



Koch's America: the Rule of the New Robber Barons

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The U.S. is a capitalist country and capitalist control the country. The recent death of David Koch [pronounced “coke”], principle co-owner with his brother, Charles, of the Koch Industries, reminds Americas once again that those with the power and money determine the destinies of everyone else.

A century ago the country was ruled by a cabal popularly known as the Robber Barons that included such greedy notables such as Cornelius Vanderbilt, Jay Gould, Andrew Mellon, Andrew Carnegie and John D. Rockefeller. A century later, their rapacious reputations white-washed later by charitable foundations.

Today, the country is witnessing the return of a new generation of Robber Barons best exemplified by the Koch brothers. They possess a combination of greed and political cunning that enables them to have considerable influence, if not control, over the federal and state governments throughout the country. Like the Robber Barons of old, today's baron's ruthless business and political practices are masked, like the flesh of a fan dancers, by their support for major bourgeois cultural institutions. For Koch, it was the New York City Opera, the Metropolitan Museum of Art and Lincoln Center for the Performing Arts.

In Christopher Leonard's new and exhaustive study, Kochland: The Secret History of Koch Industries and Corporate Power in America, the author reports, “Koch Industries' annual revenue is larger than that of Facebook, Goldman Sachs and U.S. Steel combined,” he acknowledges. He also points out that the two men who jointly own Koch Industries together are worth \$120 billion, with fortunes “larger than Amazon CEO Jeff Bezos, or Microsoft founder Bill Gates.”

Since taking the helm of the company from his father in 1967, Charles Koch has maintained complete and absolute control of this privately held conglomerate. It generates \$110 billion in annual revenue and employs over 120,000 people. Its seven core operating units are: Flint Hills Resources (fuel processing); Georgia-Pacific (pulp and paper); Guardian Industries (glass manufacturer); Invista (textile manufacturing); Molex (electronic technologies); Koch Ag & Energy Solutions (fertilizer and agricultural products); and Koch Pipeline Company (oil and gas pipelines). In addition, Koch controls a handful of smaller entities.

Koch business and political practices are grounded in a fundamentalist capitalist philosophy, what Charles Koch dubbed “Market-Based Management” (MBM). This approach is best understood as a radical libertarianism based on the writings of Ludwig von Mises and Frederick Hayek. (Like the Kochs, both economists came from well-to-do and well-connected families and opposed the 8-hr day, unemployment insurance, welfare and other “progressive” reforms.) In

2007, Koch published *The Science of Success: How Market-Based Management Built the World's Largest Private Company*. For Koch, MBM is company's operating ethos and is taught – like a religious ideology – to new company employees in days-long seminars.

Koch's businesses have faced numerous labor, environmental and other challenges and the company used management skills, endless legal challenges and political influence to defeat. For example, it faced a major challenge at its Pine Bend Refinery, located near Minnesota's Twin Cities, and members of the Oil, Chemical and Atomic Workers.

Confronting an environmental failure at the Pine Bend refinery, Leonard notes, "Koch's management team felt that the state had no right to know what happened inside the fence line of Koch's properties. Managers obeyed a code of silence to maintain this wall around Koch operations." He reveals how this shared mindset led to an environmental crisis at Pine Bend and a similar one at the Corpus Christie, TX, refinery. The bad publicity and fines led Koch to adhere to environmental regulations conglomerate wide.

One of Leonard's most illuminating analyses involves how Koch not merely survived but prospered amidst the banking crisis – or Great Recession — of 2008. He notes that "the bloodletting at Koch [Industries], while rapid and unprecedented in size, was mild compared to the rest of the economy." Koch was deeply opposed to the Obama administration – and the Democratic-controlled Congress – bailout of the banks and the follow-up stimulus plan.

Nevertheless, in the wake of the crisis, Koch Industries became a vast corporate superpower. "The company's operations touched the daily lives of virtually everyone who use gasoline, wore spandex, lived in a home with gypsum-paneled walls, swaddled their children in diapers, and counted on the heat to come on when they adjusted their thermostat," notes Leonard. "Koch Industries had a hand in all of it."

Such wealth and power led the Kochs to seek ever-greater political influence. They established a number of "nonpolitical" foundations that support more than a dozen conservative and libertarian groups. These groups include the Law & Economics Center (George Mason University), the Cato Institute, Freedom Partners, the State Policy Network, the Federalist Society, the Mercatus Center and the American Legislative Exchange Council (ALEC).

However, the Kochs most effect grassroots front-group is Americans for Prosperity (AfP). Together with Exxon, they spent millions opposing the notions of climate change and global warming. The AfP opposed proposed "cap-and-trade" legislation and the Waxman-Markey law. Koch forces aligned with the Republican Tea Party coalition to undo Democratic control of Congress and contain the Obama presidency with regard to health care and banking regulations. However, when Republicans challenged Koch interests over, for example, the proposed Border Adjustment Tax (BAT), the company and its lobbyists promoted more favorable Republicans – and succeeded in killing the proposed act.

The Koch influence in the Trump administration runs deep. While the Kochs originally opposed Trump, his nomination and victory turned them into loyal supporters. VP Mike Pence has long benefited from the Koch political machine. In addition, Mike Pompeo, Sec. of State; Betsy DeVos, Sec. of Education; and Scott Pruitt, former director of the Environmental Protection Agency have long ties to the Koch fortune. Numerous other second-tier Trump administration officials have ties to Koch enterprises.

As Jane Mayer reported, Stephen Bannon, the former White House strategist, famously warned, if Pence replace Trump, he would “be a President that the Kochs would own.” Marc Short is key to Pence’s relationship with the Kochs. In 2008, he became Pence’s chief of staff at the Republican Conference and now serves as the head of White House legislative affairs. As a Congressman, Pence signed onto the AfP’s “No Climate Tax Pledge”. Pence facilitated the rapprochement between the Kochs and Trump that helped him secure the VP slot .

Pompeo has long been in the pocket of the Koch operation. Before he ran for elected office, the Kochs invested in Pompeo aerospace business that – with him as CEO – went bust. As a congressman, he represented Charles Koch’s district, in Wichita (KS) and often attended Koch-back events. According Open Secrets, Pompeo received \$400,500 from Koch interests.

David and Charles Koch grew up under the supervision of a demanding father, Fred Koch, a chemical engineer and entrepreneur who founded Koch Industries, an oil refinery firm. As Jane Mayer reports, “Unable to succeed at home, Koch found work in the Soviet Union.” He also helped build one of the largest refiners in Nazi Germany, one which was personally approved by Hitler. Returning to the States, he became a founding member of the John Birch Society and held chapter meetings in the basement of his family’s Wichita home.

Now that David Koch is dead and brother Charles is getting on in years (b. 1935), the question is not who will take over Koch enterprises when Charles steps down but whether that person will embrace the ultra-right-wing, libertarian outlook that guided the first two generations of postmodern Robber Barons?

Nevertheless, the new Robber Barons – like their older grandfathers – will continue to wield economic and political tyranny that only deepens inequality in America.