

The Billionaire's Party

David Koch is New York's second-richest man, a celebrated patron of the arts, and the tea party's wallet.

By **Andrew Goldman** Published Jul 25, 2010



(Photo: Henry Leutwyler)

Billionaire philanthropist David Koch is in his Madison Avenue office showing me one of his more unusual possessions, a mechanical-looking doodad on the coffee table next to the couch.

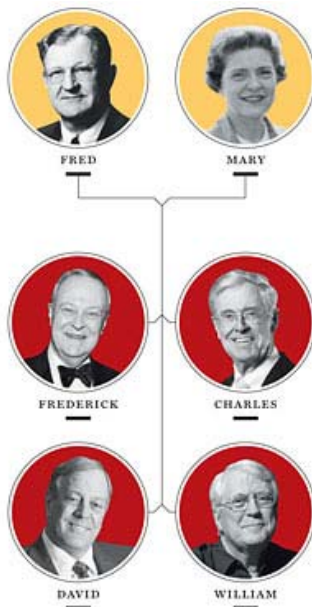
□ This is a plastic version of my artificial knees, □ he says. □ If you spent as many years as I did begging girls for favors, you'd have bad knees, too. □ The 70-year-old Koch actually wore out his knees playing basketball. Until recently, he held the record for most points scored in a single game at M.I.T.: 41. □ I played basketball when you could be white and be good, □ he says. Koch has a seemingly limitless storehouse of such Elks club □ inflected jokes, which are often followed by his loud, wheezy honk of a laugh. Koch is six foot five, with unusually long arms to match. Although the shirt he's wearing is custom-made and his tie is Hermès (a gift from his late friend Winston Churchill Jr.), he could readily be mistaken for a mid-level executive at a large company in his native Kansas.

With an estimated net worth of \$17.5 billion, Koch is the second-richest man in New York City, behind Michael Bloomberg. Across the room on the floor of his office sits a scale model of El Sarmiento, the sprawling yellow Addison Mizner □ designed mansion he owns in Palm Beach (the matching yellow □ biography □ of the house he commissioned rests nearby). Sitting on a shelf is a replica of a *Paranthropus boisei* skull presented to him by the Smithsonian in recognition of the \$15 million he gave in 2009 to build the David H. Koch Hall of Human Origins at the National Museum of Natural History. □ You ever been up to Boston? □ he asks. He asks if I know about □ the cancer building at M.I.T. □ The building in question □ the one right in front of the Koch Biology Building, and a few minutes' walk from the David H. Koch School of Chemical Engineering Practice □ is the David H. Koch Institute for Integrative Cancer Research, funded with an anchor gift of \$100 million from its eponymous donor in 2007 and set to open in December. □ Isn't that a marvelous Steuben? □ he asks, beaming. He's pointing at a glass brontosaurus, depicted with a little smile. □ It has a sense of humor. □ The sculpture was a gift from the American Museum of Natural History, presented to Koch after he donated \$20 million to establish the David H. Koch Dinosaur Wing. Koch remembers taking a trip to the museum with his workaholic father. □ I was gaga about dinosaurs as a kid, □ he says. □ When we were 14, Father took my twin, William, and I. We'd come to town from Kansas to look at boarding schools. I was blown away. It's my favorite museum in the city. So when they asked if I wanted to contribute, I said, □ God! Me? What a thrill! □ His sense of wonder could easily read as a put-on, but people who know him say his childlike quality is genuine. □ He's almost guileless, □ says his friend Sherry Lansing, the former CEO of Paramount. □ He's constantly surprised when he gets attention. □

Koch and I first met in 2008, just weeks after he'd pledged \$100 million to renovate Lincoln Center's New York State Theater, the longtime home of the New York City Ballet and New York City Opera. Koch (his

name is pronounced like the soft drink) was in a buoyant mood. The *Times* had run a glowing portrait of him; an act of the State Legislature had been undertaken to change the venue's name to the David H. Koch Theater. That donation marked the capstone of a \$500 million philanthropic spending spree Koch had been on since 2000, and he seemed to revel in the attention he was enjoying, especially from the leaders of the city's great cultural institutions. "Sometimes I feel like a beautiful girl, saying, 'God! Does every guy that goes out with me just want to sleep with me?'" he said. "Don't they like me for my personality?" He brayed with laughter.

