagues, "If the Purpose of the Majority is to Govern . . . What is Our Purpose?" His answer was simple: "The Purpose of the Minority is to become the Majority." That one goal, he said, was "the entire Conference's mission."

John Boehner, the new minority leader, wasn't himself part of the Young Guns, but it was increasingly clear that if he didn't yield to them, they might depose him. As power shifted from the parties to

outside money, much of which came from donors more extreme than the electorate at large, moderates had to fear primary challenges and internal coups from their right flank.

Steve LaTourette, a longtime Republican moderate congressman from Ohio who was a close friend of Boehner's, explained, "In the past, it was rare that someone would run against an incumbent in their own party. But the money that these outside groups have is what gives these people liquid courage to run against an incumbent." He described the outside donors as "a bunch of rich people who you can count on maybe two hands who have an inordinate impact. One or two might have been the guy in high school with the pocket protector picking his nose, but now he's inherited \$40 million and has his chance to be a player. Once they were able to infuse massive amounts of money, they got a disproportionate amount of influence. It's not one man one vote anymore," he said with a sigh. "It's all about the money. It's not a function of anything else."

LaTourette was astonished, he said, when he went to the first meeting of the Republican caucus after Obama was elected. "When the question came up, about why we lost, these folks were saying, 'It's because we weren't conservative enough.' Well, I looked at the numbers, and we lost 58 percent of the independents!" Yet moderates like himself were getting frozen out. He became so frustrated he eventually retired, becoming a lobbyist and starting an organization aimed at battling the forces of extremism in his party. "I left," he said, "because I was sick of it. I couldn't take it anymore. I was there eighteen years. I understood it was a contact sport, but whether it was transportation or student loans, there were things you'd do without thinking. Now you can't get anything done. Some people don't want the government to do anything," he concluded.

The Republican leadership, according to an anecdote related by Grunwald, told GOP members of the House that as one of them, Jerry Lewis, a member of the House Appropriations Committee, put it, "We can't play." David Obey, the Democratic chairman of the House Appropriations Committee, was incensed at the lack of cooperation. "What they said right from the get-go," he said, was that "it doesn't matter what the hell you do, we ain't going to help you. We're going to stand on the sidelines and bitch."

The Republicans of course saw it differently. They accused Obama of being too partisan and took umbrage when he flaunted his



election mandate and reminded Cantor during one tense session, "I won." In Lewis's view, the Democrats were arrogant, intolerant, and overbearing.

Obama nonetheless continued to seek bipartisan support. His experience with what Hillary Clinton labeled the "vast right-wing conspiracy" was limited. He had vaulted in only five years from the Illinois State Senate to the White House. He turned out to be unrealistically confident that he could transcend partisan rancor as he had while editing the *Harvard Law Review*. So when he received an invitation from Boehner and the others in the House Republican caucus to come up to Capitol Hill to consult with them about the stimulus package, Obama accepted, with much fanfare.

On January 27, he climbed into his armored limousine for his first presidential motorcade to the Hill. Meeting exclusively with Republicans was unusual, as was a president coming to their turf to lobby. But the administration had promised to discard narrow partisan division. In fact Obama's economic advisers thought they had tailored the stimulus plan for Republican support by deriving one-third of it from tax cuts. Liberals were dismayed by the compromise, warning that government spending would do more to revive the economy than tax cuts and that the overall stimulus spending numbers were too small to really jump-start the economy. Despite these concessions, Obama's meeting on the Hill nonetheless turned out to be a demeaning disaster. Shortly before he arrived to pitch his plan, news leaked that the Republican leadership in the House was already instructing its caucus to vote against it. Obama was left to speak to a roomful of firmly closed minds. Afterward, he was left facing the gathered press corps looking lame and empty-handed.

"It was stunning," David Axelrod, Obama's longtime political adviser, later admitted. "Our feeling was, we were dealing with a potential disaster of epic proportions that demanded cooperation. If anything was a signal of what the next two years would be like, it was that."

The next morning, readers of *The New York Times* and *The Wall Street Journal* opened their papers to see a full-page ad paid for by the Cato Institute, the think tank that Charles Koch had founded and on whose board David Koch sat. The ad directly challenged Obama's credibility. It quoted Obama saying, "There is no disagreement that we need action by our government, a recovery plan that will help jump

start the economy." In large, boldface letters, the ad copy retorted, "With all due respect, Mr. President, that is not true." The statement was signed by 203 individuals, many of whose careers had been subsidized by the largesse of the Kochs, the Bradley Foundation, the John M. Olin Foundation, and other right-wing family fortunes.

Bill Burton, the deputy press secretary for Obama in the White House, looks back at the level of obstruction in the administration's first month as a complete shock. "They turned on Obama so early," he later recalled ruefully. "Not only did we not have the answers yet, we barely knew where to sit down. The chairs in the White House were still spinning from the people who had left them." Looking back, Burton shook his head at the administration's naïveté. "No one at the time saw it coming."

Specifically, he said, "We didn't really see the force, the outside money, until after he was elected. Then the first thing he had to do, the only thing he could do, was spend trillions and trillions of dollars, passing the stimulus bill first, and that led to Stimulus Two, and TARP, and the auto bailouts. The right-wing plutocrats really fed off of that. They tapped into this anger about spending." He admits, "No one saw the Kochs or the Dick Armeys out there."

Within two months of Obama taking office, he recalled, the political environment had been transformed. "In January, we were working with the Republicans on an economic recovery package grounded firmly in centrist thinking," he recalls. "The mainstream economic view was that the size of the calamity required massive economic spending. We asked the Republicans for their ideas. We were getting cooperation. Letters from all sorts of members of Congress were coming in with their heartfelt ideas. One high-ranking member of the House Republicans even suggested high-speed rail! But by early February, it started to shift. They were no longer sending letters. They were all expressing doubt about any kind of spending at all." Senator DeMint, who was headlining the Kochs' No Stimulus campaign, began a floor speech by proclaiming, "I like President Obama very much." He then went on to call the stimulus bill "a trillion-dollar socialist experiment" that was "the worst piece of economic legislation Congress has considered in a hundred years." As Burton put it, "DeMint was saying 'One-Term President' within six weeks of Obama taking office."

