

DAILY BEAST

How Charles Koch Successfully Peddled the Snake Oil of Climate Change Denial

Andrew Koppelman

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The ongoing climate catastrophe was brought about by idealism. It is commonly blamed on the greed of the petroleum industry, but the most effective source of climate denial has been a single determined libertarian who thought that he was creating a better world.

To understand what has happened, you need to understand this man's idealism: where he got it from, the moral vision that animates it, and how, in his hands, it has been betrayed and corrupted.

The man is the billionaire industrialist Charles Koch, the world's leading donor to libertarian causes. He has been a leader of the relentless effort to shrink government, which led to the disbanding of the federal pandemic response team. He was an early and generous funder of fake science denying climate change. He wants to destroy most of the government's functions—medical care, Social Security, public education, roads and bridges. He has been trying to privatize mail delivery since the 1970s. He believes that government “is to serve as a night watchman, to protect individuals and property from outside threat, including fraud. That is the maximum.”

But it has turned out that he is so antistatist that he has even blocked efforts to prevent people from hurting others. The mass production of greenhouse gases is obviously a kind of harm, condemned by libertarianism for the same reason that it condemns factories that poison the drinking water. There is a variety of libertarianism that would protect this kind of predation, and it happens to be the kind that he has embraced for decades. It may also be relevant that the fossil fuel industry is the source of his massive wealth.

Koch, one of the world's richest men, is often depicted as merely a greedy plutocrat hoping only to line his own pockets. This is wrong. Koch is—or, at least, he once was—an idealist. We live in a world that was shaped by his ideals—ideals that have real attractions, but which have taken on a malign form.

A lot has been written about him. But until now, his political philosophy has never been carefully examined. When we do that, we learn both the power and the limitations of the libertarianism that so many have found attractive. We also discover that Koch has not even been faithful to his own unworthy aspirations.

Any account of Koch's philosophy must begin with the story he tells about himself. He is remarkably optimistic about the capacity of markets to improve human welfare. He has written a book entitled *Good Profit*. In a 2017 *Freakonomics* interview, he explains that all he has ever aimed at, in his enormously influential political work, is a better life for everyone. "[M]y vision for a good society is what we call a free and open society. Liberated people can do amazing things. They're productive, innovative, and entrepreneurial. People who are subjugated—intimidated, controlled or dependent—tend not to be." That means lifting the heavy hand of government. "I'm against special interest, corporate welfare and import tariffs." Free markets reward those who produce what other people want to buy, and thus enrich the human race. "The only reason you should be allowed to make money and be so successful is if you're creating value for others, if you're helping people improve their lives. If you're just in there manipulating the system, get rid of you."

But none of that explains what he has actually been up to.

Charles, more than his late younger brother David, has been the moving force in the brothers' political activism. He was supporting libertarian organizations as early as 1966. His growing network has mobilized, not only his own vast wealth, but hundreds of millions from other wealthy business owners. The Kochs have been holding fundraising summits—once annual, now twice a year—that billionaires flock to attend. Attendance now often exceeds 500, often in husband-wife pairs. Guests must pledge a minimum of \$100,000 per year. Congressional leaders Mitch McConnell and Paul Ryan, governors Scott Walker and Chris Christie, and presidential hopefuls attend.

Americans for Prosperity has a staff of twelve hundred, more than three times the staff of the Republican National Committee, with directors in 34 states. It routinely hires Republican legislative and campaign operatives, who tend eventually to move back to Republican posts, where they are likely to further Koch agendas. Thus the Koch network is increasingly and pervasively intertwined with the Republican Party.

Koch money has been used to finance primary challenges to Republican officeholders who fail to support positions that the party's own voters reject: reduction or privatization of Social Security and Medicare, big tax cuts for the rich, elimination of public sector collective bargaining rights, climate change denial. The consequence is a growing Republican unanimity in favor of those positions.

AFP has been particularly active in blocking access to Obamacare, which it bitterly opposed. When the Supreme Court upheld the ACA, it construed the statute, on the basis of remarkably convoluted reasoning, to permit states to reject the statute's expanded Medicaid funding, which would have provided health care to the poorest citizens. It makes no sense for any state to decline a huge infusion of cash that would create so many jobs—good jobs, for doctors and well-paid medical technicians. Yet as of this writing, twelve states have refused to take the money, among them Texas, which has the largest uninsured population in the country. Insurance has thus been denied to 2.3 million people. AFP brought more pressure to bear on state officeholders than doctors, hospitals, and the Chamber of Commerce could counter. Had every state adopted the

Medicaid expansion, about 15,000 deaths would have been prevented during the program's first four years.

