



## The Next Koch Doesn't Like Politics

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Last May, Chase Koch, the 41-year-old son of billionaire businessman Charles Koch, gathered about two dozen wealthy young professionals for a weekend retreat in Vail. This was no regular Koch get-together, the kind of uber-elite gathering of big ideas and bigger checkbooks that Charles and his brother David have made a feature of their political activity for the better part of a generation. It was six months before the most consequential midterm elections since the mid-1990s. President Donald Trump was threatening massive tariffs on steel and aluminum. House Speaker Paul Ryan had just announced he would retire from Congress. But the group assembled in Colorado's swankiest resort wasn't there to talk about how to block the impending blue wave, or to listen to seminars promoting free trade, or debate the future of Republicans in the House of Representatives. In fact, politics barely came up. And yet this meeting—which received no media attention at the time—was the most important Koch-sponsored event of the year.

That's because this meeting, unlike the traditional Koch network event later that summer, wasn't focused at all on policy and political giving. It was looking at the future of the Koch network itself, a club of several hundred donors founded by two of the country's wealthiest businessmen that has marshaled its collective resources to influence American life. And that future increasingly looks like a pivot away from the field that has made the Kochs major players on the right and boogymen on the left: politics and policy.

Speaking with a hint of a western drawl, Koch welcomed his guests, many of whom had traded the typical Koch network weekend uniform of sport jackets, slacks and polished loafers for mountain chic sneakers and fleece, delivering a brief speech on the value of authenticity. Making an impact on society, he told them, starts with personal transformation. Guests had prepared for the weekend by reading *The Alchemist*, an allegory about a young shepherd on a quest for self-realization: "Wherever your heart is, that is where you'll find your treasure," the book reads. For much of the weekend, Koch blended in at workshops and "sprint" sessions where he and his guests shared their "North Stars," or driving passions, and brainstormed ways to help nonprofits.

Two months after the gathering in Vail and 100 miles southeast, the full club of 500 Koch network donors, whose secretive ranks have included ultrawealthy founders of everything from Citadel to Franzia wine, filled the Broadmoor Hotel in Colorado Springs. The weekend culminated with Koch officials delivering a fire-and-brimstone sermon to the crowd that included projecting the photo of North Dakota Senate candidate Kevin Cramer on a 20-foot

screen as they announced they would not spend money to help someone with his protectionist ideas about trade. It was a name-and-shame visual guaranteed to grab headlines. “Why would Cramer or any other Republican feel like they need to listen to this network if they know we’ll support them anyway?” posited Emily Seidel, a top Koch operative.

The differences between the two meetings were more than stylistic.

They are clues to the direction in which the Koch network will move over the coming years as Chase Koch assumes a larger responsibility for the sprawling network, which spent \$400 million on policy and politics alone over the past two years, and millions more on educational and philanthropic initiatives. And they come at a time when succession is suddenly top of mind. Earlier this year, Chase Koch’s uncle David, who is 78 years old and in declining physical and mental health, according to people familiar with his situation, left his roles at the Koch network and Koch Industries. Though Charles, 83, remains in control of the network, it is widely expected that his leadership role will be taken on by Chase, with help from several longtime Koch aides. While Chase Koch is unlikely to play the singular role his father did in leading the network, he is at the moment the only Koch currently ascending the organization’s ranks. That makes him its lone option for keeping a member of the family at the helm. His older sister, Elizabeth, has no official involvement with the network or business, and David Koch’s children are all younger than 25.

Chase Koch, who prefers to work from Wichita rather than the network’s headquarters near Washington, is already steering his work within the Koch network in ways that avoid the hard-charging political gamesmanship that the Kochs used to further the Republican Party over the past decade—and that made Charles and David Koch household names. In a word, he’s no partisan.

“I have found that focusing on the things you can agree on can lead to amazing opportunities to solve problems, even if you disagree on a whole host of other issues,” Koch told POLITICO Magazine in a phone conversation and via email this fall, adding that he aims to be a bridge-builder and an innovator focused on civil society. It was the first time the low-profile heir to the Koch fortune has spoken publicly about his work and goals for the network. “I start with the idea that to learn and grow, you’ve got to be open to other peoples’ ideas.” Koch confessed that politics, while important, is “not at all what I’m passionate about.”

The notion that the Koch network’s next leader could put Washington in the back seat is almost unimaginable to those inside the Beltway who have watched the network collectively spend billions of dollars to sway politics and policy, especially over the past 10 years as the Kochs’ political network ballooned to resemble a shadow political party, complete with its own field offices and national voter database. But the Koch network is changing, too.

