DARK MONEY

The Hidden History of the Billionaires Behind the Rise of the Radical Right

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DOUBLEDAY
New York London Toronto Sydney Auckland

We must make our choice. We may have democracy,
or we may have wealth concentrated in the hands of a few,
but we can't have both.

—*Louis Brandeis*

INTRODUCTION

The Investors

ON JANUARY 20, 2009, THE EYES OF THE COUNTRY WERE ON WASHINGton, where over a million cheering celebrants crowded the National Mall to witness the inauguration of the first African-American president. So many supporters streamed in from all across the nation that for twenty-four hours they nearly doubled Washington's population. Inaugurations are always moving celebrations of the most basic democratic process, the peaceful transfer of power, but this one was especially euphoric. The country's most famous and iconic musicians, from the Queen of Soul, Aretha Franklin, to the cellist Yo-Yo Ma, gave soaring performances to mark the occasion. Celebrities and dignitaries pulled strings to get seats. Excitement was so feverish that the Democratic political consultant James Carville was predicting a long-term political realignment in which the Democrats "will remain in power for the next forty years."

But on the other side of the country during the last weekend in January 2009, another kind of gathering was under way, of a group of activists who aimed to do all they could to nullify the results of the recent election. In Indian Wells, a California desert town on the outskirts of Palm Springs, one polished sports utility vehicle after the next cruised down the long, palm-lined drive of the Renaissance Esmeralda Resort and Spa. Stepping out onto the curb, as bellboys darted for the luggage, were some of America's most ardent conservatives, many of whom represented the nation's most powerfully entrenched business interests. It would be hard to conjure a richer tableau of the good life than the one greeting them. Overhead, the sky was a brilliant azure. In the distance, the foothills of the Santa Rosa Mountains rose steeply from the Coachella Valley, creating a stunning backdrop of ever-changing hues. Velvety green lawns stretched as far as the eye could see, meandering toward a neighboring thirty-six-hole golf course. Swimming pools, one with a man-made sandy beach, were surrounded by chaises and intimate, curtained pavilions. As dusk fell, countless tea lights and tiki torches magically lit the walkways and flower beds.

But inside the hotel's dining room, the mood was grim, as if these luxuries merely highlighted how much the group gathered there had to lose. The guests meeting at the resort that weekend included many of the biggest winners during the eight years of George W. Bush's presidency. There were billionaire businessmen, heirs to some of America's greatest dynastic fortunes, right-wing media moguls, conservative elected officials, and savvy political operatives who had made handsome livings helping their patrons win and hold power. There were also eloquent writers and publicists, whose work at think tanks, advocacy groups, and countless publications was quietly subsidized by corporate interests. The guests of honor, though, were the potential political donors—or "investors," as they referred to themselves—whose checkbooks would be sorely needed for the project at hand.

The group had been summoned that weekend not by the leader of a recognized opposition party but rather by a private citizen, Charles Koch. In his seventies, he was white-haired but youthfully fit and very much in charge of Koch Industries, a conglomerate headquartered in Wichita, Kansas. The company had grown spectacularly since its founder, Charles's father, Fred, had died in 1967, and he and his brother David took charge, buying out their two other brothers. Charles and David—often referred to as the Koch brothers—owned virtually all of what had become under their leadership the second-largest private company in America. They owned four thousand miles of pipelines, oil refineries in Alaska, Texas, and Minnesota, the Georgia-Pacific lumber and paper company, coal, and chemicals, and they were huge traders in commodity futures, among other businesses. The company's consistent profitability had made the two brothers the sixth- and seventh-wealthiest men in the world. Each was worth an estimated $14 billion in 2009. Charles, the elder brother, was a man of unusual drive, accustomed to getting his way. What he wanted

that weekend was to enlist his fellow conservatives in a daunting task: stopping the Obama administration from implementing Democratic policies that the American public had voted for but that he regarded as catastrophic.

Given the size of their fortunes, Charles and David Koch automatically had extraordinary influence. But for many years, they had magnified their reach further by joining forces with a small and intensely ideological group of like-minded political allies, many of whose personal fortunes were also unfathomably large. This faction hoped to use their wealth to advance a strain of conservative libertarian politics that was so far out on the political fringe as recently as 1980, when David Koch ran for vice president of the United States on the Libertarian Party ticket, it received only 1 percent of the American vote. At the time, the conservative icon William F. Buckley Jr. dismissed their views as "Anarcho-Totalitarianism."

The Kochs failed at the ballot box in 1980, but instead of accepting America's verdict, they set out to change how it voted. They used their fortune to impose their minority views on the majority by other means. In the years since they were trounced at the polls, they poured hundreds of millions of dollars into a stealthy effort to move their political views from the fringe to the center of American political life. With the same foresight and perseverance with which they invested in their businesses, they funded and built a daunting national political machine. As far back as 1976, Charles Koch, who was trained as an engineer, began planning a movement that could sweep the country. As a former member of the John Birch Society, he had a radical goal. In 1978, he declared, "Our *movement* must destroy the prevalent statist paradigm."

To this end, the Kochs waged a long and remarkable battle of ideas. They subsidized networks of seemingly unconnected think tanks and academic programs and spawned advocacy groups to make their arguments in the national political debate. They hired lobbyists to push their interests in Congress and operatives to create synthetic grassroots groups to give their movement political momentum on the ground. In addition, they financed legal groups and judicial junkets to press their cases in the courts. Eventually, they added to this a private political machine that rivaled, and threatened to subsume, the Republican Party. Much of this activism was cloaked in secrecy and presented as philanthropy, leaving almost no money trail that the public could trace. But cumulatively it formed, as one of their operatives boasted in 2015, a "*fully integrated network*."

The Kochs were unusually single-minded, but they were not alone. They were among a small, rarefied group of hugely wealthy, archconservative families that for decades poured money, often with little public disclosure, into influencing how Americans thought and voted. Their efforts began in earnest during the second half of the twentieth century. In addition to the Kochs, this group included Richard Mellon Scaife, an heir to the Mellon banking and Gulf Oil fortunes; Harry and Lynde Bradley, midwesterners enriched by defense contracts; John M. Olin, a chemical and munitions company titan; the Coors brewing family of Colorado; and the DeVos family of Michigan, founders of the Amway marketing empire. Each was different, but together they formed a new generation of philanthropist, bent on using billions of dollars from their private foundations to alter the direction of American politics.