And of course there is the climate.

The coal and petroleum industries, with Koch leading them, have expended enormous efforts to cast doubt on the science and persuade the world that climate change either is not happening or is not caused by human activity. Americans for Prosperity's budget tripled in response to proposed restrictions on carbon emissions: \$5.7 million in 2007, \$10.4 million in 2009, \$17.5 million in 2010. AFP has worked hard to disseminate preposterous claims that the scientific community is conspiring in order to empower the state.

Koch was promoting skepticism about climate change as early as 1991, when President George H.W. Bush said that he would support a treaty limiting carbon emissions. At that time, Republicans generally accepted the scientific consensus about the danger, but Koch immediately began funding junk science attacking that consensus. When Bill Clinton proposed an energy tax, which would have taxed fossil fuels but exempted renewable energy, the Koch organization mobilized to defeat it. Koch's principal political lieutenant, Richard Fink, explained: "Our belief is that the tax, over time, may have destroyed our business." Koch similarly beat back Obama's cap-and-trade bill, which would have imposed a price on carbon emissions. It has become clear that any Republican officeholder who proposes to do anything, however market-friendly, about climate change will be destroyed by Americans For Prosperity. The American Republican Party is the only major political party in the world that denies that the human race faces this danger.

Why would anyone deliberately make all this happen?

Koch actually embraces two different libertarianisms. He often cites Friedrich Hayek, the Nobel-prize winning economist who showed that socialist central planning would inevitably be wasteful and oppressive. Hayek's defense of capitalism was novel when he wrote *The Road to Serfdom* in 1944. Today his core claim, that a free and unplanned economy will be far more productive than a planned one, is almost universally embraced, for example by Barack Obama, Joe Biden, Kamala Harris, and Elizabeth Warren. Not even Bernie Sanders advocates central economic planning.

Hayek's philosophy does not condemn publicly funded roads and bridges, or government-subsidized health care. (He proposed the basics of Obamacare in 1960.) Or the post office. Hayekianism in fact is the basis for carbon taxes, which, absent Koch's tireless opposition, the United States would probably have had thirty years ago.

To find the kind of doctrinaire antigovernment philosophy that explains Koch's actual political actions, one must examine a different kind of libertarianism, that advocated by Ludwig von Mises, F.A. Harper, and Murray Rothbard. These were the real shapers of Koch's thought and action. Their ideas are also crazy and dangerous. You need to know about them, because they are remaking our world.

Hayek argued that no central planner could know everything that drives an economy. The irreplaceable virtue of free markets is their capacity to manage that flood of information.

Individuals often can't articulate their own reasons for wanting what they want. Markets respond to information with admirable precision. No one is managing the process, but the market nonetheless coordinates the productive activities of millions who need not even be aware of one another's existence. That creates the "good profit" that Koch likes to talk about: money earned by selling what people want to buy.

Hayek did not however oppose all regulation. He understood that markets sometimes fail, for reasons that have been articulated well by Koch himself: "when property rights are unclear or ill-defined... owners don't benefit from all the value they create and don't bear the full cost from whatever value they destroy. Their use of the property will not be optimally focused on creating value in society."

Which brings us to climate change. Those who burn gasoline or coal don't bear any of the costs of greenhouse gases. That's just the kind of market failure Hayek worried about.

Koch acknowledges the problem but blocks any possible solution. Carbon taxes would be Hayekian. They require businesses to bear the true cost of their activities, thereby giving them an incentive to reduce those costs by, for example, investing in clean energy technology. They call forth the kind of innovation that capitalism is good at.

Markets also can undersupply goods that benefit everyone. The post office is an example: cheap and easy communication throughout the United States has been subsidized, precisely because it played an important role in unifying the nation—a benefit that no private carrier would include in the price of postage. Similarly with public health: there's no market for a network of specialists to address the danger of a pandemic before it happens. "Where... it is impracticable to make the enjoyment of certain services dependent on the payment of a price, competition will not produce the services," Hayek wrote. "Thus neither the provision of signposts on the roads nor, in most circumstances, that of the roads themselves can be paid for by every individual user."

