

# Bloomberg

## What Kind of Man Spends Millions to Elect Ted Cruz?

**Robert Mercer is one of the wealthiest, most secretive, influential, and reactionary Republicans in the country**

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In 2010, Arthur Robinson, a research chemist, decided to run for Congress in southern Oregon. Robinson, now 73, was not your average candidate. In a lab on a sheep ranch in the Siskiyou Mountains, he's spent the last couple of years collecting thousands of vials of human urine. Funded by private donors, he claims his work holds the key to extending the human life span and wresting control of medicine from what he calls the "medical-industrial-government complex." He has some unusual ideas. According to his monthly newsletter, nuclear radiation can be good for you and climate science is a hoax. In his spare time, he buys unwanted pipe organs from churches and reassembles them on his property.

Robinson was new to politics and had little money of his own. The Democratic incumbent, Peter DeFazio, had held office for more than 20 years and easily outspent him. But six weeks before the election, a barrage of ads hit the airwaves, portraying DeFazio as a puppet of the Democratic leadership. Robinson lost, but the \$600,000 in ads helped him turn in the best performance by a Republican in the district in decades.

When the ads first appeared, Robinson says he had no idea who'd paid for them. Eventually the Washington operatives who bought them revealed they were working for Robert Mercer, a computer programmer and hedge fund manager in New York. Robinson knew Mercer slightly, as a donor to his research projects and a subscriber to his newsletter. Once, he'd even visited Mercer at his extravagant mansion on Long Island Sound. He says they've never discussed politics.

Mercer is one of the most enigmatic and powerful forces in U.S. politics. Beginning around the time of Robinson's race, Mercer has put at least \$32 million behind conservative candidates for office, including \$11 million for a group supporting Texas Senator Ted Cruz's campaign for the Republican presidential nomination. So far, Mercer is the biggest single donor in the race. Working with his daughter Rebekah, he's spent tens of millions more to advance a conservative

agenda, investing in think tanks such as the Heritage Foundation, the media outlet Breitbart.com, and Cambridge Analytica, a data company that builds psychological profiles of voters. Groups he funds have attacked the science of global warming, published a book critical of Hillary Clinton, and bankrolled a documentary celebrating Ayn Rand.

Mercer, 69, has never spoken publicly about his political priorities and declined a request to be interviewed for this story. This account is based on interviews with more than two dozen people who have spent time with Mercer or worked on his political efforts, very few of whom were willing to speak on the record. He's tight-lipped even with his friends. That's made him an object of intense speculation. Some allies privately say they think he's pro-life and opposed to gay marriage, and others say the opposite. Republican operatives gossip about what little scraps of information they can glean—his theatrical Christmas galas, his habit of whistling to himself during business meetings. Other powerful conservatives court him: Freedom Partners, the network overseen by the brothers Charles and David Koch, sometimes caters events with cookies from Ruby et Violette, a bakery owned by Rebekah and her two sisters.

Mercer is the co-chief executive officer of one of the country's largest and most secretive hedge funds, Renaissance Technologies, but people who've spent time with him say he hasn't shown any interest in advancing its agenda in Washington. They say he disdains the establishment wing of the Republican Party, which he sees as too cozy with Big Business and Wall Street. Unlike many of his peers in New York financial circles, he doesn't shrink from the culture wars. He's supported a campaign for the death penalty in Nebraska and funded ads in New York critical of the so-called ground-zero mosque. He and Rebekah have also directed money to an anti-abortion group and a Christian college, though people who know the father and daughter say they don't talk about religion.

A surprising amount of Mercer's attention and money finds its way to some of the most unusual fringes of the right wing. He's attended and funded an annual conference organized by Jane Orient, an Arizona physician and activist who recently suggested in an opinion article that elements in the U.S. government might have taken part in the San Bernardino massacre. Mercer money also found its way to an Idaho activist named Fred Kelly Grant, who travels the country encouraging legal challenges to environmental laws, which he says are part of a sinister plot by the United Nations to depopulate rural America.

