

THE NATIONAL MEMO

Charles Koch's Very Questionable 6-Step Guide to Founding a Free-Market Center at Your University

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Since 1980, the family foundations of billionaire industrialist Charles Koch have gifted roughly \$200 million to U.S. colleges and universities, largely to promote libertarian, free-market economics programs around the nation. Koch gave \$108 million of that total to 366 colleges and universities between 2005 and 2014, according to the Institute for Southern Studies. Koch and his brother, David, who are well known for their vast, conservative political spending network, own Koch Industries, a giant conglomerate composed of companies that sell gas, pipelines, chemicals, minerals, paper and textiles, among other products. The brothers have fervently opposed taxation and regulation for decades.

At the root of Koch's strategy to turn America into a tax- and regulation-free society is his effort to reshape higher education. Since the 1970s, Koch has carried out his "Structure of Social Change," funding free-market academic centers, courses, professors, graduate students, scholarships, lecture series and summer programs. His funding generates academic output in line with his own laissez-faire ideology, work that free-market think tanks, which he funds, repackage into easily digestible policy initiatives. Then, "citizen activist" groups—actually "social welfare" organizations that he and his wealthy conservative friends heavily finance—pressure lawmakers and the public to get on board with these policies.

In the final steps, which Koch and his right-hand man, Richard Fink, did not outline in their original social change scheme, webs of Koch-funded political spending groups pour hundreds of millions of dollars into elections, installing the far-right politicians they can count on to propose and sign the tax-slashing, regulation-killing legislation written or inspired by the think tanks' output.

Koch and his allies are founding increasingly more free-market academic centers at colleges and universities. Leaked audio recordings (#Kochileaks) from the latest annual Association of Private Enterprise Education (APEE) conference, which brings together Koch-funded professors, think tank "scholars" and big-business representatives, shine a light into how the centers come to life. Members of the activist group UnKoch My Campus attended the April event and recorded several panels of professors in the Koch academic network who shared strategies for how to found these centers, fund them with massive private donations and maintain donor intent. Administrators with the Charles Koch Foundation (CKF), the primary Koch family foundation giving educational grants and funding APEE and its conferences, explained their pivotal role in these university-donor agreements.

AlterNet previously detailed the inner workings of the APEE meetings, where hundreds of free-market academics out of the roughly 5,000 total in the Koch higher education network meet. Many attendees come from schools heavily funded by CKF, especially George Mason University, which has received the greatest amount of support from Koch and which sent 98 students, professors and fellows to this year's conference, nearly one-quarter of the participants.

According to CKF director of university investments Charlie Ruger, the foundation is funding roughly 225 tenure-track professors at 53 or more free-market academic centers. And CKF and its donor partners have committed about \$170 million "in resources" over the "next five or six years to these center projects."

"We are seeing the coordinated hostile takeover of academic institutions," Ralph Wilson, senior researcher at UnKoch My Campus and one of two activists who recorded the APEE event, told AlterNet.

"These centers are being operated by a small world of corporate-funded academics who are integrating the goals of Koch's donor network into [often] public institutions."

Based on the audio from the conference, here's Charles Koch's (annotated) guide to setting up a free-market academic center. Free-enterprise disciples with PhDs should know when taking his money: They're part of his master plan to change the culture of America, and strings may be attached.

Step #1: Start a center (or take over an existing one).

In 2011, Howard Wall began working at Lindenwood University, where he began as director of the existing Center for Economics and the Environment in the business school. He still directs CEE and also directs the John W. Hammond Institute for Free Enterprise.

When Wall joined the Missouri-based Lindenwood, he was CEE's only staff member. "The first thing we had to do was just change what the center was going to do," he told the audience while on a panel called "Establishing a Successful Academic Center." "We changed the mission from economics and the natural environment to, more broadly, the business environment, or local business environment."