Americans for Prosperity, on the other hand, consistently demands tax cuts, the elimination of business regulations, Medicaid cuts, reduced public education funding, and curtailing all environmental laws, state and federal. It has fought at the state level to defeat appropriations for highway repairs and infrastructure investments.

Hayek understood that markets can't always give people what they need or deserve. Prices, including compensation for labor, signal what is demanded now (for reasons that perhaps no one could anticipate), not whether producers made virtuous choices in the past. In a free market, Hayek concluded, rewards "will of necessity be determined partly by skill and partly by luck."

He thus thought that, while government should not interfere with prices, there was no "reason why the state should not assist the individual in providing for those common hazards of life against which, because of their uncertainty, few individuals can make adequate provision," such as "sickness and accident."

Writing in 1960, Hayek anticipated and endorsed the basic outlines of Obamacare, including even the hated mandate to purchase insurance:

There is little doubt that the growth of health insurance is a desirable development. And perhaps there is also a case for making it compulsory since many who could thus provide for themselves might otherwise become a public charge. But there are strong arguments against a single scheme of state insurance; and there seems to be an overwhelming case against a free health service for all.

He rejected a government monopoly, which he thought would involve the usual inefficiencies. Instead, he envisioned multiple competing private insurance companies. Which is what we have now.

Obamacare is Hayekian. It makes insurance compulsory; it forbids insurers from discriminating against the sick; it subsidizes health care for those who cannot afford it. It thus delivers basic security with a market-based mechanism.

Koch worked hard to defeat it. He held a pathologically distorted view of Obama. “He’s a dedicated egalitarian,” said Koch. “I’m not saying he’s a Marxist, but he’s internalized some Marxist models—that is, that business tends to be successful by exploiting its customers and workers.” Koch sent a newsletter to his employees after the 2008 election declaring that America faced “the greatest loss of liberty and prosperity since the 1930s.” He declared in 2011 that he fears “a statist or collectivist society in which people are impoverished because one person is pitted against another as everyone attempts to gain by redistribution rather than producing goods and services that make people’s lives better.”

If Koch isn’t really following Hayek, then where does he get his ideas?

When he writes about his primary intellectual influences, he cites, not Hayek, but “two life-changing books,” F.A. Harper’s *Why Wages Rise* and Ludwig von Mises’s *Human Action*. He told an interviewer that he “traces his belief system” to Harper. Harper founded and led the Institute for Humane Studies, a libertarian thinktank that Koch began supporting in 1966. Harper and Mises both held far more extreme views than Hayek.

Harper, Koch has explained, “demonstrated that real wages are determined by the productivity of labor... The more productive an employee is, the more an employer will need to pay to retain him.” Koch explained to an interviewer that Harper taught him that “wages rise not because of unions or government action, but because of marginal productivity gains—people get more money when they produce more value for other people.”

Harper showed that wages can’t rise faster than productivity, but he didn’t prove that they couldn’t rise more slowly. From 1973 to 2014, productivity grew 72 percent, while average hourly wages increased by 9 percent.

Harper thought that individual liberty meant small government. Any government assessment of needs “will have no necessary relationship to your hopes and expectations,” because “the Commissar of the Peoples’ Needs never met you—probably doesn’t even know that you exist.” The answer was tax cuts. “The greatest opportunity now for a quick increase in the worth of wages is to reduce the cost of governing ourselves so that more of the wage can be kept.”

Koch's other transformative influence is Ludwig von Mises, whose monumental *Human Action* deduces an elaborate economic theory from a few parsimonious premises. There are affinities between Mises and Hayek. Hayek began as Mises' student in Vienna. Both emphasize the extraordinary efficiency of markets. Mises, however, was far more dogmatic.

Koch writes that Mises "showed in unparalleled depth and scope that a free society based on scrupulous respect for private property, the consistent rule of law, and the right to freely exchange goods and services is the system most conducive to human well-being, progress, civility, and peace." But that is not all that Mises says.