On February 17, Obama signed the Recovery Act into law. It had



squeaked through Congress with only three Republican votes in the Senate and none in the House. Five years later, a survey of leading American economists chosen for their ideological diversity and eminence in the field, taken by the Initiative on Global Markets, a project run by the University of Chicago, found nearly unanimous consensus that the Recovery Act had achieved its goal of reducing unemployment. Only one of the thirty-seven economists surveyed disagreed. The free-market orthodoxy that dominated the Republican Party in Washington had completely veered from rational, professional expertise, yet the extremists nearly prevailed. As it was, Obama's opponents forced the administration to adopt a smaller stimulus package than many economists thought necessary, undercutting the recovery. One month into his presidency, extreme opponents, fueled by outside money, had already wounded Obama. The day after signing the stimulus bill, Obama announced the \$75 billion homeowner rescue plan.

The next morning, Santelli delivered his rant, and within moments it went viral. Matt Drudge, the conservative news aggregator, linked to it under one of his Web site's rotating red siren emblems, promoting it to the site's three million daily readers as a pulsating political emergency.

Within hours, another Web site called TaxDayTeaParty.com appeared on the Internet, spreading the rebellion under the Tea Party label. Its domain name was registered by Eric Odom, a young member of the Libertarian Party of Illinois who lived in Chicago. Odom had been working until recently for an organization called the Sam Adams Alliance, whose chief executive had long and close ties to the Kochs. The strange story of the Sam Adams Alliance was yet another demonstration of the way that years of private funding by a few wealthy ideologues had created an underground political infrastructure.

The Chicago-based tax-exempt organization was named for the original 1773 Boston Tea Party activist Sam Adams. While the group's title evoked the Founding Fathers, its chief executive officer was a Wisconsin investor named Eric O'Keefe who had been involved with the Kochs since his days as a young volunteer in David Koch's Libertarian Party campaign for vice president. O'Keefe eventually became the national director of the Libertarian Party. By 1983,

however, like the Kochs, he had moved on to promoting free-market fundamentalism through other means, often joining forces with the brothers through their donor seminars and other ventures. Influenced as a child by *The Wall Street Journal* and the Conservative Book Club, O'Keefe, as *The Washington Post* wrote, "had money. He grew up with some and made a lot more as an investor, allowing him to devote decades to a series of ambitious political crusades, nearly all of them failures."

The founder of the Sam Adams Alliance, according to one account, was a balding, publicity-shy Brooklyn-born real estate tycoon named Howard Rich. Known to friend and foe as Howie, Rich had also been involved in numerous far-flung political ventures with the Kochs. Impressed early by the writings of Hayek and Milton Friedman, he became a tireless supporter of long-shot libertarian causes while amassing a fortune buying apartment buildings in Manhattan, Texas, and North Carolina. Both O'Keefe and Rich served on the Cato Institute's board of directors with David Koch. They had years' worth of ties, as well as ups and downs, with Charles Koch as well. Relations were good enough that the Institute for Humane Studies at George Mason University, whose board Charles Koch chaired, placed some of its thirty or so chosen Charles G. Koch fellows in summer internships with the Sam Adams Alliance.

For decades this small, wealthy, and intense circle had been trying to advance their fervently held libertarian ideas, almost always working in secret, cloaked behind layers of shell groups, so that their role couldn't be detected. Rich in particular rivaled Houdini for sleights of hand, having obscured his role behind a positively dizzying number of name-changing, shape-shifting, interlocking organizations. He almost invariably declined to talk to the press or debate opponents. Until the Tea Party, however, the results had been disappointing. "My 32 years of engagement has been a long and expensive lesson in frustration," his frequent political partner, O'Keefe, admitted.

Among this group's earlier political efforts was a stealth attempt in the early 1990s to get voters to approve ballot measures imposing congressional term limits. Experts suggested that term limits would hurt Democrats, who had more congressional incumbents at the time, and also strengthen the power of outsiders with money, like themselves. As was true of the later Tea Party movement, the supporters of term limits described their movement as a grassroots outpouring

fueled by populist outrage at entrenched power. In California, the Kochs were rumored to be behind a 1992 referendum on whether to impose them, but a spokesman denied they had any direct role. But after the referendum succeeded, the *Los Angeles Times* discovered that the true organizers and much of its funding traced back to a secretive group run by Howie Rich and Eric O'Keefe, U.S. Term Limits. There were ties to the Kochs, too. Fink admitted when confronted by the paper that they had in fact provided "seed money."

Similarly, in Washington State a congressional term-limits ballot initiative nearly passed in 1991 until *The New York Times* exposed what Murray Rothbard, the irreverent libertarian theorist who had split with the Kochs, called "the Kochian deep pockets behind the 'grass-roots' movement." The paper discovered that what supporters billed as "a prairie fire of populism" was in fact the product of a Washington-based group calling itself Citizens for Congressional Reform, which was started with hundreds of thousands of dollars from David Koch. "I ignited the spark, and the fire is raging on its own," he claimed once his role was exposed. Fanning the flames, however, was his checkbook. His group contributed nearly three-quarters of the campaign's budget, paying for professional signature gatherers to collect enough names to get the issue on the ballot.

Eventually, the Supreme Court ruled that federal term limits were unconstitutional. This finished off the movement at the congressional level for good, though not its backers' penchant for ersatz populism.

The patrons of libertarianism kept on trying to buy at least the aura of public support. In 2004, one of the first ventures of the Kochs' newly formed advocacy group, Americans for Prosperity, was a radical antitax measure called the Taxpayer Bill of Rights. The measure placed drastic restrictions on state legislators, requiring all tax increases to first be approved by public referenda. The group chose Kansas as its first battleground for the Taxpayers Bill of Rights just as the Kochs were fighting a proposed tax increase in their home state. Despite an outcry about shadowy spending, AFP spent a record amount of money on television ads, and the tax increase was defeated.