But several months ago, when we reconnected, Koch's outlook had darkened. Koch has seen his share of misfortune: He and his brother, William, lived through a protracted falling out; David survived a plane crash in which 34 people were killed; and he was diagnosed with prostate cancer in 1992 and is still fighting the disease. But his bleak mood had other origins. Earlier this year, he found himself attacked for being the financial engine of the largely white, largely male, very angry crowds that were gathering in towns across the country—a few waving overtly racist or menacing anti-Obama signs—to protest the president's proposed health-care bill and other issues. Koch denies being directly involved with the tea party—"I've never been to a tea-party event. No one representing the tea party has ever even approached me—but he and his brother Charles were being accused of supporting the group through an affiliated conservative organization. Rachel Maddow had effectively called Koch the tea party's puppet master. "The radical press is coming after me and Charles," he said. "They're using us as whipping boys." Burnishing his reputation was no longer his concern; now, it seemed, he needed to save it.



The Koch Family
 (Photo: Clockwise from top left, Courtesy of Koch Industries (3); Newscom; Courtesy of Koch Industries; Alan Klein)

Fred Koch, a native of North Texas and son of a Dutch immigrant, liked to say that he didn't want his sons "to turn into country-club bums." Fred graduated from M.I.T. in 1922 with a degree in chemical engineering and, like David, excelled in sports, in Fred's case as a boxer. Fred moved to Wichita, where he became a partner in an engineering company called Winkler-Koch, made a fortune building oil refineries around the world, and bought a 160-acre horse farm outside of town, across the street from the Wichita Country Club.

Early on, Fred's company was nearly destroyed by litigious competitors. He and his partners had developed a new method for thermal cracking, a process that helps convert oil into gasoline; major oil companies tried to block him in court for years. Koch developed a fierce independent streak, and advised his sons never to sue: "The lawyers get a third, the government gets a third, and you get your business destroyed," he told them.

Between 1929 and 1931, Fred Koch built fifteen oil plants in the Soviet Union, where he bore witness to the lead-up to Stalin's Great Purge. Thirty years later, Koch published a pamphlet called *A Business Man Looks at Communism*. His list of "potential methods of communist take-over in U.S.A. by internal subversion" begins: "Infiltration of high offices of government and political parties until the President of the U.S. is a Communist, unknown to the rest of us of course, when as Commander-in-Chief of the Army and Navy he could control us. Even the Vice Presidency would

do as it could be easily arranged for the President to commit suicide. □ Koch became a founding member of the John Birch Society. □ Father was paranoid about communism, let's put it that way, □ says David.

David and William Koch were born on May 3, 1940, the third and fourth sons of Fred Koch and the former Mary Robinson, the daughter of a prominent Kansas City physician. The twins and their brothers □ Charles, five years older, and Frederick, seven years older □ reported for duty to a retired Marine whom their father had hired as a groundskeeper. □ Father always wanted me to have less money than my friends so I would appreciate it, □ David says. □ If I wanted to go to the movies, I'd have to ask him for the 25 cents. □ One summer, David's father put him to work digging ditches for a pipeline system in southwestern Oklahoma. □ It was brutally hot and dry, □ David says. □ You couldn't even get a spade in the ground. □ By instilling a work ethic in him, □ my father did me a big favor, although it didn't seem like a big favor back then, □ Charles has written. According to a 1997 *Fortune* article, Frederick had a nervous breakdown one summer working on one of his father's ranches.

As boys, Charles and David got along well, but Frederick and William had a more difficult upbringing. William felt that their mother favored the other boys. William says he loved his parents, □ but my father was never around, and my mother had other interests besides her kids □ her friends, her social life, her golf. □ David's feelings toward his mother are warmer. □ I love people, just like Mother did, □ he says, pointing up to the painting of her that hangs in his office. □ I'm just like her, this beautiful woman you see right here. □ William also says his older brothers bred animosity between him and his twin, □ trying to pit us against one another. □

It was assumed that the Koch boys would go to M.I.T., but Frederick rebelled and went to Harvard, then Yale to study law and later drama. He was disowned and partially disinherited by his father. He's now something of a recluse who maintains little contact with the family. Frederick busies himself, William says, □ buying castles, □ like the Schloss Bluhnbach in Austria, the former hunting lodge of Archduke Franz Ferdinand.

At M.I.T., William and David joined the same fraternity and played together on the basketball team. But William seemed to live in his brother's shadow. □ I sat on the bench behind David, □ William says. □ He'd say, □ Bill, you and I'll get along well, but compete with me, and I'll always win.' □ (David says it was his brother's time on the bench for M.I.T. that drove William, an amateur sailor, to spend some \$65 million on the 1992 America's Cup, which he won.)