Unlike Hayek, Mises feared any redistribution whatsoever. "In fact, the Welfare State is merely a method for transforming the market economy step by step into socialism." He was mighty categorical: "welfare policies inevitably always fail." Health insurance was dangerous. "Insurance against diseases breeds disease." What promotes recovery is "[t]he desire and the necessity of becoming well again and ready for work." Here the deductive method parodies itself: the body's resistance to infection responds to price signals! But this is what you need to believe in order to think, as Koch does, that government-funded medical care is socialism. Hayek thought that, because markets are inevitably unpredictable, they do not reliably reward virtue. Mises, on the other hand, told Ayn Rand, "You have the courage to tell the masses what no politician told them: you are inferior and all the improvements in your conditions which you simply take for granted you owe to the effort of men who are better than you."

Mises understands the danger that a businessman "will embark upon certain projects only because the laws release him from responsibility for some of the costs incurred." When this happens, "the economic calculation established by them is manifestly defective and their results defective." Again, think about climate change. But Mises sees no possible answer other than the adjustment of property rights: "by a reform of the laws concerning liability for damages inflicted and by rescinding the institutional barriers preventing the full operation of private ownership." The possibility that such an adjustment may be impossible—to take a pertinent example, no one can own the earth's atmosphere and thus be incentivized to keep its greenhouse gases low—is not considered.

It is, of course, impossible to know how important Harper's and Mises' ideas are now in Koch's view of the world. But we have his own testimony that they are very important. They map onto his political behavior fairly precisely.

Neither Harper nor Mises even consider the possibility of pollution that produces cumulative harms, and so can't be remedied by individual tort suits. For a philosophical case against the kind of regulation or taxation that could address climate change, we need to look at one last libertarian writer, Murray Rothbard. Koch no longer cites Rothbard—they had a personal falling out—but he was once so smitten with Rothbard's ideas that he created a research institute to promote them.

Rothbard was an anarchist. He thought that whatever government does, including police protection, can be provided better by private businesses. Markets reward those who look after themselves. "Taxation is Robbery." He surrounded himself with young libertarian intellectuals,

notably the libertarian Harvard professor Robert Nozick, who met Rothbard while he was still a student, and Georgetown Law Professor Randy Barnett, the mastermind of the legal challenge to Obamacare. He wrote for Rep. Ron Paul's newsletter, and Senator Rand Paul writes that Rothbard "was a great influence on my thinking and when I was a young man I was lucky to meet him."

Rothbard may be the most important philosopher you never heard of. Many who would not recognize his name embrace his ideas in some detail. The Libertarian Party's present platform, and the thinking of many libertarians who don't belong to the party, owe something to Hayek, but much more to Rothbard.

Rothbard persuaded Koch to found the Cato Institute in 1974. Today it is perhaps the most influential libertarian think tank. Eventually, Koch fired him for insubordination. (Rothbard had imprudently left his stock certificates in Koch's possession.) But, as we'll see, Koch continues to reflect Rothbard's worldview, particularly with respect to pollution.

Rothbard categorically opposed regulation. Government, he thought, never has enough information to know where the unjustified externalities are or what level of regulation is optimal. Cost-benefit analysis is impossible: "Costs are purely subjective and not measurable in monetary terms." Without the information supplied by markets, we can't tell how people price their utilities, and any cost-benefit analysis is guesswork. The argument is clever but perverse. Must we allow factory smoke to shorten the lives of thousands of children in the neighborhood because there's no market to tell us how much the children's lives are worth, to them or anyone else? It may be difficult to assess the human costs of pollution, but the answer that is sure to be wrong is zero.

Rothbard struggled with the pollution question. He oscillated between two solutions, both so extreme as to be unworkable. He ended up embracing unlimited environmental destruction.

At first, Rothbard saw that his extreme vision of property rights entailed that pollution is a kind of trespassing. Like Mises, he thought that courts could issue injunctions against it. "[T]he polluter sends unwanted and unbidden pollutants—from smoke to nuclear fallout to sulfur oxides—*through* the air and into the lungs of innocent victims, as well as onto their material property... Air pollution that injures others is aggression pure and simple." Property rights were the answer to the pollution problem. "If a private firm owned Lake Erie... then anyone dumping garbage in the lake would be promptly sued in the [privatized] courts for their aggression." Class action suits could be deployed "to enjoin anyone from injecting pollutants into the air." He acknowledges that there would be social costs to outlawing the internal combustion engine. But all will be well: "if air pollution is allowed to proceed with impunity, there continues to be no economic incentive to develop a technology that will *not* pollute."

