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Charles Koch's Book Urges 'Bottom-Up' Approach to Philanthropy

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Billionaire donor Charles Koch has a message for philanthropy: Stop dreaming up sweeping fixes for society's big problems. Instead, he says, trust people who have first-hand experience dealing with a problem.

That may come as a surprise to the progressive activists who have been urging philanthropy to do just that — but who also see Koch as the source of many of the problems they are fighting against and are unlikely to want any advice from him. After all, Koch has poured hundreds of millions of political and charitable donations into building the Tea Party and other organizations that advance libertarian and conservative causes.

Last year, Koch made about \$261 million in charitable gifts. Over the course of his lifetime, he says he has contributed about \$1.5 billion through his various philanthropies.

In his new book, *Believe in People: Bottom-Up Solutions for a Top-Down World*, to be released Tuesday, Koch seeks to share what he has learned through his philanthropic giving, and it looks a lot like what social-justice leaders are promoting.

As an example of what works, he describes how Stand Together, a network of donors he founded in 2003, supports social entrepreneurs like Scott Strode, founder of the Phoenix. Strode overcame drug and alcohol addiction through exercise and developed a recovery program that stresses physical fitness to build self-esteem. The Phoenix boasts a recovery rate several times higher than other programs and is in the process of trying to reach 1 million people who have addictions through a \$50 million pledge from donors who are part of the Stand Together network.

Strode and many of the other nonprofit leaders Stand Together supports take their personal experience and apply it to a problem. At the core of the Koch giving philosophy is the notion that people who are intimately familiar with a challenge are probably best suited to find its solution. . In addition to dealing with addiction, Stand Together grantees work to improve people's job prospects, help keep high-school students from dropping out, and advance other approaches to reduce poverty.

That is different from the approach favored by some large foundations and their consultants who draft detailed strategies to solve poverty, homelessness, and mass incarceration. Instead of using experts to design ambitious efforts to overcome enormous challenges, Koch prefers to support people who have real-world experience with a problem — and sometimes the scars to prove it —

that gives them special insight. The problem with industrial-grade philanthropy, Koch says, is that success is measured by how many people, on average, are helped.

In trying to engineer a broad approach, Koch believes foundations may be missing success stories at the individual level.

“Nobody is average,” Koch said in an interview. “Everybody is unique. That’s our basic assumption. And everybody has a gift.”

‘A Tyranny of Experts’

In *Believe in People*, Koch, along with Brian Hooks, chief executive of Stand Together, charge that foundations have little to show for the billions spent since Lyndon Johnson’s War on Poverty. They believe professional philanthropy is paralyzed by a “tyranny of experts” who see people as problems to fix rather than recognizing their potential.

Koch hopes the book inspires philanthropists to think differently.

“If people don’t see a better way, they tend to double down on what’s not working,” he said. “They say, ‘Well, we just need to do more of that, and it’ll all be better.’”

While Koch rails against big philanthropy, Koch industries, the conglomerate he and his brothers built, can be seen as the ultimate mega institution. Over the past several decades, as Koch Industries has grown into the second-largest privately held company in the United States, Koch’s philanthropy has built a libertarian policy machine.

Koch has put millions of dollars into efforts to build conservative university departments, translate the work of academe to a broader audience through think tanks like the Cato Institute and organizations like Americans for Prosperity, and cultivate political leaders who want to roll back government regulations and lower taxes through groups like the American Legislative Exchange Council.

During the political cycle that just ended, his company, Koch Industries, spent nearly \$11 million on lobbying, according to the Center for Responsive Politics, which tracks political spending. And Americans for Prosperity plowed \$41 million in outside spending — contributions that are not directly aligned with campaigns — that has become known as “dark money.”

Koch, age 85, has a lot more to give. According to *Forbes*, he’s worth about \$45 billion (a figure Koch disputes). He has not signed the Giving Pledge, a commitment by the world’s wealthiest people to give away the majority of their wealth.

In what are the first detailed public comments about what he will do with his estate, Koch said he’s taken care of his family, and “all that remains” will go to charity. He declined to provide the percentage of his wealth he plans to give away but said it was a “substantial amount.”

Rejected Money

For some critics of Koch and his philanthropy, the impact he has had on the nation in his push for deregulation and lower taxes is reason enough for charities to reject the dollars he offers them.

Anand Giridharadas, author of *Winners Take All: The Elite Charade of Changing the World*, contends that nonprofits that accept contributions from Koch are simply providing the businessman “reputational scrubbing services.”

“No one should touch Koch money,” Giridharadas said. “It is blood money that has been earned through the active, concerted destruction of American democracy.”

Koch, who in the book admits that he has contributed to the increase in partisanship that now plagues the country, says such criticism gets in the way of progress.

“If you think everybody who disagrees with you in any way is evil, stupid, lazy, or greedy and isn’t worth working with or you ... then you really limit yourself, and you’re never going to realize your potential,” he says.

In a statement, Hooks of Stand Together also rebuts the critics. He said that attacks on Koch’s philanthropy mischaracterize his giving and “disrespect the thousands of social entrepreneurs we support.”

Bringing People Together

A major part of Koch’s recent giving is to organizations that work to bring together people with different political views. For further evidence of Koch’s good work, Hooks points to other organizations, including liberal philanthropies, that have supported the same grantees as Koch has.

For example both Koch and George Soros’s Open Society Foundations have supported the Quincy Institute for Responsible Statecraft, a think tank that pushes for more diplomatic engagement. Both organizations have also taken a similar approach to support changes in the criminal-justice system.

