Center for American Progress

Think Again: Kochs: Life Is Good

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By Eric Alterman | August 25, 2011

Warren Buffett pays taxes on a smaller percentage of his billions in income than his cleaning lady. He thinks this to be both morally wrong and practically misguided, and he said so in a *New York Times* op-ed recently, complaining that he and his fellow gazillionaires have been "coddled long enough by a billionaire-friendly Congress."

Buffett's argument was refuted by the right-wing billionaire and funder of extremist organizations, Charles Koch, who justifies his puny tax rate with the argument that government spending often "does more harm than good," and adds, "my business and non-profit investments are much more beneficial to societal well-being than sending more money to Washington."

Well, they are certainly more beneficial to Koch personally. His fortune not only benefits from the low taxes he pays but also from significant public subsidies. ThinkProgress points out:

> According to Forbes, the Koch brothers have seen their wealth rise $11 billion in recent years, making the Koch brother[s] among the richest in the country by being worth around $22.5 billion each. Much of those profits, however, are due to soaring gas prices and the fact Koch Industries has avoided compensating the public for one hundred million tons of carbon pollution the company produces each year. Other Koch companies also receive significant taxpayer subsidies, despite Koch's supposed opposition to government spending.

Koch naturally thinks his money better spent as he sees fit, and I don't blame him. The very money he should be paying in taxes goes into tax-deductible organizations designed to increase his wealth and influence.

For instance, as I noted in this column in December of last year, when President Barack Obama noted in 2008 that the science underlying man-made global warming was "beyond dispute," the libertarian Cato Institute took out a full-page ad in *The New York Times* to attempt to undermine what was then a statement of fact—just a warning shot in a campaign that has resonated with considerable success throughout the mainstream media.

The Cato Institute, it turns out, was begun 34 years ago with a grant from Charles and David Koch. According to the Center for Public Integrity, the Kochs gave Cato $11 million alone in the seven-year period between 1986 and 1993. Cato now enjoys over 100 full-time employees, "and its experts and policy papers are widely quoted and respected by the mainstream media. It describes itself as nonpartisan, and its scholars have at times been critical of both parties. But it has consistently pushed for corporate tax cuts, reductions in social services, and laissez-faire environmental policies."

Jane Mayer notes in her profile of the Kochs in *The New Yorker* that Cato scholars have been particularly energetic in promoting the Climategate scandal. Last year, private emails of climate scientists at the University of East Anglia, in England, were mysteriously leaked, and their exchanges appeared to suggest a willingness to falsify data in order to buttress the idea that global warming is real.

In the two weeks after the emails went public, one Cato scholar gave more than 20 media interviews trumpeting the alleged scandal. In fact, the researchers have since been exonerated as has the data. (One wonders, however, if the recent Murdoch empire's wiretapping and email-hacking scandals might have had something to do with feeding these conspiracy mongers. Certainly it would not be the first time Murdoch employees conspired with criminals for the purposes of what Rupert and Co. call "journalism.")

Meanwhile, the phony Climategate controversy led to significant questioning of the worldwide scientific consensus on global warming and led more Americans than any time since 1997 to question its reality. The Kochs promote this statistic on their company's website, Mayer noted, but fail to come clean about their own role in creating it.

Naomi Oreskes, a professor of history and science studies at the University of California, San Diego, and the co-author of *Merchants of Doubt*, explains that the brothers, who lead an enormous industrial concern "with refineries and pipelines," have "a lot at stake." She adds, "If the answer is to phase out fossil fuels, a different group of people are going to be making money, so we shouldn't be surprised that they're fighting tooth and nail."

Mayer also reports that during 1980s the Koch family foundations contributed more than $30 million to George Mason University, much of which went to the Mercatus Center, a nonprofit organization they helped to set up in order to promote "market-oriented ideas."

According to an environmental lawyer Mayer quotes, the plan is to "take corporate money and give it to a neutral-sounding think tank," which "hires people with pedigrees and academic degrees who put out credible-seeming studies. But they all coincide perfectly with the economic interests of their funders."

Of course these are just a couple of the myriad areas in which wealthy folks like the Kochs use the tax code to not only to avoid paying their fair share of the costs of keeping this nation going—protecting it, defending it, and the like—but enriching themselves and their friends at the rest of our expenses.

It surely is no coincidence that during the period in which all this investment in right-wing ideological argumentation has taken place, rich people have been asked to pay a smaller and smaller percentage of their wealth as it has piled higher and higher in their coffers.

In 1974 the top 0.1 percent of American families earned 2.7 percent of all income in the country. But by 2007, this same tiny slice of the population, aided in part by significantly lower rates of taxation legislated by Congress, had increased its holdings to fully 12.3 percent—roughly five times as great as it had been three decades earlier. Half of the U.S. population owned barely 2 percent of its wealth, putting the United States near Rwanda and Uganda and below such nations as pre-Arab Spring Tunisia and Egypt in terms of income inequality.

And the problem is only getting worse. By the end of 2010, as corporate profits rose by fully 14 percent, workers' wages dropped to their lowest level ever measured in American history, falling below 50 percent of national income.

Is it any wonder that folks like Charles Koch like their own "business and non-profit investments" better than, say, allowing the government to pay for roads, parks, national defense, and Medicare? Again, I don't blame him. But the real question is: How in the world did we come up with a tax program that allows him to get away with it?

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