That's simple enough. It's *too* simple. Set aside the problem that technological alternatives to fossil fuels could not instantly be called into existence. Carbon dioxide is a pollutant. Another libertarian, David Friedman (son of Milton), observed that "If I have no right to impose a single molecule of pollution on anyone else's property, then I must get the permission of all my neighbors to breathe. Unless I promise not to exhale."

Rothbard eventually revisited the pollution question, and qualified his response in a way that drove him to the opposite extreme, licensing unlimited environmental destruction. “Air pollution... of gases or particles that are invisible or undetectable by the senses should not constitute aggression per se, because being insensible they do not interfere with the owner’s possession or use.” Such pollution may be harmful, but the victims “must assent uncomplainingly” to the harm unless they can prove “beyond a reasonable doubt” that there is “strict causality from the actions of the defendant to the victimization of the plaintiff.” The characteristic error of libertarians is on display here: inordinate fear of state power combined with obliviousness to the danger of private power. Polluters, Rothbard thought, should have the equivalent of an accused criminal’s presumption of innocence: “it is far better to let an aggressive act slip through than to impose coercion and commit aggression ourselves.” On this basis, he specifically denounced the Clean Air Act of 1970.

The environmental laws of that time were enacted because in some cities, the air was becoming dangerous to breathe and the river water toxic. Acid rain was destroying forests. Absent regulation, some cities surrounded by mountains, such as Los Angeles and Denver, might now be uninhabitable. If the harm to persons doesn’t matter, what about the damage to property values?

In criminal law, the “beyond a reasonable doubt” standard is not a license for crime, because no criminal can be confident that the police will not be able to discover the necessary evidence. But applied to pollution, Rothbard’s rule amounts to a guarantee that one can ruin other people’s persons and property with impunity. As we shall see, that rule is the only justification available, within the political philosophy that Koch relies on, for Koch’s actual political and industrial activity.

Actually, Rothbard here misconstrues his most basic principles because he is so eager to constrain the state. Those principles do not in fact license these harms. His flat ban on *visible* invasions of property, and indifference to *invisible* invasions, is peculiarly ad hoc. If you are poisoning me, damaging my body and property, why does it matter that I can’t detect the damage as it’s happening?

Rothbard is thus torn between prohibiting everything and abandoning the rule against harming innocent people. The only constant is that, either way, you can’t breathe. A theory that promises clear boundaries between one person’s liberties and another’s is unable to address this crucial boundary question in a sane way. It does, however, produce results that are convenient for Koch’s business interests.

Does Koch live up to his aspirations? How do his actions look when evaluated through the lens of his philosophy? He takes himself to be channeling Hayek, not only in his political activism but also in his business. His books trumpet his company’s remarkably above-market returns. He credits his success to his deployment of techniques borrowed from Hayek.

Koch is one of the richest people in the world, with a net worth of about \$50 billion. (It is hard to be certain, because the only source of data is Koch’s self-reporting to *Forbes* magazine.) He inherited a midsize oil refining concern, which is now the second largest privately held company

in the United States. He attributes his success to his capacity to look at the world from a Hayekian perspective. The market is full of unknown information that, if detected and properly used, could create enormous new value, some of which can be captured by the business that exploits it. Throughout his business empire Koch encourages employees to seek such opportunities. And when he invests, he is willing to incubate ideas that will take years to pay off, because his privately held company need not cope with investors' desire for short term returns. In 1981, he wisely rejected a \$20 million offer to take his company public.

His business philosophy aims to apply Hayek's ideas. "Market-based management" is decentralized decision making, giving mechanics, clerks, and factory workers the authority to restructure their own jobs to increase productivity. Salary caps were removed; an unusually capable employee could earn more than his supervisor. The effects have sometimes been impressive. After Koch bought Georgia-Pacific and applied his management techniques to the company, *Forbes* reported that one of its plants "is producing the same amount of paper towel and toilet paper as before with half the workforce and sharply higher profits."