Brian Hooks (right), chief executive of Stand Together, says foundations operate with a “deficiency mentality” that treats people as broken.

But despite the fact that Koch and Soros have given to some of the same causes, the two men still inhabit different political universes, says Laura Silber, a spokeswoman for Open Society.

“There are times when very different paths can lead us to fund similar ventures,” she said.

Well-Meaning Experts

It has been more than 20 years since Scott Strobe bottomed out in a cycle of drug addiction and alcoholism. As he got into recovery, he was looking for a way to build his self-confidence, but, he found that people in the programs he participated in were “disappearing into silence” about their problem.

Based on a love of physical fitness he discovered in recovery, Strode opened the Phoenix, where people addicted to drugs and alcohol could become physically active and develop relationships with other people with a similar problem outside the shroud of anonymity.

“The Phoenix really stands for the belief in the intrinsic strength in all of us,” said Strode, who often wears a T-shirt with the word “sober” stamped across the chest. “We are more than our disease. We are inherently strong and resilient. That belief allows us to see someone as more than a heroin addiction.”

After catching the attention of Denver-area donors, Strode was introduced to Stand Together, which placed the Phoenix in its Catalyst Community program. Since 2016, the group has received \$12.5 million from Stand Together. That total includes a \$6 million grant received this year that is part of a \$50 million campaign to reach 1 million people who have addictions.

Strode’s path to expansion came with a heavy dose of mentoring in Koch-style business. Over the years, Koch has developed an approach to business success called market-based management. One of the key precepts of the approach is to find work with people who are “self-actualized,” meaning they have realized their potential.

Before he became well-versed in the Koch approach, Strode imagined the Phoenix would grow by using foundation grants to set up shop in a number of cities and recruit board members and professional executives to run the show.

Such a “top-down” approach would take millions of dollars to launch and ultimately would not be sustainable, Strode says. It also wouldn’t tap into the knowledge of people across the country who have overcome addiction and have deep connections to the people they serve.

“We need to find those special people across the country who will want to carry that flag of hope in their own communities,” Strode says.

Those people, he adds, probably have a better handle on how to overcome addiction than policy makers in Washington. The problem, Strode says, is that well-meaning “experts” don’t have the personal experience to fully understand the problem and don’t trust people who have been there themselves.

Taking Initiative

The lack of trust extends to philanthropy, says Stand Together’s Hooks. For too long, he says, foundations have operated with a “deficiency mentality” that treats people as broken.

“Rather than philanthropy focusing on what’s wrong and treating people as problems, we need a paradigm shift to see people as the source of the solution,” he says.

That recognition runs through the projects Stand Together supports. Dallas’s Cafe Momentum, for example, employs young people in the food industry who have just come out of juvenile detention. Stand Together credits the responsibility given to the young workers, and the self-esteem it builds, with reducing recidivism from 50 percent to 15 percent.

Another grantee, the Family Independence Initiative, works with families in poverty to analyze their needs, discover resources that may be available to them, and create a community of peers to provide support and advice as families move out of poverty. The overriding theme is that families are entrusted to take the initiative and encouraged to build on the strengths to thrive.

Families that work with the group for two years have increased their income by 27 percent, on average, according to Stand Together. Their reliance on government assistance drops considerably, and almost all of the children in participating families do better in school.

During the pandemic, Stand Together worked with the Family Independence Initiative to create #GiveTogetherNow, a campaign that raised \$120 million for direct cash contributions to people who were hit hard by the coronavirus. Other donors included Blue Meridian Partners, Google.org, the DeVos Family Foundations, Stripe, Schultz Family Foundation, and members of the Koch family.

Direct cash giving, perhaps the ultimate signal of trust a donor has in a recipient, could be part of the Koch philanthropic menu in the future. But Koch stressed that it was Stand Together's long involvement with the Family Independence Initiative that made the campaign possible. The money went to people who had been vetted by the effort who were "working themselves out of poverty, and then this epidemic and all the manifestations of it threw them back."

"If you give somebody cash and they don't use it to empower themselves, then it can be counterproductive," Koch said. "That's obviously true for your child. If you give them money and they never have an incentive to do anything, then you ruin them."

Donor and Grantee Success

Getting to know a grantee can be a long process. Through it, Koch believes he and grantees can generate "virtuous cycles of mutual benefit," a concept borrowed from Koch's business philosophy. The basic idea is that a company and its customers, or a donor and that person's grantees, bring their individual strengths together to solve a problem and in doing so, improve conditions for the other.

The result is that the success of a donor and a grantee can be tightly tethered together, says William Schambra, co-editor of the Giving Review.

Schambra says libertarian and progressive approaches to philanthropy share a distrust of big institutions. But, he says, the fact that Koch uses his business playbook to vet potential grantees puts him in danger of exercising the same "top-down" style philanthropy he criticizes.

"Koch, at least in the past, has been very directive as well in the way he's approached giving," says Schambra, who previously served as program director of the Bradley Foundation, a conservative philanthropy that has supported a number of the same efforts as Koch. "There was some considerable heavy-handedness going on with the way the money was to be spent. "

For any progress to be made, Koch says, people have to discover what they are good at and find others with complementary expertise. It is a never-ending process.

“That process of personal transformation is not easy,” he said. “It isn’t going to just come to you. It takes sweat. You’ve got to work at it.”