Two years later, in 2006, a group created and run by Rich called Americans for Limited Government spent some \$8 million promoting a variety of other ballot drives, including one that demanded that

owners get compensated for the impact of land-use laws on their property. Supporters again claimed to have widespread grassroots support. But an investigation by the Center for Public Integrity revealed that in fact just three donors, none of them disclosed, accounted for 99 percent of the organization's funding. Despite the heavy spending, the fringe antigovernment measures were voted down almost everywhere.

Soon afterward, the State of Illinois suspended Rich's group of its charitable license after it failed to supply required financial statements, and in 2006 the group shut down its Chicago headquarters. At this point, Americans for Limited Government moved to Fairfax, Virginia, where several other nonprofit organizations run by Rich were based. Back in Chicago, meanwhile, a new tax-exempt group sprang up at its former address, calling itself the Sam Adams Alliance.

Eric O'Keefe, who had served on the board of Americans for Limited Government, was now the chairman and chief executive officer of the new organization. "We're not going to be shut up," he had vowed when previously investigated in Wisconsin for campaign-finance violations. Tax records showed that some 88 percent of the Sam Adams Alliance's funding that year came from a single gift of \$3.7 million from a mysterious undisclosed donor.

In the summer of 2008, as Barack Obama grew closer to capturing the presidency, Eric Odom at the Sam Adams Alliance started experimenting with some of the online communications methods that would later help to organize the Tea Party movement. He tested out the use of Twitter to trigger a right-wing flash mob in the House of Representatives in Washington. He and a friend, Rob Bluey, a twenty-eight-year-old blogger who described himself as "a card-carrying member of the vast right-wing conspiracy," created something they called the DontGo movement. They sent out Twitter messages demanding that the Democratic leadership in the House schedule a vote on legalizing offshore oil and gas drilling, or else Republicans would refuse to go home for the summer recess.

The Twitter experiment worked remarkably well. That August, conservative congressmen, oil lobbyists, and other supporters of offshore drilling poured into the House, creating a wild and seemingly spontaneous protest. They chanted, "Don't go!" and "Drill here! Drill now!" They didn't succeed in lifting the restriction on offshore drilling, but one leader of the revolt, the Arizona congressman John

Shadegg, a conservative Republican, exalted that the protest was "the 2008 version of the Boston Tea Party."

Six months later, immediately after Santelli's rant, Eric Odom reactivated the "DontGo" list. He fired off a call to action to the same ten thousand hard-core conservative insiders whose contact information he and Bluey had compiled. Odom also formed what he called the Nationwide Tea Party Coalition with other activists, including operatives from Dick Armey's group, FreedomWorks, and the Kochs' group, Americans for Prosperity. AFP quickly registered a Web site called TaxPayerTeaParty.com and used its network of fifty-some staffers to plan rallies across the country.

As the operatives linked forces online, they set a date for the first national Tea Party protests, February 27. That day, more than a dozen protests were held in cities across the country. The organizers claimed 30,000 participants, but the crowds in many places were still sparse. But on April 15, when there was a second series of "Tax Day" Tea Party rallies across the country, the numbers had increased tenfold, to 300,000.

The Heritage Foundation, the Cato Institute, and Americans for Prosperity provided speakers, talking points, press releases, transportation, and other logistical support. Lee Fang, a blogger for the progressive Web site *ThinkProgress*, was among the first to question whether the movement was organic or synthetic "Astroturf." He noted that Americans for Prosperity was suddenly planning protests "coast to coast," while FreedomWorks seemed to have taken over a local rally in Florida. Not everyone liked the top-down control of the protests. "Americans for Prosperity annoyed some of the Tea Partiers," recalls the libertarian blogger Ralph Benko. "These people drove up, opened the door, put T-shirts on them, then took pictures and sent them to Charles [Koch] saying, 'See? We're doing great things with your money.'"

Thomas Frank, author of *What's the Matter with Kansas?*, had stopped by to see an early Tea Party rally in Lafayette Square, across from the White House, in February 2009. "It was very much a put-up job," he concluded. "All the usual suspects were there, like FreedomWorks, 'Joe the Plumber,' and *The American Spectator* magazine. There were also some people who had Revolutionary War costumes and 'Don't Tread on Me' flags, actual activists, and a few ordinary people," he said. "But it was very well organized by the conservative

groups. Back then, it was really obvious that it was put on, and they'd set it up. But then it caught on." Frank argues that "the Tea Party wasn't subverted," as some have suggested. "It was *born* subverted." Still, he said, "it's a major accomplishment for sponsors like the Kochs that they've turned corporate self-interest into a movement among people on the streets."

While the Kochs were continuing to profess no involvement, Peggy Venable, a spunky veteran of the Reagan administration who had been on their payroll as a political operative in Texas since 1994, becoming the head of the Texas chapter of Americans for Prosperity, gushed about her role in the movement. "I was a member of the Tea Party before it was cool!" she said during a conversation at a Koch-sponsored political event called Defending the American Dream, in Austin. As the Tea Party movement took off, she described how Americans for Prosperity had helped to "educate" the activists on policy details. She said they had given the supporters what she called "next-step training" after their rallies so that their political energy could be channeled "more effectively." The organization also supplied the angry protesters with lists of elected officials to target. Venable, who spoke without first checking with the Kochs' public relations representatives, happily said of the brothers, "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." She added, "We love what the Tea Parties are doing, because that's how we're going to take back America!"

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. Writing on her Web site, West described Obama as the "cokehead in chief" and speculated that the president was exhibiting symptoms of "demonic possession (aka schizophrenia, etc.)."

During a catered lunch at the summit, Venable introduced Ted Cruz, a former solicitor general of Texas and future senator, 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 death!"

No organization played a bigger early role than FreedomWorks, the estranged sibling of Americans for Prosperity, which was funded by donations from companies like Philip Morris and from billionaires like Richard Mellon Scaife. "I'd argue that when the Tea Party took off, FreedomWorks had as much to do with making it an effective movement as anyone," said Armey.