Then Wall "created a panel of [10] research fellows [from other universities] to create the illusion that it was more than just [him] sitting in an office..." His goal was to inflate the center's reputation and catch the eye of the university. "The rest of the university has to care you exist," he said.

Without a budget for guests, Wall hosted speakers who came free of charge, including Rex Sinquefield, "the Charles Koch of St. Louis, or of Missouri." He wanted to publicize the center as much as possible. "Record all the public events, put it on the website," he said. "Again, generate as much audience as possible."

Wall started a blog, used his media contacts and wrote some local policy papers to generate press. "I was giving the university some media exposure and academic reputation."

“You’ve got to already be doing these things before you have the money,” said Steve Gohmann, director of the John H. Schnatter Center for Free Enterprise at the University of Louisville, on the same panel as Wall.

In addition to big speaker series, professors host reading groups to attract students to their free-market programs. Gohmann assigns these students books written by Charles Koch and by other free-market professors in the Koch network: Christopher Coyne and Peter Boettke of George Mason’s Mercatus Center, which is heavily funded by CKF, and Benjamin Powell, director of Texas Tech University’s Free Market Institute. These and other authors come to the reading group and talk with the students.

After reading a book by sweatshop proponent Powell, “a lot of students said ‘Man, it changed my mind about sweatshops,’” according to Gohmann.

These academics share many links. Powell got his PhD in economics from George Mason, where he was a fellow at the Mercatus Center, and he has coauthored an article with Coyne. Boettke is on the board of directors of Powell’s Free Market Institute and is listed as a reference on his CV. J.R. Clark, the secretary and treasurer of APEE who hosts the organization at the University of Tennessee at Chattanooga, is also on Powell’s board.

Boettke and Powell are both former presidents of APEE. Coyne and Powell are on the editorial board of APEE’s Journal of Private Enterprise, which has published Gohmann’s work. Clark is the journal’s managing editor.

Coyne sits on the academic advisory board of Troy University’s Koch-funded Manuel H. Johnson Center for Political Economy and is a founding member and distinguished scholar at the Center for the Study of Political Economy at Hampden-Sydney College, where CKF sponsors student research fellowships each year. Boettke is a Charles Koch Distinguished Alumnus of the Koch-funded Institute for Humane Studies at George Mason, and he has collaborated with Coyne on editing and writing projects.

Step #2: Create an advisory board.

When free-market professors have gotten something off the ground, they create an advisory board, largely consisting of established, Koch-funded economics professors such as Powell and Boettke. At the University of Louisville, Gohmann set up an advisory board to prevent a new dean from potentially creating the board himself. Gohmann put on the board Powell and Scott Beaulier, one of the central academic figures in the Koch network who got his doctorate at George Mason and has established Koch-funded free-market centers at Arizona State University and Troy University. Gohmann will also add “another businessperson,” and he and a dean will also be on the committee. The advisers won’t have much to do, said Gohmann, but they will help out if there are any “issue[s] about direction.” “So it’s really just a protection thing for me,” he said.

The academic advisory council and “network of scholars” at Arizona State’s Center for the Study of Economic Liberty include Boettke; Powell; Tyler Cowen, director of the Mercatus Center; Joshua Hall, co-director of the Koch-funded Center for Free Enterprise at West Virginia University and former president of APEE; Mercatus Center board member Vernon Smith, a professor at Chapman University, to which CKF gave \$132,000 from 2005 to 2014; and

Veronique de Rugy, senior research fellow at Mercatus and former policy analyst for the Cato Institute, the libertarian think tank co-founded by Charles Koch.

Sometimes, centers give seats on their boards to sympathetic university administrators and even center donors. Wall said at APEE that the initial funder of the free-market center at Lindenwood University, John Hammond, is on the center's board and gets to appoint the other two members. But the professor told AlterNet that he was incorrect and that the president appoints the other two members of the three-person board.

Wall said, "I have complete academic freedom with no direction from anyone else." A Koch grant, which came after Hammond's, "is to support our existing mission and I have complete academic freedom in using it."