When these donors began their quest to remake America along the lines of their beliefs, their ideas were, if anything, considered marginal. They challenged the widely accepted post–World War II consensus that an activist government was a force for public good. Instead, they argued for "limited government," drastically lower personal and corporate taxes, minimal social services for the needy, and much less oversight of industry, particularly in the environmental arena. They said they were driven by principle, but their positions dovetailed seamlessly with their personal financial interests.

By Ronald Reagan's presidency, their views had begun to gain more traction. For the most part, they were still seen as defining the extreme edge of the right wing, but both the Republican Party and much of the country were trending their way. Conventional wisdom often attributed the rightward march to a public backlash against liberal spending programs. But an additional explanation, less examined, was the impact of this small circle of billionaire donors.

Of course rich patrons on both sides of the ideological spectrum had long wielded disproportionate power in American politics. George Soros, a billionaire investor who underwrote liberal organizations and candidates, was often singled out for criticism by conservatives. But the Kochs in particular set a new standard. As Charles Lewis, the founder of the Center for Public Integrity, a nonpartisan watchdog group, put it, "The Kochs are on a whole different level. There's no one else who has spent this much money. The sheer dimension of it is what sets them apart. They have a pattern of lawbreaking, political manipulation, and obfuscation. I've been in Washington since Watergate, and I've never seen anything like it. They are the Standard Oil of our times."

By the time Barack Obama was elected president, the billionaire brothers' operation had become more sophisticated. By persuading an expanding, handpicked list of other wealthy conservatives to "invest" with them, they had in effect created a private political bank. It was this group of donors that gathered at the Renaissance. Most, like the Kochs, were businessmen with vast personal fortunes that placed them not just in the top 1 percent of the nation's wealthiest citizens but in a more rarefied group, the top 0.1 percent or higher. By most standards, they were extraordinarily successful. But for this cohort, Obama's election represented a galling setback.

During the previous eight years of Republican rule, this conservative corporate elite had consolidated its power, amassing enormous sway over the U.S. government's regulatory and tax laws. Some in this group faulted President Bush for not having been conservative enough. But having molded policy to serve their interests during the Bush years, many members of this caste had accumulated phenomenal wealth and regarded the newly elected Democratic president as a direct threat to all they had gained. Participants feared they were seeing not just the passing of eight years of Republican dominance but the end of a political order, one that they believed had immeasurably benefited both the country and themselves.

In the 2008 election, Republicans had been defeated up and down the ballot. Democrats had not only recaptured the White House but held majorities in both houses of Congress. The 2008 election hadn't just been a disappointment. It was a complete rout. "They'd just gotten blown out. The question was whether they could survive at all," recalled Bill Burton, former deputy press secretary to President Obama. John Podesta, the liberal political activist who later became

Obama's senior adviser, recalled that in the early days after the election "there was a sense of triumphalism, that Bush had crapped out, that he'd be Hoover and Obama would be Franklin Roosevelt and dominate. There was a feeling that the pendulum had swung and a new progressive era had begun. Bush's poll ratings were below those of Nixon! There had been a complete failure of his economic and foreign policy ideas. There was a sense of 'How can we blow it?'"

Exacerbating conservatives' sense of political peril, the economy was in the most vertiginous free fall since the Great Depression of the 1930s. The day that Obama was inaugurated, the stock market had plummeted on fresh doubts about the viability of the nation's banks, with the Standard & Poor's 500 stock index shedding more than 5 percent of its value and the Dow Jones Industrial Average plunging by 4 percent. The continuing economic collapse had laid waste not just to some conservatives' portfolios but also to their belief system. The notion that markets are infallible, a fundamental tenet of libertarian conservatism, looked like a folly. Free-market advocates saw their entire ideological movement in peril. Even some Republicans had become doubters. The retired general Colin Powell, for instance, a veteran of both Bush administrations, argued that "Americans are looking for more government in their life, not less." *Time* magazine captured the zeitgeist by emblazoning a Republican elephant on its cover under the headline "Endangered Species."

Charles Koch himself described Obama's election in almost apocalyptic terms, sending an impassioned newsletter to his company's seventy thousand employees earlier that January declaring that America faced "the greatest loss of liberty and prosperity since the 1930s." Fearing a liberal resurgence of federal spending, he told his employees that more government programs and regulation were exactly the wrong approach to the deepening recession. "It is markets, not government, that can provide the strongest engine for growth, lifting us out of these troubling times," he insisted.

Obama's inaugural address lived up to his worst dreams. The freshly sworn-in president all but declared war on the notion that markets work best when government regulates them least. "Without a watchful eye, the market can spin out of control," Obama warned.

Then, sounding almost as if he were taking aim directly at corporate plutocrats like those gathered in Indian Wells, Obama declared that "the nation cannot prosper long when it favors only the prosperous."

It was against this threatening political backdrop that Charles Koch mustered what a fellow conservative, Craig Shirley, described as "the mercantile Right" to take back, and if possible take over, American politics. Obama's election added urgency to the mission, but the gathering in Indian Wells was not a first for the Kochs. Charles and his brother David had been quietly sponsoring similar sessions for conservative donors twice a year since 2003. The enterprise started small but exploded as antagonism toward Obama built among the 0.01 percent on the right.

While they largely hid their ambitious enterprise from the public, avoiding all but the minimum legally required financial disclosures, the Kochs portrayed their political philanthropy inside their circle as a matter of noblesse oblige. "If not us, who? If not now, when?" Charles Koch asked in the invitation to one such donor summit, paraphrasing the call to arms of the ancient Hebrew scholar Rabbi Hillel. "It was obvious we were headed for disaster," Koch later told the conservative writer Matthew Continetti, explaining his plan. The idea was to gather other free-market enthusiasts and organize them as a pressure group. The first seminar in 2003 attracted only fifteen people.

One former insider in the Kochs' realm, who declined to be named because he feared retribution, described the early donor summits as a clever means devised by Charles Koch to enlist others to pay for political fights that helped his company's bottom line. The seminars were, in essence, an extension of the company's corporate lobbying. They were staffed and organized by Koch employees and largely treated as a corporate project. Of particular importance to the Kochs, he said, was drumming up support from other business leaders for their environmental fights. The Kochs vehemently opposed the government taking any action on climate change that would hurt their fossil fuel profits. But suddenly in January 2009, these narrow concerns were overshadowed. Obama's election stirred such deep and widespread fear among the conservative business elite that the conference was swarmed, becoming a hub of political resistance. The planners were all but overwhelmed. "Suddenly they were leading the parade!" he said. "No one anticipated that."