"He's a very independent thinker," says Sean Fieler, a conservative donor in New Jersey who's worked with Mercer on advocating a return to the gold standard. "He's a guy with his own ideas, and very developed ideas, and I wouldn't want to speak on his behalf."

Four people who've discussed the matter with him say Mercer is preoccupied with the country's monetary and banking systems, which he sees as hopelessly compromised by government meddling. He was the main financial backer of the Jackson Hole Summit, a conference that took place in Wyoming last August to advocate for the gold standard, two of these people said. His name wasn't anywhere on the agenda. According to video shot at the event, he sat with Rebekah toward the back of the audience, an unobtrusive, silver-haired gentleman with dark brows, wire-rimmed glasses, a navy suit, and a red tie. At dinner that night, he sat at a table while other guests chattered around him, softly whistling to himself.

Mercer's rapid emergence as a political force was helped along by the U.S. Supreme Court, which held in *Citizens United v. FEC* in January 2010 that independent political spending is protected by the First Amendment. The ruling opened the door for unlimited election spending by individuals and corporations, most of which ended up being funneled through the groups that have become known as super PACs. Eight months after *Citizens United*, Mercer funded one of the country's first super-PACs to support Robinson's bid in Oregon.

Critics warned that Citizens United would bring about a new era of corporate influence in politics, with companies and businesspeople buying elections to promote their financial interests. So far, that hasn't happened much; big corporations, for instance, still play a negligible role in presidential election spending. Instead, a small group of billionaires has flooded races with ideologically tinged contributions. The result has been a shift in power away from the political parties and toward the whims of the donors themselves. In part, this explains the large number and variety of candidates fielded by the Republicans in 2016.

Few have benefited as much from this new arrangement as Cruz. The Texas senator is loathed by establishment Republicans in Washington. But in July, a group of related super-PACs known as Keep the Promise reported raising \$38 million to support Cruz's bid, almost all of it from three families no one would confuse with traditional Republican power brokers. In addition to Mercer, there's Toby Neugebauer, a founder of a Houston investment firm who now lives in Puerto Rico, and Farris Wilks, a mason, pastor, and father of 11 from rural Texas who became a billionaire a few years ago in the fracking business. Thanks to these three men and their families, Cruz's super-PAC war chest was larger than that of any candidate except Jeb Bush, putting to rest any doubt that he'd have the financial firepower to mount a campaign.

According to Neugebauer, Cruz laid the groundwork for his run in February 2014, at a private meeting on the deck of the Palm Beach home of prominent donors Lee and Allie Hanley. Joining the Hanleys around a table in the Florida sun were Cruz and his wife, Heidi; his strategist, Jason Johnson; Neugebauer; and Robert and Rebekah Mercer. The topic was Cruz's chances in the election. A pair of researchers hired by Mercer and Hanley presented some intriguing findings. The country was ready for a *Mr. Smith Goes to Washington* figure—they used the phrase “Trump-like,” Neugebauer says—meaning that an outsider candidate should have a good shot in 2016. The elder Mercer, as usual, sat silently in his suit and tie as the group spent seven hours discussing how a race might play out.

“Finally, the senator turns to him and says, ‘Bob, you haven't said anything all day. Tell me what you think,’” Neugebauer recalls. Mercer spoke for just a few minutes. “He helped us frame up how we should be thinking about our risks and opportunities,” Neugebauer says. “Bob is one of the greatest minds living.”

A year later, Cruz announced his candidacy at a Christian university in Virginia, then flew to New York. That evening, he attended a private gathering at Rebekah Mercer's apartment in the Heritage at Trump Place, a skyscraper on the Upper West Side, where guests enjoyed sweeping views of the Hudson River. According to the *Wall Street Journal*, Rebekah and her husband have spent more than \$28 million buying six adjoining apartments on three floors of the tower. Robert

Mercer didn't attend, but within three weeks, he'd committed \$11 million to help put Cruz in the White House.