On the other hand, it's doubtful how much of his wealth comes from this philosophy. He inherited what was already one of the largest private companies in America, and reinvested 90 percent of its profits.

If this management style captures some of the virtues of an unregulated free market, it also recreates its pathologies. Georgia-Pacific saw worsened working conditions and a spike in workplace injuries and fatalities. The Koch approach entails, a Texas deputy attorney general wrote in a 2001 affidavit, that each section of the Koch pipeline must show a profit, and this profit must increase every quarter. Environmental and safety compliance does not pay off quarter by fiscal quarter, and thus employees are not rewarded or encouraged to strive for safety or compliance. Indeed, safety improvements are regularly delayed or ignored even when recommended by employees. Employees at Koch are told that every decision has to be judged by its economic effect and how the decision will affect the company's profitability.

Any solution to this problem must come from top management—the analogue of central regulation. But Koch is averse to such top-down regulation. So he created a laissez-faire world, where each of his employees has an incentive to produce value and ignore externalities.

And then there's the matter of risk. On August 24, 1996, in a small town fifty miles southeast of Dallas, Texas, Danielle Smalley was packing to leave for college the next day. The 17-year-old smelled gas. Her father checked the propane tank beside the trailer they lived in, but it wasn't leaking. Her family was too poor to own a telephone, so she and her friend Jason Stone offered to drive to a neighbor's to make the call to the gas company. Crossing a dry creek bed, the truck stalled. She turned the ignition.

The fireball reached hundreds of feet in the air. The concussion was felt miles away. The teenagers were on fire as they tried to run from the truck. Their hair and clothes were incinerated. The only way to tell the corpses apart was to examine their genitals.

The pipeline, several hundred feet from Smalley's subdivision, had been carrying liquid butane: lighter fluid. It had been constructed in the 1980s and had a history of corrosion problems from the beginning. Koch Industries had taken it offline in 1993 when a newer pipeline went into operation, but increasing demand made it worth \$8 million annually to put the old pipeline back into service. When the company did that, it ran a test that found corrosion in 583 locations in a single 46-mile length. It patched the most damaged spots, left the others untouched, and started the butane flowing in 1996. Smalley and Stone were burned alive eight months later.

During the closing statement at the trial, the attorney for Danielle's father projected a clock on a screen and paused for 60 seconds to give the jurors an idea of how long it had taken Danielle to die. "There is no more horrible death than a burn death," he told them. "There is no more horrible way to lose somebody than to see them burn to death in front of your eyes." The jury awarded \$296 million, then the largest wrongful death award in American history.

The Kochs have since sold most of their pipelines.

In the libertarian paradise that he is striving to bring about, what would protect the Danielle Smalleys? It is, of course, impossible to live in a world without risk. Accidents will happen. We are back to tradeoffs between costs and benefits. Someone has to decide which dangers to the public are too great to endure.

That someone should not be Koch.

Here the virtues of entrepreneurship become vices. Competitive pressures, and the personality traits that make successful capitalists, both militate toward sometimes foolhardy risk-taking. It is valuable to have a class of people who are thus reckless with their own money. They produce the innovations that have enriched us all. It is different when the objects of risk are other people's lives. Danielle Smalley was not a coinvestor with Koch Industries. No sane regulator could have permitted butane to flow through decaying pipelines in residential areas.

Koch accurately describes the explosion as "the first and only time since our company's founding in 1940 that one of our pipelines caused the death of innocent bystanders." (He attributes the pipe's weakness to "corrosion... caused by bacteria in the soil that acted more quickly than leading U.S. experts had ever found." Had the jury agreed, it could not have awarded a penny.) But reckless risks remain part of the company's strategy with respect to pollution, above all the pollution that creates climate change.

His categorical opposition to regulation approaches Rothbard's anarchism. Koch writes:

Morally, lowering taxes is simply *defending* property rights... Nor is it valid to say that reducing your taxes simply shifts your "fair share" of the tax burden to someone else. There is *no* "fair" share. Our goal is not to *reallocate* the burden of government; our goal is to *roll back* government. We should consistently work to reduce *all* taxes, our own and those of others.