By 2009, the Kochs had indeed succeeded in expanding their political conference from a wonky free-market swap fest to the point where it was beginning to attract an impressive array of influential figures. Wealthy businessmen thronged to rub shoulders with famous and powerful speakers, like the Supreme Court justices Antonin Scalia and Clarence Thomas. Congressmen, senators, governors, and media celebrities came too. "Getting an invitation means you've arrived," one operative who still works for the Kochs explained. "People want to be in the room."

The amount of money raised at the summits was also increasingly eye-catching. Earlier businessmen had certainly spent outsized sums in hopes of manipulating American politics, but the numbers at the Koch seminars far outstripped those in the past. As *The Washington Post*'s Dan Balz observed, "When W. Clement Stone, an insurance magnate and philanthropist, gave $2 million to Richard M. Nixon's 1972 campaign, it caused public outrage and contributed to a movement that produced the post-Watergate reforms in campaign financing." Accounting for inflation, Balz estimated that Stone's $2 million might be worth about $11 million in today's dollars. In contrast, for the 2016 election, the political war chest accumulated by the Kochs and their small circle of friends was projected to be $889 million, completely dwarfing the scale of money that was considered deeply corrupt during the Watergate days.

The clout of the participants at the retreats served to burnish the Kochs' reputations, conferring a new aura of respectability on their extreme libertarian political views, which many had dismissed in the past as far outside the mainstream. "We're not a bunch of radicals running around and saying strange things," David Koch proudly told Continetti. "Many of these people are very successful, and occupy very important, respected positions in their communities!"

Exactly who attended the January 2009 summit, the first of the Obama era, and what transpired inside the resort can only be partly pieced together because the guest list, like many other aspects of the Kochs' political and business affairs, was shrouded in secrecy. As one Republican campaign consultant who has worked for the Kochs in the past said of the family's political activities, "To call them under the radar is an understatement. They are underground!"

Participants at the summits, for instance, were routinely admonished to destroy all copies of any paperwork. "Be mindful of the security and confidentiality of your meeting notes and materials," the invitation to one such gathering warned. Guests were told to say nothing to the news media and to post nothing about the meetings online. Elaborate security steps were taken to keep both the names of the participants and the meetings' agendas from public scrutiny. When signing up to attend the conferences, participants were warned to make all arrangements through the Kochs' staff, rather than trusting the employees at the resort, whose backgrounds were nonetheless investigated by the Kochs' security detail. In an effort to detect intruders and impostors, name tags were required at all functions, and smartphones, iPads, cameras, and other recording gear were confiscated prior to sessions. In order to foil eavesdroppers during one such gathering, audio technicians planted white-noise-emitting loudspeakers around the perimeters, aimed outward toward any uninvited press and public. It went without saying that breaches of this secrecy would result in excommunication from future meetings. When a breach did occur, the Kochs launched an intense weeklong internal investigation to identify and plug the leak. The donations raised at the summits were not publicly disclosed, nor were the names of the donors, although the planners' hope was that the money would have a decisive impact on the nation's affairs. "There is anonymity that we can protect," Kevin Gentry, vice president for special projects at Koch Industries and vice president of the Charles G. Koch Charitable Foundation, reassured the donors at one summit while soliciting their cash, according to a recording that later leaked out.

In case anyone misunderstood the seriousness of the enterprise, Charles Koch emphasized in one invitation that "fun in the sun" was not "our ultimate goal." Golf games and gondola rides were fine for after hours, but breakfast discussions would start bright and early. He reminded the invitees, "This is a gathering of *doers*."

No fewer than eighteen billionaires would be among the "doers" joining the Kochs' clandestine opposition movement during the first term of Obama's presidency. Ignoring the mere millionaires in attendance, many of whose fortunes were estimated to be worth hundreds of millions of dollars, the combined fortunes of the eighteen known billionaire participants alone as of 2015 topped $214 billion. In fact more billionaires participated anonymously in the Koch planning sessions during the first term of the Obama presidency than existed in 1982, when *Forbes* began listing the four hundred richest Americans.

The participants at the Koch seminars reflected the broader growth in economic inequality in the country, which had reached the level of the Gilded Age in the 1890s. The gap between the top 1 percent of earners in America and everyone else had grown so wide by 2007 that the top 1 percent of the population owned 35 percent of the nation's private assets and was pocketing almost a quarter of all earnings, up from just 9 percent twenty-five years earlier. Liberal critics, like the *New York Times* columnist Paul Krugman, a Nobel Prize–winning economist, worried that the country was in danger of being transformed from a democracy into a plutocracy, or worse, an oligarchy like Russia, where a handful of extraordinarily powerful businessmen bent the government into catering to them at the expense of everyone else. "We are on the road not just to a highly unequal society, but to a society of an oligarchy. A society of inherited wealth," Krugman warned. "When you have a few people who are so wealthy that they can effectively buy the political system, the political system is going to tend to serve their interests."

The term "oligarchy" was provocative and might have seemed an exaggeration to those accustomed to thinking of oligarchs as despotic rulers who were incompatible with democracies like the United States. But Jeffrey Winters, a professor at Northwestern University specializing in the comparative study of oligarchies, was one of a growing number of voices who were beginning to argue that America was a "civil oligarchy" in which a tiny and extremely wealthy slice of the population was able to use its vastly superior economic position to promote a brand of politics that served first and foremost itself. The oligarchs in America didn't rule directly, he argued, but instead used their fortunes to produce political results that favored their interests. As the left-leaning Columbia University professor Joseph Stiglitz, a Nobel Prize–winning economist, put it, "Wealth begets power, which begets more wealth."

For years, American economists had tended to downplay the importance of economic inequality in the country, arguing that its growth was simply the inevitable result of huge and unavoidable shifts

in the global economy. Over time, they suggested, extreme inequality would naturally stabilize, and a rising tide would lift all boats. What mattered most, free-market advocates argued, was not equality of results but rather equality of opportunity. As the conservative Nobel Prize–winning economist Milton Friedman wrote, "A society that puts equality—in the sense of equality of outcome—ahead of freedom will end up with neither equality nor freedom . . . On the other hand, a society that puts freedom first will, as a happy by-product, end up with both greater freedom and greater equality."