In looking back, Armey gave particular credit to a young aide named Brendan Steinhauser, the group's director of state and federal campaigns, who created a Web site immediately after Santelli's rant that provided all kinds of practical advice to supporters. It counseled them on how to plan rallies and what issues to protest, with Obama's stimulus spending high on the target list. He also suggested slogans and signs and sponsored a daily conference call with over fifty Tea Party activists around the country to coordinate their efforts. Soon FreedomWorks was providing a professional support team of nine for the operation. Armey recalled that Steinhauser "spent hours and hours on the phone with people who'd found the FreedomWorks Web site. The other guys at FreedomWorks were laughing at him" in the beginning, he said. But Armey described how Steinhauser organized the inchoate anger into a mass political movement. "He told them what to do. He gave them training. If it hadn't been for FreedomWorks, the Tea Party movement would never have taken off," Armey later said.

The fact that Armey was himself a Washington insider belied the notion that the Tea Party movement was anti-elitist. Armey had spent eighteen years in Congress and was reportedly paid \$750,000 a year as a lobbyist at the law firm DLA Piper, which represented corporate clients such as the pharmaceutical giant Bristol-Myers Squibb. But billionaire backers were useful. They gave the nascent Tea Party movement organization and political direction, without which it might have frittered away like the Occupy movement. The protesters in turn gave the billionaire donors something they'd had trouble buying—the numbers needed to lend their agenda the air of legitimacy. As Armey put it, "We'd been doing this lonely work for years. From our point of view, it was like the cavalry coming."

FreedomWorks, it was later revealed, also had some hired help. The tax-exempt organization quietly cemented a deal with Glenn

Beck, the incendiary right-wing Fox News television host who at the time was a Tea Party superstar. For an annual payment that eventually topped \$1 million, Beck read "embedded content" written by the FreedomWorks staff. They told him what to say on the air, and he blended the promotional material seamlessly into his monologue, making it sound as if it were his own opinion. The arrangement was described on FreedomWorks' tax disclosures as "advertising services."

"We thought it would be a useful tool if it was done in moderation, but then they started doing it by leaps and bounds," Armey recalled about the arrangement. "They were keeping it secret from their activists and supporters," he alleged. "They were creating an illusion that they were so important this icon, this hero of the movement, was bragging about them. Instead of earning the media, they were paying for it."

Beck, whose views were shaped by W. Cleon Skousen, the fringe theorist whose political paranoia had inspired the John Birch Society, reached a daily audience of some two million, disseminating the ideas of early conservative extremists like Fred Koch on a whole new scale. Frank Luntz describes the impact as historic. "That rant from Santelli woke up the upper middle class and the investor class, and then Glenn Beck woke up everyone else. Glenn Beck's show is what created the Tea Party movement," he said, adding, "It started on Tax Day 2009, and it exploded at town hall meetings in July. You can create a mass movement within three months."

Another factor was Obama's aversion to confrontation and hot rhetoric, which resulted in largely milquetoast messaging about Wall Street. Unlike Franklin Roosevelt, who blamed the "money changers" for the Great Depression in his first inaugural address, Obama's public utterances were muted. In a matter of weeks, critics argued that he had ceded the mantle of populism to his Tea Party opponents. "In an atmosphere primed for a populist backlash, he allowed the right wing to define the terms," John Judis observed in the liberal *New Republic* magazine.

Despite Steinhauser's efforts to police the Tea Party's signs for racism and other expressions of hate, within two months of Obama taking office, the streets and parks were filling with rallies at which white protesters carried placards reading, "Impeach Now!" and "Obama Bin Lyin'." Obama's face was plastered on posters making him look like the Joker from the Dark Knight films, his skin turned



chalk white, his mouth stretched almost to his ears, and his eye sockets blackened, with a zombielike dead gaze, over the word "Socialism." A for-profit Internet activism company, ResistNet, featured a video titled "Obama = Hitler" on its Web site. One protester at a February 27 rally, who said he was with the group, carried a sign calling Congress slave owners and taxpayers "the Nigger." Obama's image was also photoshopped to look like a primitive African witch doctor, with a bone stuck through his nose.

Fink, the Kochs' political lieutenant, professed to be discomfited by the racism. But David Koch echoed the specious claims that Obama was somehow African in his outlook, even though he was born in America, abandoned by his Kenyan father as a toddler, raised mainly in Hawaii by his American mother, and had never set foot on the African continent until he was an adult. In a revealing later interview with the conservative pundit Matthew Continetti, David nonetheless disparaged Obama as "the most radical president we've ever had as a nation" and opined that the president's radicalism derived from his African heritage. "His father was a hard core economic socialist in Kenya," he said. "Obama didn't really interact with his father face-to-face very much, but was apparently from what I read a great admirer of his father's points of view. So he had sort of antibusiness, anti-free enterprise influences affecting him almost all his life. It just shows you what a person with a silver tongue can achieve."

Bill Burton, who is biracial himself, believes that "you can't understand Obama's relationship with the right wing without taking into account his race. It's something no one wants to talk about, but really you can't deny the racial factor. They treated him in a way they never would have if he'd been white. The level of disrespect was just dialed up to eleven."

By the end of Obama's second month in office, *Newsweek* ran a tongue-in-cheek cover story asserting, "We are all socialists now," and even the lofty *New York Times* picked up the right wing's framing of Obama as outside the American mainstream. In a presidential interview, the paper asked whether he was a socialist. Obama was apparently so stunned he had to contact the *Times* afterward to fully answer. "It was hard for me to believe that you were entirely serious about that socialist question," he said, noting that it was under his predecessor, George Bush, a Republican, not "under me that we began buying a bunch of shares of banks. And it wasn't on my watch

that we passed a massive new entitlement, prescription drug plan, without a source of funding."

As Obama was put on the defensive about the economy, another line of attack was stealthily attracting the attention of many of the same wealthy financial backers. At the Kochs' secretive January summit in Palm Springs, one of the group's largest donors, Randy Kendrick, posed a question. Her shoulder-length cascades of frosted hair and flashy jewelry made her an unlikely-looking rabble-rouser, but Kendrick was an outspoken lawyer who had abandoned the women's movement decades earlier for the Goldwater Institute, a far-right libertarian think tank in Phoenix, where she was on the board of directors. She and her husband, Ken, the co-owner and managing general partner of the Arizona Diamondbacks baseball team, had the kind of fortune that made people take note.