It wasn't until late in life that Mercer had the means to bankroll a presidential campaign. He's the son of a research scientist who held posts all over the country, mostly in the West. At 10 his father told him about a machine called a computer, sparking a lifelong fascination. In high school in New Mexico in the 1960s, Mercer filled a big notebook with code, despite having no computer to try it on.

Mercer described what he called his "computational life" in a speech in Baltimore in 2014, where he'd come to accept a lifetime achievement award from the Association for Computational Linguistics. During a college job at an Air Force weapons lab in New Mexico, he says, he found his life's calling. "I loved everything about computers," he said. "I loved the solitude of the computer lab late at night. I loved the air-conditioned smell of the place. I loved the sound of the discs whirring and the printers clacking." His time at the lab also gave him an early taste of government bureaucracy. One day he figured out how to increase his computer's speed by 100 times. "Then a strange thing happened. Instead of running the old computations in 1/100 of the time, the powers that be at the lab ran computations that were 100 times bigger. I took this as an indication that one of the most important goals of government-financed research is not so much to get answers as it is to consume the computer budget. Which has left me ever since with a jaundiced view of government-financed research."

After earning a Ph.D., Mercer joined IBM, where he was part of a team trying to teach computers to translate human language. Linguists tackling the problem at the time were convinced they needed to teach computers the intricacies of each language's grammar and syntax to make any progress. Mercer was part of a group of programmers who knew little about linguistics. Instead, they just dumped huge blocks of translated text into a computer and then taught it to guess at the likely relationships between words, using statistics. When the programmers presented their work at a conference in 1988, the linguists were horrified. But the IBM team's method worked, forming the basis of modern-day speech-recognition software and tools such as Google Translate.

In 1993 executives at Renaissance Technologies took notice of Mercer's work and offered jobs to him and several of his IBM colleagues. Situated on Long Island's North Shore, more than an hour from New York City, the hedge fund was the brainchild of James Simons, a former military codebreaker and math professor who has an important theory named after him. Renaissance operates more like a university math department than a Wall Street trading shop. Dozens of math and physics Ph.D.s work on a 50-acre campus complete with a library, a gym, and tennis courts, using computers to crunch market data and spot patterns a human trader would overlook. When Mercer joined Renaissance, he was in his late 40s and two of his three daughters had already graduated from high school. He and a colleague from IBM, Peter Brown, rose quickly through the ranks, and when Simons retired in 2009, they became co-CEOs.

In his book *More Money Than God*, Sebastian Mallaby calls Renaissance "perhaps the most successful hedge fund ever." Its main fund, known as Medallion, earned 39 percent per year on average between 1989 and 2006. The firm long ago stopped offering outsiders the opportunity to

invest in it; instead, its math whizzes have focused mostly on multiplying their own money. Mallaby describes Brown as an extrovert who sometimes zips around the office on a unicycle; Mercer is “an icy cold poker player” who never recalled having a nightmare. Although the scale of Mercer’s fortune has never been estimated, Simons’s is pegged at about \$15.5 billion. Simons is also a major political donor—he was one of the largest supporters of Democratic causes in 2012.

In 2014 a Senate committee found that Renaissance had used a complicated series of transactions that lowered Medallion investors’ personal tax bills by an estimated \$6.8 billion. Senator Carl Levin, the committee’s Democratic chairman, called the maneuvers “a series of fictions.” Renaissance says the transactions were proper and not tax-motivated, and it’s defending its conduct in an IRS proceeding. Because the Medallion fund is open only to Renaissance employees, it’s likely that most of the tax savings went to the firm’s top executives.

In his speech in Baltimore, Mercer recalled his victory over the experts, recounting a favorite line of his former boss at IBM: “Whenever I fire a linguist, the system gets better.” It may be no surprise, then, that in politics, Mercer has sometimes ignored expert opinion and embraced long shots. In economic policy, climate science, and medical research, he’s directed money to causes that are almost as far from the mainstream as it’s possible to get.