In the new millennium, however, this consensus was beginning to fray. A growing number of academics studying the nexus of politics and wealth regarded the accelerating inequality in America as a threat not only to the economy but to democracy. Thomas Piketty, an economist at the Paris School of Economics, warned in his zeitgeist-shifting book, *Capital in the Twenty-First Century*, that without aggressive government intervention economic inequality in the United States and elsewhere was likely to rise inexorably, to the point where the small portion of the population that currently held a growing slice of the world's wealth would in the foreseeable future own not just a quarter, or a third, but perhaps half of the globe's wealth, or more. He predicted that the fortunes of those with great wealth, and their inheritors, would increase at a faster rate of return than the rate at which wages would grow, creating what he called "patrimonial capitalism." This dynamic, he predicted, would widen the growing chasm between the haves and the have-nots to levels mimicking the aristocracies of old Europe and banana republics.

Some argued that an elite minority was also driving extreme political partisanship as its interests and agenda lost touch with the economic realities faced by the rest of the population. Mike Lofgren, a Republican who spent thirty years observing how wealthy interests gamed the policy-making apparatus in Washington, where he was a staff member on the Senate Budget Committee, decried what he called the "secession" of the rich in which they "disconnect themselves from the civic life of the nation and from any concern about its well-being except as a place to extract loot." America, as Jacob Hacker and Paul Pierson described it, had become a "winner-take-all" country in which economic inequality perpetuated itself by pressing its political advantage. If so, the Koch seminars provided a group portrait of the winners' circle.

Only one full guest list of attendants at any of the Koch summits has surfaced publicly. It was for a session in June 2010. Like Mrs. Astor's famous 400, which defined the top bracket of New York society in the late nineteenth century on the basis of those who could fit into the Astors' ballroom, the Kochs' donor list provides another portrait of a fortunate social subset. They were mostly businessmen; very few were women. Fewer still were nonwhite. And while some had made their own fortunes, many others were intent on preserving vast legacies they had inherited. While those attracted to the Kochs' meetings were uniformly conservative, they were not the predictable cartoon villains of conspiracy theories but spanned a wide range of views and often disagreed among themselves about social and international issues. The glue that bound them together, however, was antipathy toward government regulation and taxation, particularly as it impinged on their own accumulation of wealth. Unsurprisingly, given the shift in the way great fortunes were made by the end of the twentieth century, instead of railroad magnates and steel barons who had ruled in the Astors' day, the largest number of participants came from the finance sector.

Among the better-known financiers who participated or sent representatives to Koch donor summits during Obama's first term were Steven A. Cohen, Paul Singer, and Stephen Schwarzman. All might have been principled philosophical conservatives, with no ulterior motives, but all also had personal reasons to fear a more assertive federal government, as was expected from Obama.

Cohen's spectacularly successful hedge fund, SAC Capital Advisors, was at the time the focus of an intense criminal investigation into insider trading. Prosecutors described his firm, which was based in Stamford, Connecticut, as "a veritable magnet of market cheaters." *Forbes* valued Cohen's fortune at one point at $10.3 billion, making his checkbook a formidable political weapon.

Paul Singer, whose fortune *Forbes* estimated at $1.9 billion, ran the hugely lucrative hedge fund Elliott Management. Dubbed a vulture fund by critics, it was controversial for buying distressed debt in economically failing countries at a discount and then taking aggressive legal action to force the strapped nations, which had expected their loans to be forgiven, to instead pay him back at a profit. Although

Singer insisted that he didn't buy debt from the poorest of the poor nations, his methods, while highly lucrative, brought public scorn and government scrutiny. Even New York's tabloid newspapers chimed in. After Singer supported the campaign of the former New York mayor Rudolph Giuliani, a July 2007 *New York Post* story was headlined "Rudy's 'Vulture' $$ Man" with the subhead "Profits Off Poor." Singer described himself as a Goldwater free-enterprise conservative, and he contributed generously to promoting free-market ideology, but at the same time his firm reportedly sought unusual government help in squeezing several desperately impoverished governments, a contradiction that applied to many participants in the Koch donor network.

Stephen Schwarzman, who was in general less of a political activist than Singer, might have first become involved in the Kochs' political enterprise out of happenstance. In 2000, he paid $37 million for the palatial triplex that had previously belonged to John D. Rockefeller Jr. at 740 Park Avenue, the same Manhattan co-op building in which David Koch bought an apartment three years later. By the time Obama was elected, Schwarzman had become something of a poster boy for Wall Street excess. As Chrystia Freeland writes in her book *Plutocrats,* the June 21, 2007, initial public offering of stock in Blackstone, his phenomenally successful private equity company, "marked the date when America's plutocracy had its coming-out party." By the end of the day, Schwarzman had made $677 million from selling shares, and he retained additional shares then valued at $7.8 billion.

Schwarzman's stunning payday made a huge and not entirely favorable impression in Washington. Soon after, Democrats began criticizing the carried-interest tax loophole and other accounting gimmicks that helped financiers amass so much wealth. In the wake of the 2008 market crash, as Obama and the Democrats began talking increasingly about Wall Street reforms, financiers like Schwarzman, Cohen, and Singer who flocked to the Koch seminars had much to lose.

The hedge fund run by another of the Kochs' major investors, Robert Mercer, an eccentric computer scientist who made a fortune using sophisticated mathematical algorithms to trade stocks, also seemed a possible government target. Democrats in Congress were considering imposing a tax on stock trading, which the firm he co-chaired, Renaissance Technologies, did in massive quantities at computer-driven high frequency. Although those familiar with his thinking maintained that his political activism was separate from his pecuniary interests, Mercer had additional business reasons to be antigovernment. The IRS was investigating whether his firm improperly avoided paying billions of dollars in taxes, a charge the firm denied. Employment laws, too, would prove an embarrassing headache to him; three domestic servants soon sued him for refusing to pay overtime and maintained that he had docked their wages unfairly for infractions such as failing to replace shampoo bottles from his bathrooms when they were less than one-third full. The tabloid news stories about the case invariably mentioned that Mercer had previously brought a suit of his own, suing a toy-train manufacturer for overbilling him by $2 million for an elaborate electric train set he had installed in his Long Island, New York, mansion. With a pay package of $125 million in 2011, Mercer was ranked by *Forbes* as the sixteenth-highest-paid hedge fund manager that year.