In more than 20 interviews with Koch network officials and donors, as well as Republican operatives, insiders described a Koch network that has moved well past the years when it was laser-focused on dislodging the Affordable Care Act—which the libertarian Kochs saw as an affront to their free-market philosophy—and reelecting Republicans to Congress. Koch network officials now emphasize bipartisanship and coalition-building, praise policy over politics and openly say they may spend less and less outright on politics in future elections—a series of changes they refer to in shorthand as “the shift.”

Already, efforts made by the network to reassert its independence from the Republican Party in the wake of the election of Donald Trump—whom the Kochs conspicuously declined to support—have energized some network donors and begun to draw in a new generation, while perplexing and angering those for whom the Kochs’ political operation is the single reason they write six- and seven-figure checks.

Chase Koch is meanwhile building a new playbook, centered around what one might call kinder, gentler libertarian philanthropy. In addition to recruiting donors to the Koch network, he has been involved with a three-year-old antipoverty initiative (branded by the Koch network as “venture philanthropy” aiming to “revitalize civil society”) that teaches Koch business principles to nonprofits. He also helps nurture the Koch network’s partnerships with high-profile allies, such as former NFL star Deion Sanders, who don’t fit the mold of the typical network donor.

But eventually, the Koch heir is gearing up to lead not just these pieces of the Koch network but the full machine. Who he gets to follow him will affect not only the future of the Koch empire, but the American political landscape as well. After all, who but the Kochs could outspend the entire Republican National Committee during the 2018 midterm election?

“I do not envy him for one second. The pressure,” said Frayda Levin, a board member at Americans for Prosperity and a longtime network donor. “It’s a huge network. And not that it’s dependent upon him, but it certainly will have an easier time going on knowing that Chase Koch will take it over.”

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**In many ways, the evolution** of the Koch network has tracked Koch’s life. The year Chase Koch was born, in 1977, his family was on the cusp of its first big foray in politics. Charles Koch had for years been involved with libertarianism, but that year he helped seed the Cato Institute, a fiercely free-market think tank that was angling to become a new hub for the burgeoning movement. Two years later, his brother David ran for vice president on a long-shot libertarian presidential ticket, spending more than \$2 million of his own money on the effort and winning just over 1 percent of the vote. The Kochs didn’t do more splashy election spending for years to come. Instead, they took a quieter approach by spending millions of dollars on think tanks like Cato, activist groups, and academic faculty posts and institutes.

Chase Koch was there, in 2003, by then a young man in his mid-20s, when his father and uncle first gathered a small group of acquaintances at Chicago’s Peninsula Hotel for what would become the birth of the Koch network. By enlisting other like-minded 1-percenters, they hoped to have a multiplying effect on their libertarian initiatives. Several years later, after President Barack Obama was elected and the Tea Party was ascendant, the network’s meetings ballooned into full-throated strategy sessions on how to block Democratic policy priorities, especially on health care. “I had no idea what it was going to become,” Chase Koch said.

The rise of Trump, and the populist revolt he ushered in, helped spark changes in the network that echo Chase Koch’s interests. When Trump was closing in on the GOP nomination for president during the summer of 2016, Chase Koch and his sister, Elizabeth, watched with concern the polarizing national debate about race and police violence, which Trump appeared to be fomenting.

Koch voiced concern from both sides of the issue, telling Koch operative Evan Feinberg that the wave of shootings of young black men showed there are “clearly injustices that happened” in black communities, but the killings of five white officers in Dallas seemed just as tragic. The siblings were moved to act. An aide to Elizabeth (who runs a publishing house called Catapult and doesn’t have a role within the Koch family businesses) helped organize a call with Koch network officials and a Dallas-area nonprofit called Urban Specialists that enlists former gang members to work as mentors in unsafe schools and neighborhoods. It was still a “very raw” moment in Dallas when the Kochs called, said Urban Specialists founder and CEO Omar Jahwar. Chase Koch in particular, he said, was inquisitive about how the group did its work. “His demeanor was so unassuming, it’s amazing that he is who he is.”

Not long after, Koch visited Jahwar with a group to walk through some of the violence-plagued neighborhoods that Urban Specialists works in. Urban Specialists became a flagship example of a nonprofit that was receiving support from the Koch network’s burgeoning philanthropic endeavor, called Stand Together. In addition to access to the Koch network’s universe of donors, Chase Koch began offering Jahwar business lessons in Market-Based Management and how to scale up, and the program expanded to Atlanta and Baton Rouge.

Koch, to be sure, has not avoided politics altogether. His publicly available donations include hundreds of thousands of dollars given to Republican congressional candidates and party committees in recent years—including Sens. Mike Lee of Utah, James Lankford of Oklahoma and Tim Scott of South Carolina—though no money donated to Trump. Still, Koch seems determined to make his mark elsewhere. The young donor group he has formed doesn’t require proof of allegiance to the GOP—only an interest in innovation and solving society’s ills. Koch tends to be a wide-ranging conversationalist, but “almost never about politics,” one participant in the group noted, “and he’s never really tried to influence me in that direction.”

