

## The powerful Koch boys from Kansas

Bill Berkowitz

*WorkingForChange*

02.09.06

Last year, in a move that does not bode well for the nation's forests, the Koch brothers of Kansas engineered a \$13.2 billion buyout of forest products producer Georgia Pacific Corporation, making their company, Koch Industries, the nation's largest privately held company.

According to the *Toronto Globe and Mail*, Koch's purchase of Georgia Pacific would vault Koch past food producer Cargill Inc. as the largest privately held company in the United States, with \$80-billion in revenue and 85,000 employees in 50 countries.

The Koch Boys from Kansas are smart, focused, and incredibly wealthy. For years they've been pushing both a libertarian and free-market agenda through tens of millions of dollars in contributions to conservative causes, candidates and organizations.

In a way, the Georgia Pacific acquisition "completes the circle" for Koch, Scott Silver told me in an e-mail interview. "The ideologues running the land management agencies are the product of the think tanks created by, and funded by, the Koch family," Silver, the executive director of the environmental group Wild Wilderness, pointed out.

"Those ideologues are now in a position to permit Koch's newest acquisition, Georgia-Pacific, to further rape and pillage the public's lands. These think tanks promote the Free-Market ideal when it serves their interests to do so, but in reality, they are firmly committed to the ideal of enriching private interests at enormous direct cost to the American taxpayer."

The Koch (pronounced "coke") brothers, Charles, David, William and Frederick are sons of Kansas. Thirty-eight years ago, Charles took over the company from his father, company founder Fred Koch. According to a recent piece in *Business Week*, Charles, 70, and David, 65, now "own the bulk of the company after elbowing out their other brothers ... in 1983," buying out William and Frederick for \$470 million and \$320 million, respectively. In 1998, in a chilling display of family disunity, "the two sets of brothers walked silently past one another in court as William and Frederick lost a lawsuit to extract more money from Charles and David."

In 1940, Fred Koch founded the company as an oil refiner. A graduate of MIT, he was an original member of the anticommunist ultra-conservative John Birch Society, founded in 1958. The sons did not fall far from the tree: Both Charles and David graduated from MIT and have been deeply involved in conservative politics.

According to "Axis of Ideology," a 2004 report by the National Committee on Responsive Philanthropy, the two dominant Koch boys have "a combined net worth of approximately \$4 billion, placing them among the top 50 wealthiest individuals in the country and among the top 100 wealthiest individuals in the world in 2003, according to Forbes."

Between 1999 and 2001, they gave more than \$20 million to a host of conservative organizations; "most of their contributions go[ing] to support organizations and groups advancing libertarian theory, privatization, entrepreneurship and free enterprise," "Axis of Ideology" pointed out.

"David, who is executive vice-president and a board member, ran for Vice-President on the Libertarian Party ticket in 1980 and both Charles and David are directors of the free-market advocating Cato Institute and Reason Foundation," *Business Week* recently pointed out. In an interview with *National Journal*,

David Koch described his philosophy this way: "My overall concept is to minimize the role of

government and to maximize the role of the private economy to maximize personal freedoms."

According to SourceWatch, a project of the Center for Media & Democracy, the brothers are "leading contributors to the Koch family foundations, which supports a network of Conservative organizations and think tanks, including Citizens for a Sound Economy, the Manhattan Institute the Heartland Institute, and the Democratic Leadership Council."

Charles Koch co-founded the Cato Institute in 1977, while David helped launch Citizens for a Sound Economy [now FreedomWorks] in 1986. Over the years, they have given more than \$12 million to each, according to the NCRP report. George Mason University is also a well-funded recipient of Koch largesse; receiving more than \$23 million from the family's foundations between 1985 and 2002, according to the NCRP.

Charles and David Koch control several family foundations including the Charles G. Koch Foundation, the David H. Koch Foundation and the Claude R. Lambe Foundation. Koch money also flows through Triad Management Services, "an advisory service to conservative donors on groups and candidates to support." Put more precisely, SourceWatch notes that Triad "is a Tom Delay-affiliated organization that launders money from large corporations into congressional campaigns."

Originally, and perhaps not surprisingly given their libertarian bent, the brothers were not aficionados of former Republican Kansas Senator Bob Dole. Some reports have it that they considered him more or less as just another spineless politician. In 1986, however, "the Kochs' disdain for Dole began to dissipate when Koch Industries sought financial advantage under 'technical corrections' to a tax revision act," veteran reporter Robert Parry wrote in an extensive investigative report for *The Nation* magazine. "*The Washington Post*," Parry noted, "reported that Koch Industries approached Dole and secured the Senator's aid in inserting an exemption from a new real-estate depreciation schedule, a change that was worth several million dollars to the company."

"As a Senate leader ... [Dole] appeared willing to trade his influence for the keys to the Koch political money vault," Parry pointed out in "D(OIL)E: What Wouldn't Bob Do For Koch Oil?" David Koch became "a national vice chairman of the Dole presidential campaign's finance committee ... [and] lin[ed] up deep-pocket contributors for his candidate and the G.O.P." Koch "also helped Dole achieve majority leader status through his checkbook, contributed mightily to a Dole foundation and even turned his Gatsbyish estate in Southampton, New York, into the site

for celebrating Dole's 72nd birthday in July 1995, raising \$150,000 for his campaign."