Other financiers active in the Koch group had additional legal problems. Ken Langone, the billionaire co-founder of Home Depot, was enmeshed in a prolonged legal fight over his decision as chairman of the compensation committee of the New York Stock Exchange to pay his friend Dick Grasso, the head of the exchange, $139.5 million. The sum was so scandalously large that it forced Grasso to resign. Angry at his critics, Langone reportedly felt that "if it wasn't for us fat cats and the endowments we fund, every university in the country would be fucked."

Another Koch seminar goer from the financial sector, Richard Strong, founder of the mutual fund Strong Capital Management, was banned from the financial industry for life in a settlement following an investigation by the former New York attorney general Eliot Spitzer into his improperly timing trades to benefit his friends and family. Strong paid a $60 million fine and publicly apologized. His company paid an additional $115 million in related penalties. But after Strong sold his company's assets to Wells Fargo, the Associated Press reported that he would be "an even wealthier man."

Many participants in the Koch summits were brilliant leaders not only in business but also in tax avoidance. For instance, the Colorado oil and entertainment billionaire Philip Anschutz, a founder of Qwest Communications, whom *Fortune* magazine dubbed America's "greediest executive" in 2002, was fighting an uphill battle on a tax

matter that practically required an accounting degree to explain. Anschutz, a conservative Christian who bankrolled movies with biblical themes, had attempted to avoid paying capital gains taxes in a 2000–2001 transaction by using what are called prepaid variable forward contracts. These contracts allow wealthy shareholders such as Anschutz, whose fortune *Forbes* estimated at $11.8 billion as of 2015, to promise to give shares to investment firms at a later date, in exchange for cash up front. Because the stock does not immediately change hands, capital gains taxes are not paid. According to *The New York Times*, Anschutz raised $375 million in 2000–2001 by promising shares in his oil and natural gas companies through the firm Donaldson, Lufkin & Jenrette.

Eventually, the court sided against Anschutz on something of a technicality. The former *Times* reporter David Cay Johnston wrote that in essence the court had ruled that "prepaids done slightly differently than the Anschutz transactions will survive. But why should they?" he asked. "Why should anyone get to enjoy cash from gains now without paying taxes?" Johnston concluded, "The awful truth is that America has two income tax systems, separate and unequal. One system is for the superrich, like Anschutz and his wife, Nancy, who are allowed to delay and avoid taxes on investment gains, among other tax tricks. The other system is for the less than fabulously wealthy."

Some donor families had clearly committed tax crimes. Richard DeVos, co-founder of Amway, the Michigan-based worldwide multilevel marketing empire, had pleaded guilty to a criminal scheme in which he had defrauded the Canadian government of $22 million in customs duties in 1982. DeVos later claimed it had been a misunderstanding, but the record showed the company had engaged in an elaborate, deliberate hoax in an effort to hoodwink Canadian authorities. He and his co-founder, Jay Van Andel, were forced to pay a $20 million fine. The fine didn't make much of a dent in DeVos's fortune, which *Forbes* estimated at $5.7 billion. By 2009, DeVos's son Dick and daughter-in-law Betsy were major donors on the Koch list and facing a record $5.2 million civil fine of their own for violating Ohio's campaign-finance laws.

Energy magnates were also heavily represented in the Koch network. Many of this group too had significant government regulatory and environmental issues. The "extractive" industries, oil, gas, and mining, tend to be run by some of the most outspoken opponents of government regulation in the country, yet all rely considerably on government permits, regulations, and tax laws to aid their profits and frequently to give them access to public lands. Executives from at least twelve oil and gas companies, in addition to the Kochs, were participants in the group. Collectively, they had a huge interest in staving off any government action on climate change and weakening environmental safeguards. One prominent member of this group was Corbin Robertson Jr., whose family had built a billion-dollar oil company, Quintana Resources Capital. Robertson had bet big on coal—so big he reportedly owned what *Forbes* called the "largest private hoard in the nation—21 billion tons of reserves." Investigative reports linked Robertson to several political front groups fighting efforts by the Environmental Protection Agency (EPA) to control pollution emitted by coal-burning utilities. Almost comically, one such front group was called Plants Need CO_2.

Another coal magnate active in the Kochs' donor network was Richard Gilliam, head of the Virginia mining concern Cumberland Resources. The dire stakes surrounding the sinking coal industry's regulatory fights were evident in the 2010 sale of Cumberland for nearly $1 billion to Massey Energy, just weeks before a tragic explosion in Massey's Upper Big Branch mine killed twenty-nine miners, becoming the worst coal mine disaster in forty years. A government investigation into Massey found it negligent on multiple safety fronts, and a federal grand jury indicted its CEO, Don Blankenship, for conspiring to violate and impede federal mine safety standards, making him the first coal baron to face criminal charges. Later, Massey was bought for $7.1 billion by Alpha Natural Resources, whose CEO, Kevin Crutchfield, was yet another member of the Koch network.

Several spectacularly successful leaders of hydraulic fracturing, who had their own set of government grievances, were also on the Kochs' list. The revolutionary method of extracting gas from shale revived the American energy business but alarmed environmentalists. Among the "frackers" in the group were J. Larry Nichols, co-founder of the huge Oklahoma-based concern Devon Energy, and Harold Hamm, whose company, Continental Resources, was the biggest operator in North Dakota's booming Bakken Shale. As Hamm, a sharecropper's son, took his place as the thirty-seventh-richest person in America with a fortune that *Forbes* estimated at $8.2 billion as of

2015, and campaigned to preserve tax loopholes for oil producers, his company gained notoriety for a growing record of environmental and workplace safety violations.

One shared characteristic of many of the donors in the Kochs' network was private ownership of their businesses, placing them in a low-profile category that *Fortune* once dubbed "the invisible rich." Private ownership gave these magnates far more managerial latitude and limited public disclosures, shielding them from stockholder scrutiny. Many of the donors had nonetheless attracted unwanted legal scrutiny by the government.

It was, in fact, striking how many members of the Koch network had serious past or ongoing legal problems. Sheldon Adelson, founding chairman and chief executive of the Las Vegas Sands Corporation, the world's largest gambling company, whose fortune *Forbes* estimated at $31.4 billion, was facing a bribery investigation by the Justice Department into whether his company had violated the Foreign Corrupt Practices Act in securing licenses to operate casinos in Macao.