After college, Charles went to work for a Boston consulting firm. But his father wanted him in Wichita and threatened to sell the family business if he didn't move home to work for him. □ I hope your first deal's a loser, otherwise you'll think you're a lot smarter than you are, □ were Fred's first words to Charles when he returned in 1961 to run Koch Engineering (Fred had left Winkler-Koch in 1940 to join a new company, and now ran several businesses of his own). After William finished college, he went on to get a Ph.D. in chemical engineering at M.I.T. David, meanwhile, earned a master's in chemical engineering at M.I.T., worked for two Cambridge engineering firms, then moved to New York in 1967 to work for the Scientific Design Company. In New York, he developed a reputation as a playboy. Three dates in a day was not unusual for him. He was famous for his parties; Miss USA contestants often came to his New York penthouse. It was also in New York that he began indulging his lifelong love of ballet. □ It has beautiful women, fantastic music, great athleticism, and great scenery, □ David says. □ What's not to like? □



Top, Koch and his wife, Julia, at the ballet.
(Photo: Amy Sussman/Getty Images)

Fred Koch, a man who drank a tall glass of buttermilk with breakfast every morning, had long had heart problems. In November 1967, David received word that Fred had died. □Father was on a hunting trip bird-shooting in Utah,□ he says. □He was in a blind with a gun loader next to him. He was having heart palpitations and wasn't shooting that well. Finally a lone bird came over. He took the shot and hit it square. The duck falls from the air. He turns to the loader and says, □Boy, that was a magnificent shot,' and then keels over dead. □ Charles, who was only 32 but had already worked for his father for six years, was the clear choice to take over the family business.

In time, David and William joined what came to be known as Koch Industries, but with very different trajectories. William, while getting his doctorate, was reportedly entrusted with starting a venture-capital fund for the family. It lost \$90,000, infuriating Charles. □Bill couldn't get to work on time, couldn't get himself out of bed,□ Charles has said. When William officially went to work for the company in 1975, running a coal operation out of a Boston

office, things got worse. In Charles's eyes, William dithered in making decisions, and his ventures regularly lost money.

David had more success. He started at Koch Industries in 1970, working as a technical-services manager and founding the company's New York office. By 1979, he was put in charge of his own division, Koch Engineering. Since then, that unit has morphed into Koch Chemical Technology Group, which the company says has grown 500 times under David's stewardship. Under Charles, Koch Industries as a whole has grown into a company more than 2,000 times the size of the one Fred Koch built. It is now the second-largest private company in the U.S., employing some 70,000 people in 60 countries, with businesses that deal in cattle, paper, chemicals, and commodity trading.

□I've never been to a tea party event. No one representing the tea party has ever even approached me. □

After Fred Koch died, Charles found a letter in one of his father's safe-deposit boxes. Fred had written it to his sons when he was 35, before the twins were even born. The fortune they would inherit, Koch wrote, □will be yours to do with what you will □ If you choose to let this money destroy your initiative and independence, then it will be a curse to you □ Be kind and generous to one another. □ It hasn't worked out that way.

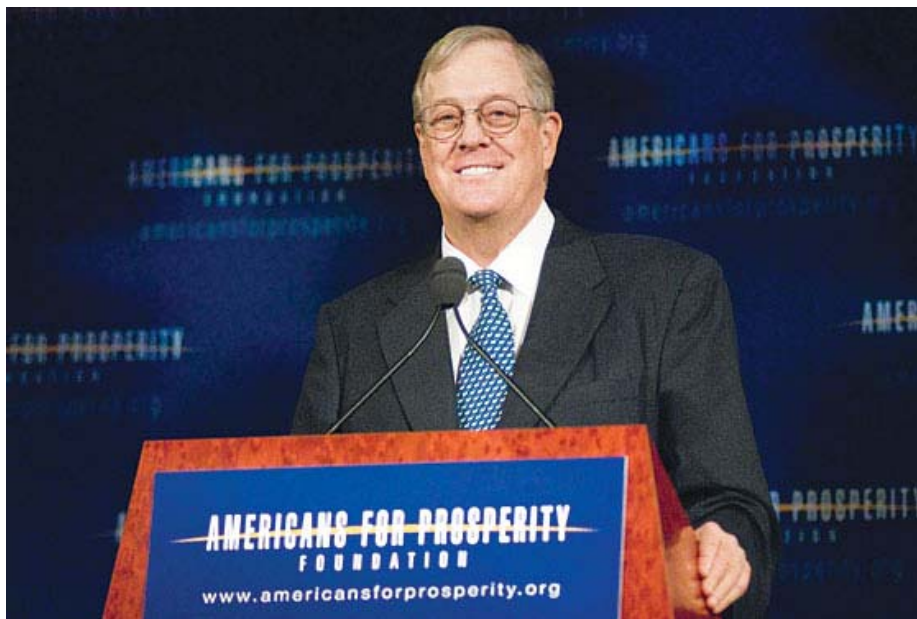
Charles and David each own 42 percent of Koch Industries (the remaining 16 percent was once controlled by J. Howard Marshall, a onetime partner of Fred's who is now best known for having married Anna Nicole Smith, at age 89). William and Frederick gave up their stakes in the family business more than 25 years ago.