One of the strangest aspects of the Koch story is how little the general public knows about the brothers or the company. "Koch is a huge company -- bigger than Microsoft, but few people have heard of it," said Bob Williams, a project manager at the Center for Public Integrity, and the co-author of the report "Koch's Low Profile Belies Political Power: Private Oil Company Does Both Business and Politics With the Shades Drawn."

"Despite its size and political largesse, Koch is able to dodge the limelight because it is privately-held, meaning that nearly all of its business dealings are known primarily only by the company and the Internal Revenue Service," Williams and Kevin Bogardus, co-author of the report, wrote. The company "has spent nearly \$4 million on direct lobbying on more than 50 pieces of legislation before Congress, helping shape the debate on everything from limiting class action lawsuits to repealing the estate tax," William and Bogardus pointed out.

In a November 15 News Release issued by the Institute for Public Accuracy, Williams pointed out that the company is "politically active, in campaign contributions, lobbying and, probably most importantly, founding and funding right-leaning libertarian think tanks." The acquisition could have profound effects since both the oil and lumber industries have significant environmental ramifications. "Koch is very solicitous of its many friends in Washington; and when it gets in an environmental bind, it is not shy about calling on those friends in Washington," Williams added.

Williams' 2004 "Koch's Low Profile Belies Political Power" noted that:

- "Despite its size and political largess, Koch is able to dodge the limelight because it is privately held, meaning that nearly all of its business dealings are known primarily only by the company and the Internal Revenue Service."
- "Although it is both a top campaign contributor and spends millions on direct lobbying, Koch's chief political influence tool is a web of interconnected, right-wing think tanks and advocacy groups funded by foundations controlled and supported by the two Koch brothers."

- "Koch has had plenty of run-ins with government regulators and other legal problems in recent years. Through it all, the company has shown a remarkable knack for getting criminal charges dropped and huge potential penalties knocked down."
- "Koch has also shown a remarkable ability to get rid of or modify environmental policies and other government rules it doesn't like."

"Amongst the most important, visible and powerful proponents of public lands privatization are the Cato Institute, the Property and Environment Research Center (formerly known as Political Economy Research Center) and the Reason Institute," said Scott Silver. "Koch funds have played a major role in the operation of each of these organizations."

The Koch family "is amongst the most powerful and influential movers and shakers promoting privatization in America," Silver added. Over the past several decades, "their money created an extensive infrastructure of Libertarian and Free-Market think tanks from which President Bush has drawn to staff the highest rungs of the land management agencies."

The acquisition of Georgia-Pacific, which "does extensive logging on public lands" and "is a heavily subsidized form of corporate welfare," could accelerate the trend toward the privatization of our national forests Silver argued. "Logging companies such as Georgia-Pacific strip lands bare, destroy vast acreages and pay only a small fee to the federal government in proportion to what they take from the public. They do not operate in the Free-Market when they log public forests."

Over the years, Koch has been "a major polluter," SourceWatch reported. "During the 1990s, its faulty pipelines were responsible for more than 300 oil spills in five states, prompting a landmark penalty of \$35 million from Environmental Protection Agency (EPA). In Minnesota, it was fined an additional \$8 million for discharging oil into streams. During the months leading up to the 2000 presidential elections, the company faced even more liability, in the form of a 97-count federal indictment charging it with concealing illegal releases of 91 metric tons of benzene, a known carcinogen, from its refinery in Corpus Christi, Texas."

After Bush took office in 2000, the 97-count indictment was reduced by 88. The balance was then settled when, "two days before the trial" then-Attorney General John Ashcroft "settled for a

plea bargain in which Koch pled guilty to falsifying documents. All major charges were dropped, and Koch and Ashcroft settled the lawsuit for a fraction" of the possible \$350 million in fines. (According to SourceWatch, Koch had contributed \$800,000 to the Bush election campaign and other Republican candidates.)

That did not stop the company from polluting: In 2003, Koch bought Invista, the world's largest fibers company (which owns brands such as Lycra and Teflon) from DuPont for more than \$4 billion in cash. According to a November 11 report in *The News Virginian* -- a newspaper serving Waynesboro, Staunton and Augusta County, Va. -- "the Virginia Department of Environmental Quality log[ed] 16 spills by the textiles plant this year [and] warned Invista in a Nov. 9 violation notice that 'civil charges' and 'corrective action' might be on the way."

A follow-up editorial two days later pointed out that Dupont, which previously owned the plant, used "the South River as a toilet for nearly 75 years," but when the operation "employed 4,000-plus locals in high-paying jobs, the powers-that-be here seemed to ignore the mercury the plant dumped into our river." Before the acquisition by Koch, the plant employed about 1,000 workers; now the workforce numbers about 700.

The Koch Boys from Kansas are major financial backers of Sam Brownback, the state's ultra-conservative Senator who has higher political aspirations.

(c) 2006 [Working Assets Online](#) . All rights reserved