Earl "Ken" Kendrick, who hailed from West Virginia, had made many millions on Datatel, a company he founded that provided computer software to colleges and universities. He subsequently bought into the Woodforest National Bank in Texas, a private bank that was in 2010 forced to refund \$32 million and pay a \$1 million civil fine to settle charges of usurious overdraft fees. Hard-core economic and social conservatives—except for the state subsidies that paid for the Diamondbacks stadium and brought public transit to the field—the Kendricks were horrified by the election of Obama. They were charter members of the Kochs' donor network, having written at least one seven-figure check. Their generosity had been a two-way street. They had supported institutions that the Kochs favored, such as the Institute for Humane Studies and the Mercatus Center at George Mason University. The Kochs had meanwhile supported the "Freedom Center" at the University of Arizona that they founded, where the Kendrick Professor of Philosophy taught "freedom" to college students.

Now Randy Kendrick wanted to know what the group planned to do to stop Obama from overhauling America's health-care system. She had read the former Democratic senator Tom Daschle's 2008 book, *Critical: What We Can Do About the Health-Care Crisis*, and was alarmed. She warned that Daschle, who favored universal health-care coverage, likely reflected Obama's thinking. Daschle was expected to become Obama's secretary of health and human services. If the



new administration adopted a plan of the kind Daschle was floating, she said it would kill business, hurt patients, and lead to the biggest socialist government takeover in their lifetimes. She was adamant. Obama had to be stopped. What was the plan?

Kendrick spoke with passion. Her interest in the issue was both political and personal. She argued that the choice of private health care had saved her from spending the rest of her life confined to a wheelchair after a leg injury. She had initially been told that because she suffered from a rare disorder, she couldn't risk surgery. But a specialist at the renowned Cleveland Clinic had found a successful treatment. She survived the surgery and was now an active mother of teenage twins. "Randy was convinced that if America had government health care like Canada or Great Britain, she would be dead," a friend who asked not to be identified confided.

It was a powerful testimonial, and the donors at the Koch seminar were deeply moved. But the Obama administration had never proposed government health care like that in Canada or Great Britain. Reached later, after the implementation of Obama's Affordable Care Act, Donald Jacobsen, professor of molecular medicine at the Cleveland Clinic Lerner College of Medicine, who cared for Kendrick, recalled her as a generous donor but dismissed as nonsense her argument that Obama's health-care plan ever threatened treatment of the kind that she received. "I can assure you that 'Obamacare' did not diminish our research efforts in any way," he said. "However, the sequestration efforts of the right-wing conservatives and their Tea Party colleagues have hampered progress in medical research. The National Institutes of Health is suffering greatly, and it is very difficult for all investigators to obtain funding. You can't blame the Affordable Care Act, but you certainly can blame the Republicans."

Nonetheless, when Kendrick finished her emotional pitch, there was an awkward silence from the Kochs, according to two sources familiar with the meeting. The Kochs of course opposed the expansion of any government social program, including any potential universal health-care plan. But the sources said they hadn't focused much on the issue. They had assumed the health-care industry would fight its own battles, in its own interest, so they hadn't thought they'd need to step in. Instead, the Obama administration had cut deals with much of the health-care industry, winning much of its support. "They were unprepared on the issue," said one of the sources.

Despite their later reputation for orchestrating opposition to Obamacare, it was actually Kendrick, not the Kochs, who first led the way. She and a handful of other multimillionaires had recently helped fund an unsuccessful effort to prevent Arizona from "coercing" citizens into buying government-run, or any other kind of, health-care coverage. But Kendrick was not giving up. She was strong-minded and accustomed to getting her way. When she appeared every few weeks at the think tank, a former colleague recalled, "they would often line up and hand her a bouquet of flowers, like a queen."

After the defeat in Arizona, Kendrick vowed to take her fight national. "Who do I have to give money to?" she asked Sean Noble, a Republican political operative in Arizona who had become her de facto personal political consultant. Kendrick demanded to know, "What organizations are doing this?" according to an account written by Eliana Johnson for *National Review*.

At Kendrick's request, Noble surveyed the field and found virtually no organization set up in early 2009 to take aim at Obama on the issue. Or at least none that was a 501(c)(4), the IRS code for a tax-exempt "social welfare" group that can participate in politics so long as it's not the group's primary focus. Unlike conventional political organizations, such nonprofits can hide the identities of their donors from the public, reporting them only to the IRS. Noble knew these so-called dark-money groups were especially appealing to wealthy individuals who wanted to influence politics without public attention, like the members of the Koch network.

Noble had attended Koch seminars with his former boss, John Shadegg, a staunchly conservative Republican congressman from Arizona whose father, Stephen, had been Barry Goldwater's campaign manager and alter ego. For over a decade, Noble had worked for Shadegg, eventually becoming chief of staff of the congressman's Arizona office. In 2008, however, Noble decided to go out on his own, opening a political consulting firm, Noble Associates, at his home in Phoenix. Kendrick, who had been a major supporter of Shadegg, was a prized client. She and Noble had worked closely for years. He hadn't been invited to the January Koch meeting where she held forth, but she called him afterward for help. As he set up his business, her interest in launching a crusade against health-care reform, and her entrée into the Koch network, presented a lucrative opportunity.

Noble wasn't a first-string player in Washington's political big

league, but he was respected and had a superabundance of charm. Fit and blond, with just enough gray around his temples to add gravitas to his cherubic features, he was unassuming and fun; even his political opponents found him hard to dislike. Noble described himself as a "Reagan Baby" who was raised in the tiny town of Show Low, Arizona—named by cardplayers—where as a boy he started the day listening to the national anthem on the radio with a hand over his heart. His mother, a homemaker, and father, a dentist, were Mormons and believed America was the promised land. In their household, Barry Goldwater was a hero, and Jimmy Carter a villain. When Carter was elected in 1976, Noble's mother warned that the Soviet Union would take over the world. By the time he was in college, Noble was working for conservative candidates, eventually connecting with Shadegg. Along the way, he got married, had five children, and became a Mormon bishop in his Phoenix ward. Antiabortion and libertarian, he voted for Ron Paul in 1988. In many ways, he was a perfect fit for the Koch network, except for one thing. Noble, who contributed almost compulsively to a personal online blog called *Noble Thinking*, was chatty. Taking on Obama's health-care plan with private money would require stealth.