Step #3: Bring in private donations.

The annual APEE meetings and the biannual Koch donor summits, where conservative mega-donors meet to combine their political and educational funding efforts, are both places where academics market themselves to major prospective benefactors.

At the 2008 APEE conference, Gohmann approached then-BB&T Bank Chairman John Allison, who received an award and said that the BB&T Foundation was endowing chairs of free enterprise at universities. These typically \$1 million grants, which the foundation gave to more than 60 schools, required professors to teach Ayn Rand's libertarian bible, the novel *Atlas Shrugged*. Gohmann told the audience at the "Establishing a Successful Academic Center" panel, "I said, 'Hey, John, I've been using *Atlas Shrugged* in my labor economics class for years. You know, you got any money?' He said, 'Send me a letter,' so I did. He sent me a letter and he said, 'I'll give you a million dollars.'"

As "deans are happy to take anybody's money," the deal went through, and it set up an endowed chair for Gohmann. This "got me on the road to getting funding from the Koch Foundation to do programming," he said.

In 2015, Gohmann scored a \$6.3 million, seven-year grant to found the Schnatter Center for Free Enterprise at the University of Louisville, with \$4.6 million coming from Schnatter, the conservative Papa John's founder and University of Louisville trustee, and \$1.7 million from CKF. Schnatter, a big player in the Koch donor network, threatened in 2012 to cut workers' hours to avoid having to pay for their health insurance under the Affordable Care Act. Papa John's franchise owners have had to pay workers large amounts after being found guilty of wage theft. Schnatter has recently funded additional free-market centers with CKF at Ball State University and the University of Kentucky.

"I love having [an] endowment and all this money," said Gohmann. "But you know what? I've got all this money, and I can do what I want with it."

Libertarian economist Bruce Benson, who has received awards from APEE, was kept on as chair of the Florida State University Economics Department at the request of CKF, which drew up a controversial, multimillion-dollar contract in 2008 with the department that exerted the foundation's control over hiring decisions and curriculum. As FSU and CKF were working out the agreement, Benson sent a memo explaining the proposed Koch agreement, writing, "If some

version of this proposal is agreed to, Koch will invite representatives from FSU to [the Koch brothers' donor meetings], introduce us, allow us to make our pitch, and encourage others to join them in funding the program.”

Lindenwood scored a \$1 million donation in 2013 from John Hammond, a banking executive and current treasurer of the university's board of directors, to found the Hammond Institute. “Our new mission was to foster free enterprise and civil and religious liberty, through the examination of market-oriented approaches to economic and social issues,” said Wall at the APEE conference.

The money allowed Wall to create a new center, the Liberty and Ethics Center, and incorporate this center, CEE and the existing Duree Center for Entrepreneurship into the Hammond Institute. “And it looks, again, like there's more going on than there really is because now it's three of us.” The three centers were able to cross-promote, and they “had an immediate list of inherited achievements. Whatever the existing centers were doing, we just rolled them over and said, ‘This is what the Hammond Institute does and has done.’”

At this point, Wall and Rachel Douchant, director of the Liberty and Ethics Center, “wanted to just confuse the heck out of the rest of the university.” They created an unlikely theme, “Social Justice through Free Markets and Liberty,” holding events, sometimes with leftist speakers, allegedly collaborating with the Black Student Union and even partnering with the city of Ferguson, Missouri, offering an “entrepreneurship program” and Lindenwood internships and scholarships. They also started a campus TV show and regular “Free Market Minutes” contributions to a local radio station.

A slide from Wall's presentation at APEE reads, “We were opportunistic in partnering with anyone who could help us.”

Wall told AlterNet that he and his colleagues still try to “confuse” the university. “Some are still very confused because they are ignorant of how the underlying purpose of our institute is to help the less well off.”

After all of its publicity work, the Hammond Institute got the biggest donation the university had ever received, solidifying the Institute's power on campus.