Koch thought that regulation should be given the "barest possible obedience" and wrote, "Do not cooperate voluntarily, instead, resist whenever and to whatever extent you legally can. And do so in the name of *justice*." After paying out millions in fines and legal judgments for multiple

violations (and a pattern of lying about them), his company made a concerted effort to comply with the law. Reflecting on the experience in 2007, Koch wrote, “we were caught unprepared by the rapid increase in regulation... While business was becoming increasingly regulated, we kept thinking and acting as if we lived in a pure market economy.” This way of putting it, Jane Mayer observes, implies that “the problem wasn’t so much Koch Industries’ conduct as the legal regime in which it operated.” Koch writes that increases in regulation “have universally damaged the ability of businesses to create real value and contribute to societal well-being.” *Universally?*

Koch now follows a policy he calls “10,000 percent compliance,” meaning that 100 percent of laws are to be obeyed 100 percent of the time. The policy was faithfully followed to prevent a recurrence of Koch’s environmental violations in the 1990s, which produced criminal charges and millions in fines. There have continued to be dozens of violations of workplace safety rules, which are cheaper to transgress. One worker’s death was ruled to be related to “serious” violations, but the resulting fines were only \$35,050, and other deaths produced even smaller penalties.

Evidently, Mises and Rothbard notwithstanding, the possibility of tort liability isn’t enough to guarantee the efficiency of Koch’s business activities.

Those transgressions are not, however, the secret of his business success. His most important asset is a spectacularly lucrative state-enforced monopoly—the kind of parasitism that his philosophy categorically condemns. The Clean Air Act of 1970 imposed limits on pollution by oil refiners, but it included grandfathering exemptions for existing plants, which were also allowed to expand their operations. One of these was Koch’s, near Pine Bend, Minnesota—a refinery that already benefited from a special exemption from federal limits on oil imports. The Pine Bend refinery thus was protected from competition and became the only distributor of gasoline in the Midwestern United States. Koch’s above-market returns aren’t the result of Hayekian wisdom. They are the inevitable result of his monopoly: he became one of the world’s richest men because American consumers paid artificially inflated prices for energy. Which depends on continuing massive use of fossil fuels.

So we return to the issue of climate change. The denialist movement reached its peak with the election of Donald Trump. Trump, the protectionist who aims to promote favored industries, is obviously no libertarian. His climate denialism probably reflects political opportunism: the notion of a conspiracy of lying scientists, which Koch did so much to promote for years before the 2016 election, fits nicely into the paranoid narrative Trump relies upon. Trump is notoriously indifferent to truth and science, but he has a good nose for what sells, and Koch had succeeded in making denialism part of the right-wing package. Trump’s deregulatory agenda, which rolled back climate change efforts across nearly every federal department, was an echo of Koch’s years of work politicizing the issue.

Koch has written that his aspiration is “to create a harmony of interest in society. For business to survive and prosper, it must create real long-term value in society through principled behavior.” Whatever long-term value Koch has created is swamped by the catastrophe he has bequeathed to us.

Economists Sutirtha Bagchi and Jan Švejnar compared the relationship between wealth and corruption in different countries. Using the *Forbes* list, they sorted the world's richest people into those who had or had not made their wealth from political connections. Two Cato Institute scholars have suggested that we “call those bad and good billionaires, respectively.” They summarized the data: “Outside the United States, 17 percent of billionaires were bad and 83 percent were good. In the United States, just 1 percent were bad and 99 percent were good. Thus, American billionaires overwhelmingly earned their wealth in productive and noncorrupt ways, according to this metric.” This is Hayek's point restated: in a free economy, there will be opportunities to become spectacularly rich by creating immense value for consumers. That is what Koch keeps saying in his *Freakonomics* interview. The wealth kept by the entrepreneur is a tiny fraction of the wealth he has created.

But this argument does Koch himself no good. He points us to the promised land, but he cannot enter. For he is one of the bad 1 percent. This is the irony of Charles Koch's life—an irony that can only be seen if we understand the ideals to which he has been dedicated. He began by fighting those who become rich and powerful through political connections. Now he has become what he was fighting. His story is not simply one of evil and greed. It is a tale of betrayal and corruption. His wealth comes from a government monopoly, whose value is enhanced by his capacity to deploy his wealth in order to harm people. He has used his influence skillfully to prevent the law from protecting his victims. Those victims now include everyone on the planet. To borrow some terminology from Ayn Rand, he is a moocher and a looter.