As David told me about his decades of estrangement with his brother William, he began to cry. By 1980, the tension that had been brewing between Charles and William since childhood became strained to the point

that William, Frederick, and a group of like-minded shareholders attempted to wrest control of Koch Industries from Charles. The attempted coup failed when one of the investors was wooed back by David at the last minute. Afterward, the board fired William. In 1983, William got together with Frederick and some stockholding cousins and agreed to sell their shares of Koch Industries for \$1.1 billion. William walked away with \$470 million.

It wasn't long before William began to think he'd been shortchanged. He felt that Koch Industries was actually worth much more than he'd been led to believe and that Charles had hidden assets when valuing the company. In 1985, William and Frederick began filing what would become a long series of lawsuits against Koch Industries. William hired private investigators to sift through Charles's and David's trash. When Mary Koch was unable to persuade William to desist with the lawsuits, she disinherited him. William subpoenaed their mother in one of the cases only a few months after she'd suffered a stroke. "The whole thing broke Mother's heart, as you can imagine," says David. Charles refused to shake William's hand at their mother's funeral. On the witness stand, in Topeka during a 1998 trial, David broke down. "I didn't want him to act this way," he'd said, sobbing. "I wanted him to behave himself and do a good job." David didn't speak with his twin for more than twenty years.

In 2001, the Koch brothers finally brought their legal feuding to an end. On the day the settlement was finalized, David, Charles, William, and their lawyers shared a dinner. Although Charles remained angry, William asked David to be his best man when he married his third wife, Bridget. In April, William showed up at David's *Wizard of Oz*-themed 70th-birthday party in Palm Beach. The morning after the party, Charles and his wife accepted an invitation from William to come to his home for breakfast. William says he now considers David "one of my best friends."



Koch at an Americans for Prosperity Foundation Defending the American Dream Summit.
(Photo: Chas Geer)

In addition to his primary residence—a 9,000-square-foot duplex on the fourth and fifth floors of the famed 740 Park building, where his neighbors include his friend Stephen Schwarzman—David Koch owns a home in Aspen, another in Southampton, and El Sarmiento, in Palm Beach. In 1995, David paid \$9.5 million for Jacqueline Kennedy Onassis's Fifth Avenue apartment but moved out in 2005. "It was run-down. She had

a lot of money, but she was tight financially. The only rooms that were in good shape were the ones she allowed her guests to visit—the dining room, living room, and library. The back rooms were in awful shape! □ (Koch did an extensive restoration.) He has a chauffeur-driven Mercedes that shuttles him and his family around town, and a personal chef. Most years, Koch spends several weeks in the Mediterranean on the *Leander*, a 246-foot megayacht that costs up to \$500,000 per week. Bill and Melinda Gates have rented the *Leander*. And □ Prince Charles was on it with Camilla, □ Koch says. □ I know because he painted a beautiful watercolor of the *Leander* in the guest book. He's very talented. □

In 1991, Koch met Julia Flesher, the attractive blonde daughter of an Arkansas junk dealer. He was 50, she was 27. Julia was working as an assistant for the designer Adolfo, on occasion actually dressing Nancy Reagan in her famous knit suits. The couple was introduced by another couple. Their first date was a flop. □ I was a little too, how should I say it, forward with my humor, □ Koch says. □ Julia was smiling, but weakly. □