In 2005, Robinson devoted an issue of his newsletter, *Access to Energy*, to an appeal for funds to buy a powerful piece of research equipment known as a mass spectrometer. He suggested that a revolution in medical treatment was at hand, if only he could get \$2 million to buy one.

A short while later, Rebekah Mercer called to introduce herself, and soon the Mercer Family Foundation sent its first check, for \$60,000. The Mercers have since sent Robinson’s lab, which he calls the Oregon Institute of Science and Medicine, at least \$1.4 million more, according to the foundation’s tax filings, allowing him to buy freezers to store his growing stockpile of urine.

On an overcast day in November, Robinson, who has white hair and pale eyes, comes to the door of his lab in a red flannel shirt, bluejeans, and socks. The spectrometer, the size of a couple of refrigerators, is whirring and clacking inside, next to a huge antique pipe organ. Outside are two camouflage-painted shipping containers holding some of his 14,000 urine samples in military-grade freezers. The lab stands partway up a hillside overlooking a little valley. Sheep graze in the meadow.

Someday, Robinson says, his methods will revolutionize diagnostic medicine. He’ll use the spectrometer to decode the chemical patterns in urine, the red flags that warn of disease before it strikes. The human life span will stretch. It’s hard to judge the credibility of his claims; although he earned a Ph.D. from the University of California at San Diego in the 1960s, he hasn’t published peer-reviewed research on diagnostic medicine in decades. “We’ve completed experiments here, which we could easily publish, but we want to wait until they are perfect,” he says.

In his monthly newsletter, Robinson advocates for a revival of nuclear power, warns that climate science is a “false religion” that will enslave mankind, and rails against public education—he home-schooled his six children on the ranch and now sells the curriculum. The common theme in his various projects is a deep distrust of government and a sense that broad segments of the American public are deluded. Mainstream science research, he says, is corrupted by its dependence on the whims of bureaucrats. Even the private health-care industry is part of the “medical monopoly” that stands in the way of progress.

How much of this does Mercer endorse? Robinson says he can’t be sure. “I have strong impressions about him, but they’re based on not too much data. I’m very grateful he’s helped us.” A typical interaction with Mercer, Robinson says, came a few months back, after he wrote in *Access to Energy* about the closure of a nuclear power plant in California. Robinson calculated that the power from the shuttered reactors could have desalinated enough seawater for all the state’s nonfarm water needs.

An e-mail from Mercer showed up in Robinson’s inbox. “He says, you know, ‘I was thinking about that for New Mexico once, but I noticed that lifting the water to where it was needed from the ocean took a lot more energy than desalinating it. You left that out.’” Why had Mercer been studying desalination in New Mexico? “I have no idea,” Robinson says.

Not long before his first run for office, Robinson paid a visit to Mercer at his home in Head of the Harbor, a short drive from Renaissance’s campus in East Setauket. Mercer has dubbed his house the Owl’s Nest. Owls seem to be something of a familiar for Mercer. He’s commissioned a succession of yachts, all called *Sea Owl*, the latest of which stretches to 203 feet, with a pirate-themed playroom for the grandkids and a chandelier of Venetian glass. At least one *Sea Owl* was fitted with a medical center and video links, so a stroke at sea, for instance, could be diagnosed and treated remotely by a former White House physician ashore. Mercer built a palatial stable and riding center in Florida, bristling with security cameras and stocked with million-dollar show horses for his wife of 49 years, Diana. Through Centre Firearms, a gun dealership he owns with a group of investors, he recently acquired one of the country’s largest collections of machine guns and historical firearms, including a weapon Arnold Schwarzenegger wielded in *The Terminator*.

At the Owl’s Nest, visitors pass through pillars crowned by a pair of owl statues, their wings outstretched as if taking flight. People who’ve been inside describe a pistol range, a series of secret passages, and an octagonal tower holding a two-story library.