The Kochs had looming worries about the Foreign Corrupt Practices Act, too. As Bloomberg News later revealed, the company's record of illicit payments in Algeria, Egypt, India, Morocco, Nigeria, and Saudi Arabia was spilling out in a French court. Further, in the summer of 2008, just a few months before Obama was elected, federal officials had questioned the company about sales to Iran, in violation of the U.S. trade ban against the state for sponsoring terrorism.

Meanwhile, another donor, Oliver Grace Jr., a relation of the family that founded the William R. Grace Company, was at the center of a stock-backdating scandal that resulted in his being ousted from the board of Take-Two, the company behind the ultraviolent *Grand Theft Auto* video games.

The legal problems of Richard Farmer, the chairman of the Cincinnati-based Cintas Corporation, the nation's largest uniform supply company, included an employee's gruesome death. Just before the new and presumably less business-friendly Obama administration took office, Cintas reached a record $2.76 million settlement with the Occupational Safety and Health Administration (OSHA) in six safety citations including one involving a worker who had burned to death in an industrial dryer. The employee, a Hispanic immigrant, had become caught on a conveyor belt leading into the heat source.

Prior to the fatal accident, OSHA had cited Cintas for over 170 safety violations since 2003, including 70 that regulators warned could cause "death or serious physical harm." As Obama took office, the company was still fighting against paying a damage claim to the employee's widow and arguing that his death had been his own fault. Farmer, too, ranked among the Koch group's billionaire donors, with a fortune that *Forbes* estimated at $2 billion.

Given the participants' unanimous espousal of antigovernment, free-market self-reliance, the network also included a surprising number of major government contractors, such as Stephen Bechtel Jr., whose personal fortune *Forbes* estimated at $2.8 billion. Bechtel was a director and retired chairman of the huge and internationally powerful engineering firm Bechtel Corporation, founded by his grandfather, run by his father, and, after he retired, by his son and grandson. Paternalistic and family-owned, Bechtel was the sixth-largest private company in the country, and it owed almost its entire existence to government patronage. It had built the Hoover Dam, among other spectacular public projects, and had storied access to the innermost national security circles. Between 2000 and 2009 alone, it had received $39.2 billion in U.S. government contracts. This included $680 million to rebuild Iraq following the U.S. invasion.

Like so many of the other companies owned by the Koch donors, Bechtel had government legal problems. In 2007, a report by the special inspector general for Iraq reconstruction accused Bechtel of shoddy work. And in 2008, the company paid a $352 million fine to settle unrelated charges of substandard work in Boston's notorious "Big Dig" tunnel project. The company was facing congressional reproach too for cost overruns in the multibillion-dollar cleanup of the Hanford nuclear facility in Washington State.

Antagonism toward the government ran so high within the Koch network that one donor angrily objected to federal interference not just in his business but on behalf of his own safety as well. Thomas Stewart, who built his father's Seattle-based food business into the behemoth Services Group of America, reportedly loved flying in his helicopter and corporate jet. But when a former company pilot refused to take his aeronautic advice because it violated Federal Aviation Administration regulations, according to an interview with the pilot in the *Seattle Post-Intelligencer*, Stewart "rose out of his chair, and screamed, 'I can do any fucking thing I want!'"

The highlight of the Koch summit in 2009 was an uninhibited debate about what conservatives should do next in the face of their electoral defeat. As the donors and other guests dined in the hotel's banquet room, like Roman senators attending a gladiator duel in the Forum, they watched a passionate argument unfold that encapsulated the stark choice ahead. Sitting on one side of a stage, facing the participants, was the Texas senator John Cornyn, the head of the National Republican Senatorial Committee and a former justice on the Texas Supreme Court. Tall, with a high pink forehead, puffy cotton-white hair, and a taste for dark pin-striped suits, his image conveyed his role as a pillar of the establishment wing of the Republican Party. Cornyn was rated as the second most conservative Republican in the Senate, according to the nonpartisan *National Journal*. But he also was, as one former aide put it, "very much a constitutionalist" who believed it was occasionally necessary in politics to compromise.

Poised on the other side of the moderator was the South Carolina senator Jim DeMint, a conservative provocateur who defined the outermost antiestablishment fringe of the Republican Party and who in the words of one admirer was "the leader of the Huns." Fifty-seven at the time, he was five months older than Cornyn, but his dark hair, lean build, and more casual, aw-shucks style made him appear years younger. Before his election to Congress, DeMint had run an advertising agency in South Carolina. He understood how to sell, and what he was pitching that night was an approach to politics that according to the historian Sean Wilentz would have been recognizable to DeMint's forebears from the Palmetto State as akin to the radical nullification of federal power advocated in the 1860s by the Confederate secessionist John C. Calhoun.

The two Republican senators had been at loggerheads for some time. That night they gave opposing opening statements. Cornyn spoke in favor of the Republican Party fighting its way back to victory by broadening its appeal to a wider swath of voters, including moderates. "He understands that Republicans in Texas and in Maine aren't necessarily exactly alike," the former aide explained. "He believes in making the party a big tent. You can't win unless you get more votes."

In contrast, DeMint portrayed compromise as surrender. He had little patience for the slow-moving process of constitutional government. He regarded many of his Senate colleagues as timid and self-serving. The federal government posed such a dire threat to the dynamism of the American economy, in his view, that anything less than all-out war on regulations and spending was a cop-out. DeMint was the face of a new kind of extremism, and he spoke that evening in favor of purifying, rather than diluting, the Republican Party. He argued that he would rather have "thirty Republicans who believed in something than a majority who believed in nothing," a line that was a mantra for him and that brought cheers and applause from the gathered onlookers. Rather than compromising their principles and working with the new administration, DeMint argued, Republicans needed to take a firm stand against Obama, waging a campaign of massive resistance and obstruction, regardless of the 2008 election outcome.

As the participants continued to cheer him on, in his folksy, southern way, DeMint tore into Cornyn over one issue in particular. He accused Cornyn of turning his back on conservative free-market principles and capitulating to the worst kind of big government spending, with his vote earlier that fall in favor of the Treasury Department's massive bailout of failing banks. The September 15, 2008, failure of Lehman Brothers, one of the nation's largest investment banks, had triggered a stunning run on financial institutions and the beginning of a generalized panic. The Federal Reserve chairman, Ben Bernanke, warned congressional leaders that "it is a matter of days before there is a meltdown in the global financial system." In hopes of staving off economic disaster, Bush's Treasury Department begged Congress to approve the massive $700 billion emergency bailout known as the Troubled Asset Relief Program, or TARP.

