

# The Economist

## **The Avengers: A network of wealthy donors has a mission to push politics to the right**

January 30, 2016

In 1972 W. Clement Stone, a wealthy businessman, gave \$2m to Richard Nixon's presidential campaign. The cheque, worth \$11.4m today, provoked outrage and led to calls for campaign-finance reform. How quaint history seems when compared with the momentous present. In 2016 a group of rich conservative donors will spend nearly \$900m to influence the presidential and congressional elections. They avoid public scrutiny by funnelling money into a labyrinthine collection of foundations and anonymous political groups.

This secret system is the subject of "Dark Money", an ambitious new book by Jane Mayer of the *New Yorker*. David and Charles Koch (pronounced "coke"), who inherited an industrial conglomerate based in Wichita, Kansas, which is the second-largest private company in America, are at the heart of the book. Although the company is diverse, with interests in energy, chemicals, commodities and consumer goods, its owners focus on advancing their conservative political agenda. The Kochs deny climate change and oppose government regulation, welfare and taxes. They view the rise of the Democrats and Barack Obama's election in 2008 in apocalyptic terms, and the counterinsurgency they have funded has changed the face of politics in America. They have exerted their strongest influence at state level, where a lot of business regulation is written.

Ms Mayer, whose sympathies are with the left and who is a critic of Republican values and motives, does not go so far as to call the source of the Kochs' fortune "blood money", but she does claim that it is tainted. This is not the first book to look at their business interests ("Sons of Wichita", by Daniel Schulman, came out in 2014), but it is the first to allege that the patriarch Fred Koch made part of his early wealth by helping build oil refineries in Soviet Russia and Nazi Germany. The company has faced plenty of public controversy in America, including environmental fines and lawsuits. There have also been family conflicts. There are four Koch brothers, not just Charles and David who are well known. Along with their brother Bill, they allegedly tried in the 1960s to blackmail a fourth sibling, Frederick, to sell his shares in the company. The brothers had concluded that he was gay (which he has denied) and, Ms Mayer suggests, they threatened to expose him to their father, which caused a permanent rift.

It is the political panorama beyond the Kochs, however, that makes Ms Mayer's book more than just another feisty corporate critique. Rich conservatives, Ms Mayer argues, set up private

foundations, which allow them quietly to divert money to their favourite political causes free of tax. These foundations—including those set up by the Kochs, Richard Mellon Scaife and Harry Bradley—are not subject to much disclosure or oversight. Since foundations were first used by the robber barons as a way to avoid taxes while appearing philanthropic, they have ballooned. In 2013 there were over 100,000 of them, with assets of around \$800 billion. Some of these do good for the world's poor, but their structure also enables them to push money secretly into partisan think-tanks like the Cato Institute, the Heritage Foundation, the American Enterprise Institute and the Hoover Institution. In other words, the wealthy have always used charitable foundations to influence politics at the expense of taxpayers.

“Dark Money” tracks other attempts to alter public discourse without leaving a trace. The Kochs and other conservatives support academic research that is allied to their political ideologies. They want to take “the liberal out of liberal arts”, as Ms Mayer puts it. For example, the John M. Olin Foundation backed a professor at the University of Chicago, John Lott, to write a book, “More Guns, Less Crime”, calling for concealed weapons to be legalised. The Kochs have regularly held summits to share their free-market, anti-taxation views. Among those invited are federal judges, 185 of whom have attended seminars sponsored by conservative interests, including the Koch Foundation.

Ms Mayer's book seethes with distaste for her subjects. The Koch brothers declined to be interviewed for “Dark Money”, and purportedly tried to smear Ms Mayer's reputation by accusing her of plagiarism after she published a critical article about them in the *New Yorker* in 2010.

An author can dislike her subjects. However, the book would have been stronger had Ms Mayer expanded the scope of her scorn. She acknowledges in passing that Democratic donors, including two hedge-fund billionaires, George Soros and Tom Steyer, have funnelled money into their own political causes. But she never dissects whether the left has embraced the deceptive funding mechanisms that she so assiduously has traced for the right. The fact that she does not cast a critical eye across the whole system prevents “Dark Money” from being a comprehensive analysis of how America's campaign finances are distorted. But it offers a valuable contribution to a subject that requires far greater scrutiny in this election year.