In early October, two weeks after speaking with Koch on the phone and during the heat of a midterm election in which his family was helming a massive effort to reelect Republicans to Congress, I emailed Koch for some follow-up questions. I had heard him and others discuss his aversion to the arena in which his family had done so much combat. But I wondered if it were overstated. So I asked him: Do you consider yourself politically minded?

“Politics is just a small part of what the overall network does—it’s an important part because government plays a critical role in society—but that’s not at all what I’m passionate about,” Koch wrote in reply. “My passion is to bring people together to solve some of the major challenges facing society today, including in education and in many different aspects of our communities. Bottom line—I’m focused on removing the barriers so that everyone has the opportunity to achieve extraordinary things.”

It was an answer flecked with familiar Koch family language about opportunity and cutting back on impediments, be they regulatory or partisan. But it split from his father’s longtime belief in influencing policy and politics, either directly or via institutions like the Cato Institute, that feed the public debate. Without a leader who thinks those investments are worthwhile, it’s hard to imagine the Koch network placing big bets in the future on politicians or movement politics—a sometimes frustrating, fruitless way to spend money.

I asked Brian Hooks, who has spent close to 20 years working at parts of the Koch network and rose recently to become one of Charles Koch’s top deputies, how to imagine the Koch network

under Chase Koch's leadership. Hooks, who replaced longtime Koch aide Richard Fink, also plans to work closely with Chase in the future, according to Koch network sources.

Part of Hooks' answer was structural. The Koch network, Hooks and others say, has been both institutionalized and decentralized in recent years. Though Charles Koch is its nerve center, it relies on a large team of professional staff—some of whom focus solely on raising and spending political dollars—who will help helm the network in the future, as well as donors across the country who also play leadership roles of their own.

But he also said something else: The future of the Koch network may look a lot like the past.

The notion of the Koch network as a political dynamo has caught on among onlookers during the past "five or six" years, Hooks said, but "if you actually look at the overall history of the network's efforts, since the 1960s, since Charles got engaged, the vast majority of the resources have been on ways to help people that have nothing to do with politics." In other words, the investments in think tanks and universities, combined with other nongovernment spending on programs like school choice, are already a large part of the Koch network and will become even more of a focus as the Koch brothers' years as patrons of the Tea Party recede into the past. Koch network skeptics have dismissed talk of "the shift" as a massive public relations stunt, but there's a financial truth that some Koch insiders acknowledge: After nearly 10 years of unfettered spending to defeat Obamacare, for example, the network simply hasn't gotten a sufficient return on its investment.

Hooks couldn't make the statement without adding a reminder that the Kochs can always change their mind. "We haven't taken anything off the table," he said, and the Koch network will always be "a dynamic operation" that puts "resources to the highest-value use."

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**If there is an issue that animates Chase Koch** more than any other it's education. And the roots of Koch's interest reach back to his own childhood and the unusual tutoring his father gave to him and his sister. As children, Chase and Elizabeth Koch spent many Saturdays at home in Wichita listening to books on tape selected by their father. It was not the time for *The Wizard of Oz*. The sandy-haired Koch children listened to recordings of famous thinkers like F.A. Hayek, the Austrian economist and forefather of the modern libertarian movement, and they discussed values like courage and equal rights. Chase, not yet a teenager, sometimes nodded off.

"I can't say I was as passionate about these ideas when I was 12 years old," Koch recalled recently. "I was like, 'Wow, I'm a little young for this.'"

But Koch has, in the years since, embraced many of the same thinkers whom his father drew on to shape both his political outlook and Koch Industries. And though he skips the books on tape, Koch now focuses on the same ideals he learned as a child, like courage and equal rights, routinely in conversations his own sons, who are 4 and 6, respectively. (His year-old daughter is still a little young to join.) He also believes a well-rounded education involves music; in August, he took his oldest son to see Pearl Jam play at Wrigley Field.

Charles Koch was deeply involved in the board at Koch and Elizabeth's school, Wichita Collegiate School, which completed the Koch Upper School after donations from the family. Charles Koch and his allies even tried to persuade the school to implement Koch Industries'

signature business style, called Market-Based Management, according to an account published in the book *Sons of Wichita* and confirmed by a former student. After the strategy failed to take, Koch left the school's board.

Chase Koch took his first summer job at Koch Industries at 15, working at a cattle feed yard.