Both Obama and the Republican presidential nominee, John McCain, supported the emergency measure in the run-up to the 2008 election. But ever since, outraged opposition to the bailouts had built both from the public and from antigovernment, free-market conservatives like DeMint. Having expected a gentlemanly debate over the future of the Republican Party, Cornyn suddenly found himself on the defensive as the donors jeered and the moderator, Stephen Moore, a free-market gadfly and contributor to *The Wall Street Journal*'s editorial page, egged them on. The room started to explode. Rebuking Cornyn, one donor, Randy Kendrick, said, "You just keep electing

RINOs!"—invoking the slur that Moore was said to have coined for squishy moderates who were, in his phrase, "Republicans in Name Only."

Sitting silently at a table in the front row through all of this were Charles Koch and his wife, Liz. No one came to Cornyn's defense. It was widely assumed that the Kochs, as hard-core free-market enthusiasts, had opposed the huge government bailouts of the private sector. Later, many reporters assumed this too, ascribing the Kochs' opposition to Obama as stemming from their principled disagreement over issues such as the TARP bailouts. But none of this was true. Had people checked the record carefully, they would have found it quite revealing. At first, the Kochs' political organization, Americans for Prosperity (AFP), had in fact taken what appeared to be a principled libertarian position against the bailouts. But the organization quickly and quietly reversed sides when the bottom began to fall out of the stock market, threatening the Kochs' vast investment portfolio. The market began to collapse on Monday, September 29, when, in the face of heavy opposition from conservatives, the House unexpectedly failed to pass the federal rescue plan. By the end of the day, the Dow Jones Industrial Average had fallen 777 points, losing 6.98 percent of its value. It was the stock market's largest one-day point drop ever.

Although some conservative groups and politicians such as DeMint still opposed the bailout, the market panic was enough to change many minds. Among those who flipped during the next forty-eight hours were the Kochs. Two days after the unexpected House vote, as the measure was about to be considered by the Senate, a list of conservative groups now supporting the bailouts was circulated behind the scenes to Republican legislators, in hopes of persuading them to vote for the bailouts. Among the groups now listed as supporters was Americans for Prosperity. Soon after, the Senate passed TARP with overwhelming bipartisan support, including that of John Cornyn. A source familiar with the Kochs' thinking says that Americans for Prosperity's flip-flop mirrored their own.

But if the Kochs' personal interest in protecting their portfolio had trumped their free-market principles, they weren't about to mention it in front of a roomful of fired-up libertarians whose cash they wanted to combat Obama. So, although they could have changed the dynamic in the room instantly by speaking up, no one defended

Cornyn or the idea of acting responsibly within the bounds of traditional, reasonable political opposition.

Instead, the sentiment among the donors as the first Koch seminar of the Obama era came to an end was, as one witness put it, "like a bunch of gorillas beating their chests." After hearing both sides out, the assembled guests chose the path of extremism.

The Kochs had already concluded that they would need to resort to extraordinary political measures to achieve their goals. A few days before the January 2009 donor seminar, Charles and David Koch had privately weighed their options with their longtime political strategist in a meeting inside the black-glass fortress that served as Koch Industries' corporate headquarters in Wichita, Kansas.

As they later revealed in an interview with Bill Wilson and Roy Wenzl in *The Wichita Eagle,* after hearing Obama's inauguration address, they agreed with their political adviser, Richard Fink, that America was on the road to ruin. Fink reportedly told the billionaire brothers, whose wealth, when combined, put at their disposal the single largest fortune in the world, that if they wanted to beat back the progressive tide that Obama's election represented, it would take "the fight of their lives."

"If we're going to do this, we should do it right, or not at all," Fink said, according to the Wichita newspaper account. "But if we don't do it right, or we don't do it at all, we will be insignificant and we will just waste a lot of time, and I would rather play golf."

If the Kochs decided that they did want "to do it right," however, as Fink put it, they should be prepared, he warned, because "it is going to get very, very ugly."

Advisers to Obama later acknowledged that he had no inkling of what he was up against. He had campaigned as a post-partisan politician who had idealistically taken issue with those who he said "like to slice and dice our country into red states and blue states." He insisted, "We are one people," the United States of America. His vision, like his own blended racial and geographic heredity, was of reconciliation, not division. Echoing these themes in his first inaugural address, Obama had chided "cynics," who, he said, "fail to understand . . . that the ground has shifted beneath them—that the stale political arguments that have consumed us for so long no longer apply."

The sentiment was laudable but, alas, wishful thinking. Had the newly sworn-in president looked down at the ground directly beneath

his polished shoes as he delivered these optimistic words, he might have been wise to take note. The red-and-blue carpet on which he was standing, which had been custom made in accordance with a government contract, had been manufactured by Invista, a subsidiary of Koch Industries. In American politics, the Kochs and all they stood for were not so easy to escape.

league" transferred $115 million to Sean Noble's Center to Protect Patient Rights and $32.3 million to David Koch's group, Americans for Prosperity.

In October 2011, Christie announced definitively that 2012 was not his year. The truism about the two parties was that when it came to choosing candidates, "Democrats fall in love, while Republicans fall in line." But 2012 was shaping up to be the exception. With power shifting from the centralized party professionals to rogue billionaires, top-down consensus was giving way to warring factions. Even within the Koch camp, there were divergent opinions. After the infatuation with Ryan, David Koch liked Christie. Charles Koch admired Mike Pence, then a congressman and later governor of Indiana. When Pence declined to get in the race, the Kochs hired his former chief of staff, Marc Short, as yet another political adviser. The donors, meanwhile, were all over the Republican lot. Noble was trying hard to herd everyone in one direction but failing.

Unsure what else to do, in late 2011 the Koch operatives made one of the first attack ads of the general election season. Sponsored by Americans for Prosperity, it slammed Obama as corruptly showering his friends with "green giveaways" such as Solyndra. AFP spent $2.4 million running the ad thousands of times in the key states of Florida, Michigan, Nevada, and Virginia. Sean Noble had sold the idea as a clean shot. But it caused a little problem. One of the Koch donors turned out to have invested in Solyndra and was not happy.