CKF had only given Lindenwood roughly \$35,000 from 2010 to 2014. But having attended several APEE conferences, Wall knew whom to speak with. Lindenwood approached CKF for a much bigger sum and landed \$2 million in late 2015.

The 800-Pound Gorilla

The grant “helped us to convince the university to do things it wasn't comfortable with,” said Wall. And when people criticize the historic donation from a politically polarizing figure, Wall “mock[s] the complainers.”

“Many of the complainers, whose goal is usually to suppress the academic freedom of people they disagree with, deserve nothing more than mockery,” Wall told AlterNet.

Wall and his colleagues decided that “we are the 800-pound gorilla on campus because our grant from the Koch Foundation was the largest in the university’s history.” When someone asked him, “Why don’t you do [a skit for incoming freshmen]?” Wall replied, “I’ll give you two million reasons I’m not gonna do that.”

“Basically, to run a center or to be a person on a campus that has impact, you have to be viewed as, kind of, a version of a gorilla,” said Boettke on a panel called “Being a Liberty-Advancing Academic.” “Either from a tiny gorilla to, like, the big 800-pound gorilla. And the more you’re the 800-pound gorilla, the more you’re able to, like, get your way.”

Bradley Thompson, executive director of the Clemson Institute for the Study of Capitalism, said during another panel called “Successful Models of Programs in Private Enterprise,” “My goal is to put other departments out of business.”

Step #4: Preserve donor intent.

“Increasingly, political administrators are institutionalizing donor influence over hiring, curriculum and scholarly activity, often defying faculty dissent,” said Wilson.

CKF has engineered a donation process that best preserves its original intent. Instead of a general endowment, CKF enters into contracts that outline a multi-year funding commitment to specific programs but are evaluated and funded on a yearly basis. If the university does anything with the money that wasn’t stipulated in the written agreement, Ruger said in the “Successful Models of Programs in Private Enterprise” panel, CKF will say, “Best of luck, but the next check isn’t coming.”

“The purpose of the grant agreement is to say what cannot be done with the money,” Ruger said. “...The money is at the control and supervision of the center director, and we want that person’s name in the agreement ... And so we want to empower people with the ideas and say, ‘Look, if anyone except Steve Gohmann ends up in control of these funds, the next check is not going to be on the way.’”

It helps if your wealthy donors are “local stakeholders” who know powerful administrators. “If the university starts to violate donor intent,” said Ruger, “it’s great to be able to call up a donor partner and say ‘Hey, John Schnatter, the university is doing this thing with my resources. They haven’t set up a discrete account like the agreement says.

“It really helps if we can call the donor and say, ‘Hey, you know the university. Call up the vice president of development and ask him what the hell he’s doing.’ That’s incredibly powerful, and it goes way beyond, you know, just the dollar contribution that they put into this.”

And if university administrators question how the funds are being used, professors can flex Koch muscle. Said Wall, “I’ve used the phrase, ‘Are you sure that the Koch Foundation’s lawyers will read that the same way you are [reading it]?’ And then they figure, ‘Well, they must have pretty good lawyers.’” Wall told AlterNet, “It’s not a threat to tell an administrator that he or she is running the risk of having the university violate a legal agreement.”

But some arrangements may be unsavory to the greater university community. In its agreement with College of Charleston, where it funds the Center for Public Choice and Market Process,

CKF demanded the names and email addresses of students who participated in Koch-funded activities, as Dave Levinthal of the Center for Public Integrity reported. The foundation also requested that it approve any media regarding “programmatically activities” before publication.

Step #5: Keep the donor agreement secret.

“We’re all for the idea of transparency,” said Ruger during the question-and-answer session of the “Establishing a Successful Academic Center” panel. “We’ve got nothing to hide, you know. There’s nothing untoward happening.”

But sometimes, conflict-of-interest and academic-freedom concerns among students and faculty who have seen the donor agreements have led to changes in these agreements, as at Florida State University.