“It my first job ever. And it was kind of like a ‘Welcome to Koch, here’s a shovel’ sort of thing,” Koch said. He kept working during the summers while attending Texas A&M and returned to the company three years after graduating with a bachelor’s degree in business, eventually settling into a role in Koch Industries’ fertilizer business—a corner of the sprawling business that surged during the 2000’s. For Koch, working in fertilizer became an education in technology. The goal was always to figure out how to “do more with less,” he said, and how to “feed the world but do it in an environmentally sensitive way.” He traveled frequently to Silicon Valley, New York and Boston, looking for new tech that could help the business. This year, he launched a Koch business-within-a-business of his own called Koch Disruptive Technologies. The investment fund invests in startups that are well-suited to Koch Industries’ business portfolio, either because they could benefit from capabilities at Koch or because they have something to offer.

Koch married his wife, Annie Breitenbach, in 2010, and the couple purchased 70 acres in Wichita shortly afterward. Not unlike Koch’s own childhood, Annie and Koch are now taking a hands-on role in their children’s schooling. This fall Annie, a former neonatal nurse, and Zach Lahn, a former Koch network political operative, opened Wonder, a private school located on the Wichita State University campus serving preschool and elementary school students. The couple are financing the school, where students also pay \$6,500 to \$10,000 a year in tuition, and Annie Koch and Lahn have the titles of co-founders.

Wonder draws inspiration from other novel schools including Ad Astra, the campus Elon Musk founded for his children on SpaceX’s Hawthorne, Calif., campus. At Wonder, students learn in Montessori-style classrooms and teachers, called “coaches,” don’t make declarative statements but instead teach via asking students questions.

During the July Koch network meeting, Annie spoke to the crowd about Wonder in light of how traditional schools have failed, saying she wanted a school that would allow her children to “discover who they are and what they love, and what they’re good at, and how they’re going to put all those things together to find fulfillment and what they love in the world.” The school opened up 35 slots this fall, but received interest from more than 500 students, and will expand to have a high school in future years. “There really is a huge tidal wave out there of people looking for something different,” she said.

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**Some of the donors who comprise** the under-50 set are specifically hoping that Chase Koch’s Silicon Valley-tinged libertarianism will help bring a different era to the Koch network. They praise Koch for being “authentic” and “open-minded.” They represent a new Koch network in which donors might go to the Colorado Springs retreat in July, then head to Burning Man in August. Right now, some of them cut smaller checks to groups supported by the network than their older counterparts, not unlike a junior membership at a country club, as they continue to amass their millions.

Those same donors tend to agree with Koch about politics: They've watched Washington gridlock and think their time and money is best spent elsewhere.

"What I've seen is people really engaged in it, how can we stop some of the negative declines we're seeing in the county?" said Kevin Lavelle, founder of a Dallas-based menswear startup and a recent addition to the network who works with programs like Urban Specialists and attended the retreat of young donors last May. "If we're going to make an impact on these cyclical problems, it's not going to be a politician, and it's not going to be a party."

Then there's the rest of the Koch network, from longtime personal friends of Charles Koch who have been attending gatherings for more than a decade to more recent newcomers who were drawn in by the network's unparalleled political spending prowess. To much of the Koch network, Chase Koch is still relatively unknown.

"I think I may have met him. I know nothing about any changes," said billionaire donor Stan Hubbard, the chairman and CEO of Hubbard Broadcasting, a private company that operates 13 television stations and 46 radio stations. He said he applauded the Koch's interest in issues like criminal justice reform but wanted no part in it. "I hope they're not spending our money on anything but politics," Hubbard said. "I think they aren't."

Even small steps that the network has recently taken to reassert itself as separate from the Republican Party have irked other donors. For example, one of Kevin Cramer's chief fundraisers was in the crowd at the Broadmoor in July. A major GOP donor, he had recently started attending meetings, though he had not yet contributed money. He wasn't pleased to see his candidate shamed on the big screen.

"I thought it was a cheap political stunt to show they were independent from the Republican Party," said Dan K. Eberhart, CEO of the oilfield services company Canary LLC. "It makes me less likely to want to give to the Seminar Network in the future."

But many Koch network donors, many of whom joined the network as its size ballooned during the height of its political, anti-Obama years, said they had not yet considered how the organization might someday change under its new leader. The possibility just seems too far off, despite Charles Koch's advanced age.

For now, the changes within the network have thrilled many participants who see an opportunity to expand the group's work and attract new donors. Chase Koch may change over time, too, following in Charles Koch's footsteps to become slowly more engaged with Washington after he learns firsthand the limits of avoiding it. After all, Charles Koch was entering his late 60s when he gathered the first Koch network meeting in Chicago and began swaying a generation of American politics.

The young donors meanwhile convened again this fall, at Chase's behest, shortly before the midterm elections. This time, they came to Wichita, the center of the Kochs' universe and a city where the broader pool of Koch network donors do not gather. One of the featured events? A tour of the Wonder School.