When Robinson visited, Mercer led him to the basement, where he keeps his model train; it cost about \$2.7 million, according to a lawsuit brought by Mercer against its designer, and depicts a swath of the Hudson Valley. A visitor can sit in a mock-up of a steam locomotive’s cab to control the train. The windshield shows the view from a video camera on the tiny engine on the track below.

Robinson saw Mercer again last August, at a DoubleTree airport hotel outside of Los Angeles. A group called Doctors for Disaster Preparedness, of which Robinson is a longtime member, was holding its 33rd annual meeting. Founded to promote civil defense during the Cold War, it’s

transformed over the years into a forum on many of the same fringe-science topics that Robinson covers in his newsletter. It's been run for decades by Robinson's friend Orient, the Arizona physician. Attacks on mainstream climate science are a staple, but the range of material is broad. One recent presentation spun a theory about links between John F. Kennedy's assassination and the deaths of his brother and son.

The weekend kicked off with a tour of the nearby Jet Propulsion Laboratory in Pasadena. At the DoubleTree, one speaker warned that the aim of Obamacare was to collapse the U.S. health-care system and recommended that the audience start stockpiling medications and finding doctors who would work for cash. Another speaker discussed the controversial theory that low doses of radiation are beneficial to human health. A retired heart surgeon from Seattle spent almost an hour arguing that HIV does not cause AIDS; rather, he said, the link was invented by government scientists who wanted to cover up other health risks of "the lifestyle of homosexual men."

In an interview, Orient says she knows little about Mercer other than that he's attended several of the conferences and has been a "generous" donor to them. In addition to arranging the events, Orient heads a separate group that opposes government involvement in health care, and she writes frequently in the far-right media. In December she posted an article about the San Bernardino killings, suggesting that the government failed to stop the attacks because it's "on the other side."

At the DoubleTree, a surprising number of strands from Mercer's interests intersected. Breitbart.com, the populist website he funds, dispatched a reporter to cover the meeting. The Heartland Institute, a climate-skeptic think tank to which he's given more than \$4 million, sent its science director to present his plan to abolish the Environmental Protection Agency. Another speaker warned of the dangers of Agenda 21, the UN program that's a frequent target of a Mercer-funded activist. George Gilder, a techno-evangelist and bitcoin advocate who recently wrote a monograph for the Mercer-funded gold-standard project, was on hand. And of course there was Robinson, who shared a lunch table with Robert and Rebekah Mercer. As usual, he says, Robert Mercer didn't have much to say.

A month after the California conference, the Mercers headed to Jackson Hole. Every summer top officials at the Federal Reserve gather in the Wyoming resort community with many of the world's top economists to discuss monetary policy. But the Mercers went instead to the Jackson Hole Summit, a "counter-conference" they funded through a nonprofit group called the American Principles Project. The summit's purpose was to question the very purpose of the Fed, calling for an end to government involvement in the money supply and a return to the gold standard. Steve Lonegan, an APP activist from New Jersey, opened the event by waving a dollar bill in the air. "Today, my friends, this little piece of paper in our pocket is manipulated, its value determined, and undermined routinely, by a bunch of unelected, unaccountable bureaucrats who are meeting right now a few miles away," he said. "America needs to wake up to this threat!"

The U.S. turned away from the gold standard during the Great Depression and dropped its last links in 1971. It's difficult to find a mainstream economist who advocates for it; a 2012 survey of economists at top U.S. universities failed to turn up a single supporter. Yet it's a particular interest of Mercer's, say several people who've discussed the matter with him.

Mercer is also a passionate critic of a central element of the modern financial system known as fractional reserve banking, these people said. Essentially, it's the practice of banks lending out their depositors' money to others. Banks have been doing this for hundreds of years, but a few out-of-the-mainstream economists consider it a form of fraud—akin to conjuring currency out of thin air. According to one associate, a thinker said to be influential with Mercer is Murray Rothbard, the late economist who called the modern banking system “a shell game, a Ponzi scheme.” It's unclear how Mercer's views on the banking system square with his hedge fund activities; it emerged in the Senate tax investigation that Renaissance, to boost returns, sometimes sought leverage of as much as 20 times the value of its assets from giant banks such as Barclays.