On April 16, 2009, Noble and Kendrick began putting their plan in place when the Center to Protect Patient Rights (CPPR) was incorporated in Maryland. Physically, the organization existed only as a locked, metal mailbox, number 72465, inside the Boulder Hills post office at the edge of a desert road north of Phoenix. Later records would show Noble was its executive director. The effort was surrounded in such secrecy that when Noble was asked in a 2013 deposition who hired him, he declined to answer, citing confidentiality agreements, as ProPublica, the nonprofit investigative reporting concern, later reported.

Responding to the lawyer's question, he said, "I can't tell you who I do work for."

"Wait a minute," the lawyer interjected. "I asked how your salary got set, and you're telling me that you had a discussion with some people in 2009 and you're refusing to tell me who?"

"I am," Noble answered.

The identities of the donors remained opaque, but one thing

clear from tax records was that Noble's sponsors had an astounding amount of money. By June, the Center to Protect Patient Rights had accumulated some \$3 million in donations. By the end of 2009, the sum reached \$13 million. More than \$10 million of that was quickly passed on to other tax-exempt groups, including Americans for Prosperity, which soon took a lead in attacking Obama's health-care plan. By the end of 2010, the sum sloshing through the post office box belonging to the Center to Protect Patient Rights would reach nearly \$62 million, much of it raised through the Kochs' donor network.

The first tangible sign of this underground funding stream was a television ad called "Survivor." It featured a Canadian woman named Shona Holmes who said, "I survived a brain tumor," but claimed that if she had been forced to wait for treatment from Canada's government health service, "I'd be dead." Instead, she said, she had received lifesaving treatment in Arizona. Fact-checkers later revealed that her dramatic story was highly dubious and that in fact the reason the Canadian health authorities hadn't expedited her treatment was that she actually had a benign cyst on her pituitary gland. Nonetheless, the Americans for Prosperity Foundation, the charitable wing of the tax-exempt organization chaired by David Koch, spent \$1 million airing the ad in the summer of 2009.

The message was made by Larry McCarthy, a veteran Washington media consultant best known for creating the racially charged Willie Horton ad, which featured the crimes of a convicted African-American murderer on a weekend furlough from prison in Massachusetts. It helped sink the presidential campaign of Michael Dukakis in 1988 by making him look soft on crime. McCarthy was infamous for using manipulative emotional messages, especially fear. As Peter Hart, the Democratic pollster, said of McCarthy, whom he had worked against, and occasionally with, over the years, "If you want an assassination, you hire one of the best marksmen in history." That spring, flush with cash, Noble signed McCarthy up.

The Center to Protect Patient Rights wasn't flying blind. At Noble's instigation, that spring the organization had also quietly paid Frank Luntz, the Republican pollster and pitchman, to conduct market testing on the best ways to attack Obama's health-care proposal. Luntz's political science professor at Penn had been James Piereson, who later ran the Olin Foundation. Luntz had studied the building of the conservative movement and become something like a translator,

interpreting elite opinion for the masses. "The think tanks became the creators of the ideas, and I became the explainer of the thoughts," he said. "Mostly what I do is listen and I process." He admitted that as communicators "these guys were impossible." In playing this role, Luntz was one of a long succession of "policy entrepreneurs" who served to popularize the agenda of wealthy backers by "framing" their issues in more broadly appealing language.

Luntz used polls, focus groups, and "instant response dial sessions" to perfect the language of health-care attacks and then tested the lines on average Americans in St. Louis, Missouri. Out of these sessions, Luntz compiled a seminal twenty-eight-page confidential memo in April warning that there was no groundswell of public opposition to Obama's health-care plan at that point; in fact, there was a groundswell of public support. By far the most effective approach to turning the public against the program, Luntz advised, was to label it a "government takeover." He wrote, "Takeovers are like coups. They both lead to dictators and a loss of freedom."

"I did create the phrase 'government takeover' of health care. And I believe it," Luntz maintained, noting too that "it gave the Republicans the weapon they needed to defeat Obama in 2010." But most experts found the pitch patently misleading because the Obama administration was proposing that Americans buy private health insurance from for-profit companies, not the government. In fact, progressives were incensed that rather than backing a "public option" for those who preferred a government insurance program, the Obama plan included a government mandate that individuals purchase health-care coverage, a conservative idea hatched by the Heritage Foundation to stave off nationalized health care. Luntz's phrase was so false that it was chosen as "the Lie of the Year" by the nonpartisan fact-checking group PolitiFact. Yet while a rear guard of administration officials tried lamely to correct the record, Luntz's deceptive message stuck, agitating increasingly fearful and angry voters, many of whom flocked to Tea Party protests.

Noble's strategy was carefully targeted. He aimed the attack ads especially at the states of members of the Senate Finance Committee, which was writing the health-care bill and whose support would be needed to vote it out of the committee. The Obama White House had delegated a tremendous amount of authority to the committee's chairman, the Montana Democrat Max Baucus, whom it was entrusting

to win bipartisan support. Baucus, in turn, was trying fitfully to win the support of the committee's leading Republican, the Iowa senator Chuck Grassley. Noble studied the committee and singled out members who might be especially susceptible to pressure, along with a few other key swing votes, narrowing his list down to those from Louisiana, Nebraska, Maine, Iowa, and Montana. With enough pressure, he believed he could even unnerve both Grassley and Baucus.

At the time, few thought that Obama's health-care plan could be derailed. Conservative opposition was focused more on other issues. Noble needed to generate "grassroots" pressure on the potentially persuadable senators, but constituents weren't yet engaged. The stakes grew as the Senate approached its summer recess. "We knew we had to make that summer absolute hell," he told *National Review*. For help, he turned to an old friend in Arizona, Doug Goodyear, whose controversial public relations firm, DCI Group, had truly professionalized the modern use of phony "Astroturf" campaigns on behalf of big-money interests, starting with the industry that really set the standard for deceptive advertising, tobacco.