Three days later, on the afternoon of February 1, 1991, Koch, who had been on a business trip in Ohio, boarded USAir Flight 1493, from Columbus to Los Angeles. He and an older couple named the Weths were the only passengers in first class on the 737, which was carrying 89 people in all. It was an unremarkable flight until the plane landed at LAX. Five seconds after touchdown, the aircraft crashed into a small SkyWest commuter plane that an overworked air-traffic controller had mistakenly directed onto an active runway. The twelve people onboard the commuter flight were killed instantly in a ball of fire. The 737 veered off the runway and smashed into a utility building. □ It was almost as if I was out of my own body looking back at myself as another person going through this extraordinary experience, □ Koch wrote in a lengthy account he later sent to hundreds of his friends. □ I thought to myself I had had a lot of interesting experiences in my life, and I am about to have another unusual one, that is, the experience of death. □ Through a wall of smoke, Koch fumbled his way through the plane and found a service door through which he could see sunlight. He jimmied the latch with his fingers (□ I felt like Superman! □), jumped to the tarmac, and ran for his life. Twenty-one people on the plane died of smoke inhalation, including the Weths, whose bodies were found still strapped into their seats. Koch arrived at the hospital with badly burned lungs and some minor cuts but was otherwise healthy. □ This may sound odd, but I felt this experience was very spiritual, □ he tells me. □ That I was saved when all those others died. I felt that the good Lord spared my life for a purpose. And since then, I've been busy doing all the good works I can think of. □

Several months later, Julia approached Koch at a party. She had heard about the plane crash, and she told him how glad she was he hadn't died. Shortly after that, the couple began dating. A year later, Koch was diagnosed with prostate cancer. □ I found mine too late to be curable, □ he says. (All three of his brothers have subsequently been diagnosed with the disease and cured.) But radiation, surgery, and a decade of hormone therapy have kept his PSA under control. □ I've been living with it for sixteen years, □ he told me two years ago. □ I look pretty healthy, don't I? My doctor thinks the treatment I've been getting will work for many more years, but eventually it will fail. So I've been financing the development of other treatments that could kick in when the traditional treatments I'm getting stop working. □ In 1996, Koch and Julia got married. They have three children, David Jr., 12; Mary Julia, 9; and John Mark, 4.

David and Julia go out no more than several times a week, mostly to fund-raisers or the ballet. Julia, who feels she was unfairly characterized in a 1998 *New York Times Magazine* story about her debut as co-chair of the Met's annual Costume Institute Gala, tends to avoid the limelight. Unlike his own parents, who maintained a certain English distance, Koch likes to get down on the floor and wrestle with his kids. His carousing days are definitely behind him, he says. □ My wife knows that I'm as devoted as a choirboy to

her, he says. "I would never, ever do anything to compromise my relationship with Julia." The hormone treatment has been difficult on his marriage, he says. "You get breast enlargement, you know. And it takes away your sex drive. Of course, I can still admire beautiful, attractive women, but that kind of primordial sex drive is sort of missing, you know. Do I miss it? Oh, yeah, sure." He's silent for a few moments. "The power of the family overwhelms these other things. And people who have been married a long time say that their sex drive disappears, too."

In some ways, David Koch's political views resemble those of the wealthy crowd with whom he socializes in New York. He thought the Iraq War was folly, and supports stem-cell research and gay marriage. In other ways, David is very much his father's son. Shortly after joining his father's company, David's brother Charles began immersing himself in the economic philosophy of the Austrian free-market economist Ludwig von Mises, considered a god in libertarian circles. In his 2007 management book, *The Science of Success*, Charles rails against what he calls "destructive compensation schemes" such as employee cost-of-living raises. Although David never adhered quite so tightly to the libertarian liturgy as his brother, he did embrace its central tenets—that taxes and government regulation are destructive forces and that government generally makes people's lives worse. David earned the vice-presidential spot on the Libertarian ticket, then split with the group in 1984, when it promoted the idea of eliminating all taxes, and has been a Republican since.

David and Charles both actively support Republican causes. Charles founded the conservative think tank the Cato Institute. Charles also funds an academic center at George Mason University called the Mercatus Center, founded by a free-market economist named Richard Fink. A 2004 *Wall Street Journal* article reported that out of 23 government regulations on the Bush administration's "hit list" that got killed or modified, fourteen had been suggested by Mercatus. In 1984, with the Kochs' money, Fink started the Citizens for a Sound Economy Foundation. Its political affiliate, Citizens for a Sound Economy, fought hard to defeat regulations proposed to eliminate acid rain. CSE also helped organize rallies in 1993 to kill Bill Clinton's proposed BTU tax on fossil fuels. In 2004, Koch started a group called the Americans for Prosperity Foundation devoted to personal and economic freedom. AFPF is now Koch's primary political-advocacy group.