In early 2015, Lonegan arranged a meeting between the Fed's conservative critics and Chair Janet Yellen. Among those to take part was John Allison, a director and former president of the Cato Institute, a prominent libertarian think tank. Allison came away embarrassed by Lonegan's presentation, which he privately characterized as amateurish, says a person familiar with his views. (Lonegan says he was unaware of Allison's criticism and that even a top Fed official praised the presentation.) Cato announced it was backing out of the upcoming Jackson Hole event. Rebekah Mercer wrote to Cato, urging it to reconsider, according to two people with knowledge of the correspondence. Her request was likely to carry weight, as the Mercers are also Cato donors. The think tank reversed course and sent a speaker to Jackson Hole.

Allison won't discuss his views of the Yellen meeting but acknowledges he had a “debate” over strategy with Lonegan's group. “It was about being sure, when challenging the Fed, that we're seen as intellectually credible,” he says. “I have really high regard for Bob and Rebekah. They're really fine people. Anytime you're trying to accomplish a difficult task—which, reining in the Fed, it doesn't get much more difficult than that—you're going to have disputes about technique.”

In the end, though, the closest the gold-standard activists got to Fed officials was at the Jackson Hole Airport, where Lonegan passed out gold-coin chocolates to passers-by.

Breitbart.com, which devoted at least six stories to the summit, has proven to be one of Mercer's better political wagers. He invested \$10 million in the media outlet when it was struggling in 2011, according to a person with knowledge of the transaction. Since then, its audience has exploded. In December it announced its billionth page view of the year.

Other bets haven't had as much impact. Grant, the Idaho lawyer and activist, says he got more than \$100,000 from the Mercers in 2013 after meeting with them at Rebekah's apartment. For years, Grant has preached a little-known legal theory, known as coordination, that he uses to



challenge environmental regulations. The plan was to turn his one-man crusade into a self-sustaining organization. But now Grant, 79, says the Mercer money is long since spent and he was never able to hire staff.

Mercer's bet on Cruz, however, is looking prescient. When Mercer plunked down his \$11 million last April, the polls put Cruz near the bottom of the Republican race. Now, capitalizing on a surge of interest in anti-establishment candidates, Cruz is near the top of the polls nationwide and leading in Iowa, which holds the country's first nominating contest on Feb. 1. Cruz declined to comment for this story.

It's hard to know exactly how much attention Cruz pays to Mercer's views, but he's breathed new life into one of Mercer's pet issues. During two nationally televised debates last fall, Cruz called for a return to the gold standard. "We had it for 170 years of our nation's history and enjoyed booming economic growth," he declared in November.

A few weeks later, Cruz paid a visit to the Owl's Nest for Mercer's annual Christmas bash. The historical-themed parties have become legendary in Republican circles: Hundreds of guests from the family's political, business, and charitable endeavors gather in elaborate costumes, entertained by performers shipped in from across the country. Last Christmas's theme was the end of World War II. A tank greeted visitors arriving at the estate; the dining tent was set up as a mess hall, where a trio impersonating the Andrews Sisters sang Boogie Woogie Bugle Boy and In the Mood. In the library, visitors peered at a piece of the USS Arizona retrieved from the wreckage of Pearl Harbor and a wedding dress made of parachute silk. Mercer was dressed as General Douglas MacArthur. Ted Cruz, in a three-piece suit, came as Winston Churchill.

Back in Oregon, Robinson has been collecting his latest round of urine samples. Since his loss in 2010, he's run two more unsuccessful campaigns for Congress, each time with six-figure financial support from Mercer. He doesn't rule out a fourth attempt this year. If it happens, he says, he won't call his friend for help. Mercer's money will know where to find him.