Goodyear, the firm's managing partner and chief executive, had founded DCI Group in 1996 with two Republican campaign operatives while he was handling outside public relations for the huge tobacco company R. J. Reynolds. The work had shown the trio that ordinary campaign tools could succeed at marketing even the most toxic products. The key, according to an internal 1990 memo the tobacco industry was forced to disclose in a later legal settlement, was to disguise the company's financial interest as a matter of great principle. Instead of pitching cigarette sales, it would create fake "smokers' rights" groups who would agitate against smoking restrictions as a fundamental matter of liberty. Or, as the memo written by Tim Hyde—one of the three founding partners of DCI Group and at the time R. J. Reynolds's director of national field operations—put it, the company needed to "create a movement" that would "build broad coalitions around the issue-cluster of freedom, choice, and privacy." The company, Hyde wrote, "should proceed along two tracks." One was the "intellectual track within the DC-New York corridor," which could influence elite opinion with op-ed pieces, lawsuits, and expert think tank studies. The other was "a grassroots organizational and largely local track," which would use front groups to simulate the appearance of popular political support.

Noble knew that by 2009 DCI Group was unsurpassed at these dark arts. The firm had deep ties to the Republican Party and had worked for powerful interests ranging from ExxonMobil and the Teamsters to the military junta in Myanmar. Goodyear was especially versed in corporate lobbying disguised as hidden-hand "Astroturf" campaigns. But the firm had numerous other talents. While working for ExxonMobil, it had mocked Al Gore's environmental jeremiad, *An Inconvenient Truth*, by secretly launching a cartoon spoof that went viral called "Al Gore's Penguin Army." Only later were DCI's fingerprints discovered on the fake indie film. Unlike lobbying firms, which have to disclose some information, public relations firms exerting political pressure can hide the money trail.

Soon Noble's Center to Protect Patient Rights was dispersing millions of dollars to other nonprofit groups, some of which appeared to be shell organizations fronting for DCI Group. In June, the Center to Protect Patient Rights sent \$1.8 million to a confusingly similar-sounding organization called the Coalition to Protect Patient Rights, which was set up that month in Virginia by an accountant who worked for DCI Group. The Virginia organization soon passed most of the funds on to DCI Group. Pretty soon, a former head of the American Medical Association named Donald Palmisano appeared on the national media circuit to take swipes at Obama's health-care proposal on behalf of the newly created coalition. He admitted that donors, whom he declined to name and who were not in the medical field, had recruited him to speak for the group, which called itself a "doctor-led coalition."

The same DCI Group accountant's name appeared on paperwork filed by another Washington-area nonprofit, a tiny organization calling itself the Institute for Liberty. It soon received a \$1.5 million grant from Noble's Center to Protect Patient Rights. Four hundred thousand dollars of these funds were channeled back to DCI Group for "consulting." The previous year, the Institute for Liberty's entire budget had been \$52,000. Suddenly it was so awash in cash that the group's president, Andrew Langer, told *The Washington Post*, "This year has been really serendipitous for us." He said a donor, whom he declined to name, had earmarked the funds for a five-state advertising blitz targeting Obama's health-care plan. Although *The Washington Post* wrote about the surprisingly large ad campaign, it failed to trace the money back to its true source. On air, the ads' only sponsorship

information was completely misleading. There was a line that said, "Paid for by Keeping Small Business Healthy."

Americans for Prosperity, meanwhile, threw itself headlong into the fight, spinning off a group called Patients United Now, which, according to Tim Phillips, organized more than three hundred rallies against the health-care legislation. At one rally, an effigy of a Democratic congressman was hanged; at another, protesters unfurled a banner depicting corpses from Dachau, implying that Obama's health-care plan was akin to the Nazis' state-ordered murders.

The Bradley Foundation also pitched in. While the tax-exempt foundation did not directly support Tea Party groups, its president, Michael Grebe, said the foundation supported "public education programs run by Americans for Prosperity and FreedomWorks, both of which are very active in the Tea Party."

Although Grebe openly described the Kochs' group, Americans for Prosperity, as "very active" in the Tea Party, Fink was still claiming otherwise. "We never funded the tea party," he still maintained. "We met for 20 or 30 years advancing free-market ideas in universities, think tanks and citizen groups. I am hopeful those ideas filtered down and were a part of the cause of the Tea Party taking off."

By the time of the Kochs' second donor summit of 2009, titled "Understanding and Addressing Threats to American Free Enterprise and Prosperity," which took place in Aspen, Colorado, at the end of June, Noble had earned his place as an insider. Not only had he been invited; he had been officially put on contract as a Koch political consultant. The Kochs felt they needed extra help, a former insider said, because Obama's election had sparked such vitriol on the right that they were almost overwhelmed by the number of wealthy donors eager to join them. "Suddenly they were raising big money! They were in a hot spot. They were almost hyperventilating," he said.

This time, instead of having to interrupt the proceedings, Randy Kendrick was a scheduled speaker on a health-care panel. And this time, the pitch she made to the others, according to one eyewitness, "set the place on fire." Before the donors dispersed, many more millions were pledged to stop Obama's top legislative priority.

That summer, traditional town hall meetings held by Democratic congressmen and senators returning to their districts and states exploded in acrimony. The anger appeared entirely spontaneous. But the investigative reporter Lee Fang discovered that a volunteer with



FreedomWorks was circulating a memo instructing Tea Partiers on how to disrupt the meetings. Bob MacGuffie, who ran a Web site called RightPrinciples.com, advised opponents of Obama's policies to "pack the hall . . . spread out" to make their numbers seem more significant, and to "rock-the-boat early in the Rep's presentation . . . to yell out and challenge the Rep's statements early . . . to rattle him, get him off his prepared script and agenda . . . stand up and shout and sit right back down." While MacGuffie was quickly dismissed as a lone amateur, some of the outside agitation was professional, paid for by the Koch network. Noble later admitted, "We packed these town halls with people who were just screaming about this thing."