Global warming could be good for the planet, Koch says. "A far greater land area will be available to produce food."

David Koch is deeply antagonistic to the Obama administration. He fought the health-care bill, and the financial-regulation measure that was passed last week ("Everyone I know in the financial world is terrified by the powers it gives the federal government"). He also opposes the president's climate-change proposals. In his office, Koch showed me a photocopied flyer Greenpeace had produced with sketches of him and Charles below the words wanted for climate crimes and shook it in the air. Koch Industries' emissions, Koch told me, are far less than legally required. "And yet they're attacking us as environmental criminals," he said. "Wanting to put me and Charles in jail." Koch says he's not sure if global warming is caused by human activities, and at any rate, he sees the heating up of the planet as good news. Lengthened growing seasons in the northern hemisphere, he says, will make up for any trauma caused by the slow migration of people away from disappearing coastlines. "The Earth will be able to support enormously more people because a far greater land area will be available to produce food," he says.

Koch concedes that he sympathizes with the tea party. □It demonstrates a powerful visceral hostility in the body politic against the massive increase in government power, the massive efforts to socialize this country, which goes against the conservative grain of the average American,□ he says. He insists he vigorously opposes the elements of the party □that go too far□ and that he stands firmly against □violence□ and other □bad things□ perpetrated by tea-party members. □I'm not a racist. I'm very broad-minded,□ he says.

Koch's critics, however, say he's being coy about his tea-party connections. □David Koch likes putting his name on all his things that aren't evil,□ says Lee Fang, a blogger for the liberal Thinkprogress.org. □He'll put his name on his theater at Lincoln Center, but look at the Americans for Prosperity website and his name is virtually missing. All of his groups have used these same tea-party tactics before they actually had the tea-party brand.□ Americans for Prosperity, AFPF's political arm, has certainly not shied away from joining arms with the tea party. In April of last year, AFP took credit on its website for helping to organize Taxpayer Tea Party rallies in Sacramento, Austin, and Madison, and told visitors to □save the date□ for National Tea Party Tax Day in Washington, which AFP would be hosting.

Koch's detractors also like to point out the irony of the so-called grassroots tea-party movement's being funded by a billionaire. Koch's real motives, they say, are self-serving. In April, Fang posted a dossier on Koch that attributes to his groups a decades-long pattern of □Astroturfing□ □funding movements designed to look grassroots, but which in fact represent corporate interests. Richard Fink insists that Koch's political activity is about principles, not money. □I view David as a courageous American who has a set of beliefs that he's willing to support consistently over time despite all the flak he gets,□ Fink says. □Very few people would do that.□

On October 3 of last year, at the Crystal Gateway Marriott hotel in Arlington, Virginia, Koch spoke from a podium at the Defending the American Dream Summit, a convention put on by Americans for Prosperity Foundation. The convention had brought out 2,000 attendees and an impressive roster of speakers from the right, from Senator Jim DeMint to Newt Gingrich to the *Wall Street Journal's* John Fund. There was little doubt as to Koch's importance to the group. □Right from the beginning,□ said AFP president Tim Phillips, □it was David's vision that launched our organization.□ Then Koch took the microphone. □When we founded this organization five years ago,□ he said, □we envisioned a mass movement, a state-based one, but national in scope, of hundreds of thousands of American citizens from all walks of life, standing up and fighting for the economic freedoms that have made our nation the most prosperous society in history.□ Though the words *tea party* did not escape his lips, the image he invoked sounded quite familiar as he discussed the vision he shares with his brother Charles. □Thankfully,□ he says, □the stirrings from California to Virginia, and from Texas to Michigan, show that more and more of our fellow citizens are beginning to see the same truths as we do.□

After Koch's speech, Phillips stood next to him for a roll call, during which each of AFP's 25 state chapters reported on their activities over the past year. To great applause, New Hampshire's AFP representative announced that thanks to his chapter, when President Obama had traveled to Concord, he was forced to change his motorcade route □to avoid the angry mob.□ Many others noted among their accomplishments the size of their state's tea-party rallies. □We're proud not only to be the home of peaches and pine trees,□ Georgia's AFP representative bellowed, □but also the largest Tax Day tea party in the nation on April 15.□ There seemed to be little mystery in the room what AFP was up to. Of course, it's impossible to say what David Koch was thinking at that moment. This much can be said for sure: All six feet five inches of him was

standing up and clapping.