Ruger went on: “Our position on [public records requests] is, no, don’t give them anything they ask for... ’til they go through [the lawsuit] process. It makes them look foolish that they file lawsuits, they hire attorneys, and then they get nothing... But we don’t wanna just give them something for free.”

Gohmann said, “Well, perhaps if you drag ’em on longer and longer and make them spend more on attorney fees, it then becomes real expensive for them to get something like, like our agreement.”

Wall, who teaches at a private university, added that he doesn’t have any Freedom of Information Act “problems.” “But even so... a new university counsel came and he asked me for a copy of the contract, and I told him no.”

Despite the Koch academic network’s “800-pound gorilla” approach, Ruger thinks it’s CKF and the Koch-funded professors who are under attack. “The reason that groups like UnKoch My Campus are engaging in this abuse of open records laws is not for the sake of transparency, it’s for the sake of intimidation and bullying, and to, you know, put academic freedom at risk.”

Wilson sees things differently. “If the biggest political power in the nation claims we are intimidating people by calling for transparency, then they are hiding more than anyone thought,” he said. “They know what we are realizing: The more we find, the worse it gets.

“So far, all documentation we have been able to obtain indicates the donors are requiring, and being granted, undue influence over scholarly activity.”

Step #6: Feed the "Structure of Social Change."

“The idea behind these centers,” said Ruger on the “Successful Models of Programs in Private Enterprise” panel, “is to bring the ideas out of the academy and apply them across social institutions to achieve this cultural change.”

A major goal of the free-market academic movement is to indoctrinate students, nurturing future academics, think tank scholars, political operatives and activists. Gohmann said that donors “want to give money, they want to see students coming out thinking, ‘Markets work really well. We need more free enterprise.’”

Some graduates may become free-market professors themselves, what Ruger terms “building the bench.” “Building the capacity for great mentors who have more students, and [having] those students go and mentor their own students for the next several decades of their careers, to us is a very leveraged opportunity.”

On a panel called “Being an Intellectual Entrepreneur,” Derek Yonai, who recently led the Center for Free Enterprise at Koch-funded Florida Southern College and is now the managing director of the Koch-backed O’Neil Center for Global Markets and Freedom at Southern Methodist University, spoke about recruiting an army for economic freedom. He tells students, “Look, you understand these ideas, you are the best foot soldier we have in this fight for economic freedom because I talk about it, [but] you get to live it. You get to show people what these principles mean by the ways you act.” He told the APEE audience of Koch-funded professors, “Just figure out where are these students going to be placed [after graduating], what are they going to be doing—because each and every one of them can be valuable in order for us to change, if you will, the trajectory, uh, with regards to economic freedom.”

Ed Lopez, who recently secured a \$2 million donation from CKF for Western Carolina University’s new free-market center, wrote to CKF that among the list of “deliverables” to CKF were developing a “pipeline of students” exposed to free-enterprise teachings and “cultivating students’ long-term interest and participation in the larger community of free enterprise scholars, implementers, activists and related professions.”

Kevin Gentry, vice president of CKF and board member of the Kochs’ “central bank,” Freedom Partners, said at a 2014 Koch donor seminar, “The [Koch] network is fully integrated, so it’s not just work at the universities with the students, but it’s also building state-based capabilities and election capabilities and integrating this talent pipeline.” Gentry used to be vice president of both the Mercatus Center and the Institute for Humane Studies at George Mason.

“So, the Charles Koch Foundation does a lot of funding of universities and higher education institutions over all,” said Ruger at the APEE event, “but we’ve got a constellation of network organizations that are focused on applying what comes out of universities to change the world. And so, that’s sort of the core of the partnership. Money plus the network.”

In addition to grooming students to promote free enterprise in politics, Koch-backed professors insert themselves into government policy discussions.