After a military veteran assailed the Washington Democratic congressman Brian Baird for ostensibly defiling the Constitution by supporting Obama's universal health-care plan, Baird decided to retire from politics, citing the intolerably toxic atmosphere. In Philadelphia, Senator Arlen Specter, a moderate Republican, and the secretary of health and human services, Kathleen Sebelius, were drowned out by hundreds of booing detractors at an event as they tried to explain the health-care legislation. Members of Congress all over the country, in districts as far apart as Tampa, Florida, and Long Island, New York, found themselves ambushed by screaming citizens, some mistakenly believing specious rumors about Obama's plans to create government "death panels" to euthanize senior citizens.

The raucous rallies proved pivotal in eroding Obama's agenda. Grover Norquist, the antitax activist who held a weekly meeting for conservative leaders in Washington, including representatives from Americans for Prosperity, described the summer's pandemonium as a turning point. The Republican leadership in Congress, he said, "couldn't have done it without August, when people went out on the streets. It discouraged deal makers, like Grassley"—Republicans who might otherwise have worked constructively with Obama. Moreover, the appearance of growing public opposition to Obama affected corporate donors on K Street, the center of Washington's lobbying industry. "K Street is a \$3 billion weather vane," Norquist said. "When Obama was strong, the Chamber of Commerce said, 'We can work with the Obama administration.' But that changed when thousands of people went into the street and 'terrorized' congressmen. August is what changed it."

As Obama and his family vacationed in Martha's Vineyard during the congressional recess that month, Grassley, who was under bombardment from anti-health-care ads paid for by the Koch network, made clear he would not provide bipartisan support. Baucus, whose state Noble's campaign was also heavily targeting, dithered and delayed. The death of Senator Edward Kennedy, the liberal Democratic senator who had been the greatest champion of universal health care, cast health-care reform under a further cloud. A special election was set for January to fill what was assumed to be his reliably Democratic Senate seat.

Jim Margolis, the Democratic political consultant and advertising expert who had created many of Obama's 2008 campaign spots, watched with growing dismay. He had been advising both the White House and Democrats in Congress on the health-care issue and had begun with high hopes. "I thought on health care you'd get a modest amount of support from thoughtful Republicans," he said. "In March and April, Max Baucus was reaching out to Olympia Snowe and Chuck Grassley. The moderate Republicans were making some of the right sounds. But the progress was slow. Then, over the August recess, it really explodes. It would be interesting to know what the funding streams were like," he mused. "My suspicion is that the outside forces were kicking into high gear as we moved into the summer." Axelrod later acknowledged that he "wasn't really tracking" the right-wing money during this period and only belatedly came to realize that there was a set of "right-wing oligarchs" that "found Obama threatening," because he "believes in using government to solve problems. It was the Gilded Age all over again."

The press, ever alert to a colorful political drama, exaggerated the size of the grassroots groundswell. When fewer than sixty-five thousand Tea Party supporters flocked to the National Mall in Washington on September 12 for Glenn Beck and FreedomWorks' "9/12" rally, carrying signs like one reading, "Bury Obamacare with Kennedy," it was treated as if the entire center of gravity in American politics had shifted.

To be sure, the numbers on the far right had grown. Membership in the Liberty League, the anti-New Deal corollary to the Tea Party during the 1930s, has been estimated at 75,000, while membership in the John Birch Society in the 1960s has been estimated at 100,000



core members. Overall, at its height, 5 percent of Americans approved of the John Birch Society. The Tea Party movement, in contrast, was estimated by *The New York Times* to have won the support of 18 percent of the population at its zenith, but at its core, according to the researcher Devin Burghart, were some 330,000 activists who had signed up with six national organizational networks. If the estimates were correct, the actual number of hard-core Tea Party activists was not, by historical standards, all that large. But the professionalization of the underground infrastructure, the growth of sympathetic and in some cases subsidized media outlets, and the concentrated money pushing the message from the fringe to center stage were truly consequential.

On October 3, as the first anniversary of Obama's election approached, David Koch came to the Washington area to attend a triumphant Defending the American Dream Summit, sponsored by Americans for Prosperity. Obama's poll numbers were falling fast. Only one Republican senator, Olympia Snowe of Maine, was working with the administration on health care, and she would eventually peel off. Aides said Obama was deeply disappointed. By obstructing every initiative, including his most ambitious domestic program, the Republicans had undermined his greatest appeal, his promise to be a bridge builder beyond old partisan divisions.

Mitch McConnell, the Republican minority leader in the Senate, held the Republican caucus in line partly by noting that Tea Party forces were ready and waiting to launch primary challenges against any who strayed. The outside groups funded by outside money thus provided crucial leverage. The plan worked so well that by the fall pundits who had fallen over themselves to praise Obama a year before were writing about his political ineptitude.

In a speech to a filled ballroom at the Crystal Gateway Marriott in Arlington, Virginia, on that October day, Koch said, "Five years ago, my brother Charles and I provided the funds to start the Americans for Prosperity, and it's beyond my wildest dreams how AFP has grown into this enormous organization." He went on, "Days like today bring to reality the vision of our board of directors when we founded this organization, five years ago." Rubbing his hands together somewhat awkwardly, he added, "We envisioned a mass movement, a state-based one, but national in scope, of hundreds of thousands of American citizens from all walks of life standing up and fighting

for the economic freedoms that made our nation the most prosperous society in history . . . Thankfully, the stirrings from California to Virginia, and from Texas to Michigan, show that more and more of our fellow-citizens are beginning to see the same truths as we do."

As he stood at the lectern beaming, delegates from the various chapters of Americans for Prosperity reported in, one by one, describing how they had organized "dozens of tea parties" in their regions as they stood beside oversized vertical signs marking their states. Strobe lights crisscrossed the auditorium as excitement surged. It was hard not to notice that twenty-nine years after David Koch left the national political stage in utter defeat, he had succeeded in financing something that looked a lot like a presidential nominating convention, with himself as the winner.