At the embattled Johnson Center for Political Economy at Troy University in Alabama, Koch-funded professors have been very active in state politics, advising legislators to lower income tax rates and privatize services, as well as setting up an office in the state capital to “be more directly involved in state politics.” One professor’s recent APEE conference remarks, which included details about his colleague’s attempts to “bring down” the state pension fund, caused the dean of the business school to cancel the professor’s planned promotion to chair of the Department of Economics and Finance.

At the federal level, free-market legislation sometimes references studies by Koch-backed centers, and professors and fellows from such centers have been appointed to government positions. For example, two Republican congressmen who received campaign donations from the Koch Industries political action committee each sponsored bills that cite Mercatus Center

research. In 2015, the two officials teamed up to fire the director of the Congressional Budget Office, replacing him with then-Mercatus senior researcher Keith Hall.

In order to publicize the free-market products coming out of the academic programs it sponsors, CKF funds “communications and outreach directors” and “media people,” said Ruger, who “are able to book radio, television, different sorts of appearances... to place op-eds in national publications, you know. All of these things have an impact.” They may also arrange “state legislative testimony” for professors “to make sure that, you know, these kinds of ideas have a seat on the table in public policy.”

The Centers Keep Coming

More and more free-market centers are popping up. At the end of 2015, a controversial plan for the Center for the Study of Free Enterprise at Western Carolina University was approved despite the faculty senate’s scathing criticism, and centers at schools including Oklahoma State University, the University of Kentucky and the University of Louisville were also announced that year. The center at Ball State University in Muncie, Indiana, funded by Schnatter and Koch, was announced this March.

“Koch’s academic operation appears to be growing in proportion to his larger political operation,” explained Wilson. “Of the \$889 million the Koch network initially intended to raise for 2016, one-third was for political spending, while two-thirds was for research and education. And Koch has recently indicated that more of his network’s money will shift away from direct political spending and towards education.”

Knowing how these free-market centers unfold over time, faculty and students may have better luck opposing ideological institutes founded at their colleges and universities with the largesse of right-wing, corporate oligarchs such as Charles Koch and John Schnatter.

Just some of the numerous, Koch-backed free-market centers are:

- Arizona State University: Center for Political Thought and Leadership
- Arizona State University: Center for the Study of Economic Liberty
- Ball State University (Indiana): John H. Schnatter Institute for Entrepreneurship and Free Enterprise
- Clemson University (South Carolina): Institute for the Study of Capitalism
- College of Charleston (South Carolina): Center for Public Choice and Market Process
- Emporia State University (Kansas): Koch Center for Leadership and Ethics
- Florida Southern College: Center for Free Enterprise
- Florida State University: DeVoe L. Moore Center
- Florida State University: Gus A. Stavros Center for the Advancement of Free Enterprise and Economic Education

- George Mason University (Virginia): Institute for Humane Studies
- George Mason University (Virginia): Law and Economics Center
- George Mason University (Virginia): Mercatus Center
- Hampden-Sydney College (Virginia): Center for the Study of Political Economy
- Lindenwood University (Missouri): John W. Hammond Institute for Free Enterprise
- Oklahoma State University: Institute for the Study of Free Enterprise
- Southern Methodist University (Texas): William J. O'Neil Center for Global Markets and Freedom
- Texas Tech University: Free Market Institute
- Texas Tech University: Institute for the Study of Western Civilization
- Troy University (Alabama): Manuel H. Johnson Center for Political Economy
- University of Arizona: Center for the Philosophy of Freedom
- University of Kentucky: John H. Schnatter Institute for the Study of Free Enterprise
- University of Louisville (Kentucky): John H. Schnatter Center for Free Enterprise
- University of Montana: Center for Regulatory and Applied Economic Analysis
- University of Texas at Austin: Center for Politics and Governance
- Utah State University: Institute of Political Economy
- West Virginia University: Center for Free Enterprise
- Western Carolina University (North Carolina): The Center for the Study of Free Enterprise

Ruger and Gohmann did not respond to requests for comment.