A subsequent Koch-created ad, aired by the American Future Fund, also proved problematic. The mysterious Iowa-based front group was a favorite choice for messages from which the Koch camp preferred to distance itself. Shot as populist rage against the "1 percent" was coalescing in the Occupy movement and protesters were marching on David Koch's apartment, the ad slyly attacked Obama for being too cozy with Wall Street. After quoting Obama calling Wall Street bankers "fat cats," it asked, "Guess who voted for the Wall Street bailout? His White House is full of Wall Street executives," it went on, as mug shots of Obama's advisers flashed by. The Kochs' political operatives tested the ad in fifteen separate focus groups. Once aired, it seemed to be a great success, getting over five million hits on YouTube. But some of the finance industry executives in the donor group were not amused by the political misdirection. "Why attack Wall Street?" they asked.

One donor, Peter Schiff, an attendee at the June Koch seminar, evidently didn't receive the new, populist talking points. A Connecticut financial analyst and broker, he barged into the midst of the Occupy movement's Manhattan encampment in October with a sign proclaiming, "I am the 1%. Let's talk." Subsequent video footage of him arguing in favor of eliminating the minimum wage and paying "mentally retarded" people $2 an hour made him a laughingstock on Jon Stewart's *Daily Show*. The Kochs' "Mother of All Wars" wasn't starting out all that much better than Saddam Hussein's.

The picture was far brighter in the key presidential battleground state of Wisconsin. There, the first-term governor, Scott Walker, had vaulted to national stardom by enacting unexpectedly bold anti-union policies. Walker exemplified the new generation of Republicans who had coasted to victory in 2010 on a wave of dark money, ready to implement policies their backers had painstakingly incubated in conservative nonprofits for decades.

For the Koch network, Walker's improbable rise was a triumph. Koch Industries PAC was the second-largest contributor to Walker's campaign. More important, the Kochs were an important source of funds to the Republican Governors Association, which Republicans used in Wisconsin and elsewhere in 2010 to work around strict state contribution limits. The Kochs' PAC had also contributed to sixteen state legislative candidates in Wisconsin, who all won their races, helping conservatives take control of both houses of the legislature and setting the stage for Wisconsin's dramatic turn to the right.

Walker had also benefited enormously from the philanthropy of two other archconservative brothers, the late Lynde and Harry Bradley, whose foundation had grown into an ideological behemoth in Milwaukee. Walker's campaign manager, Michael Grebe, was the Bradley Foundation's president. Think tanks had long supplied policy ideas to those in power. Some, like the liberal Center for American Progress, were led by well-known partisans who moved in and out of government. It was rare, though, to wear both hats simultaneously. But Grebe's dual role would have made his predecessor at the Bradley Foundation, Michael Joyce, proud. It was exactly the kind of hands-on political impact Joyce had sought when he set out to weaponize conservative philanthropy.

The Bradley Foundation's close ties to Walker were evident on his social calendar. Among his first private engagements after the election was a celebratory dinner with the foundation's board and senior staff at Bacchus, a stylish Milwaukee restaurant overlooking Lake Michigan. By then, Lynde and Harry Bradley's foundation had assets of over $612 million and had provided the playbook for many of Walker's policies.

Grebe denied his foundation had hatched the initiative that made Walker famous, his crackdown on the state employees' unions. But he applauded the move and had personally sent out fund-raising letters asking supporters to help Walker fight "the big government union bosses." The Bradley Foundation, meanwhile, in 2009, gave huge grants to two conservative Wisconsin think tanks developing plans to break the power of the state's public employee unions. As the *Milwaukee Journal Sentinel* noted in 2011, the Bradley Foundation was "one of the most powerful philanthropic forces behind America's conservative movement" and "the financial backer behind public policy experiments that started in the state and spread across the nation—including welfare reform, public vouchers for private schools and, this year, cutbacks in public employee benefits and collective bargaining." As Grebe later acknowledged about Walker's meteoric rise to *The New York Times*, "At the risk of being immodest, I probably lent some credibility to his campaign early on."

As a college dropout with no exceptional charisma or charm, Walker might not ordinarily have been marked for high office, but Americans for Prosperity, which had a large chapter in Wisconsin, had provided him with a field operation and speaking platform at its Tea Party rallies when he was still just the Milwaukee county executive. The Kochs' political organization had been fighting the state's powerful public employee unions there since 2007. The fight was freighted with larger significance. In 1959, Wisconsin had become the first state to allow its public employees to form unions and engage in collective bargaining, which conservatives detested in part because the unions provided a big chunk of muscle to the Democratic Party. "We go back a long way on this in Wisconsin, and in other states," Tim Phillips, the head of Americans for Prosperity, acknowledged to *Politico*. In the past, Phillips had spoken enviously of the unions as the Left's "army on the ground."

Walker's anti-union, antitax, and small-government message harmonized perfectly with the Kochs' philosophy and also served their business interests. Koch Industries had two Georgia-Pacific paper mills in the state, as well as interests in lumber mills, coal, and pipelines employing some three thousand workers.

Soon, a handful of Wisconsin's wealthiest magnates, who were part of the Koch donor network, started writing checks, too. John Menard Jr., for instance, the richest man in Wisconsin, was both a million-dollar donor at the Kochs' June 2011 summit and a million-and-a-half-dollar donor to the Wisconsin Club for Growth, an outside dark-money group boosting Walker. Like many of Menard's investments, the political contributions more than paid off. Once in office, Walker chaired a state economic development corporation that bestowed $1.8 million in special tax credits on Menard's business. Walker's administration also eased up on enforcement actions against polluters.

Seventy years old at the time Walker was elected, Menard had made a fortune, estimated at about $6 billion in 2010, from a chain of home improvement stores bearing his name, but until Walker entered the statehouse, his relationship with the government had been contentious, to say the least. According to a 2007 profile in *Milwaukee Magazine*, his company had more clashes with the state's Department of Natural Resources than any other firm in Wisconsin. Ultimately, his company and Menard personally paid $1.7 million in fines for illegally disposing of hazardous waste. In one memorable instance, his company reportedly labeled arsenic-tainted mulch as "ideal for playgrounds."

Menard's hostility to organized labor was pronounced. He imposed an absolute ban on hiring anyone who had ever belonged to a union. One employee described having to fire two promising management prospects because they had worked in high school as baggers for a unionized supermarket. Managers, meanwhile, were subject to 60 percent pay cuts if their stores became unionized. They also had to agree to pay fines of $100 per minute for infractions such as opening late and to submit any disputes to management-friendly arbitration rather than the courts. Menard also forbade employees to build their own houses, for fear they would pilfer supplies. When one employee got special permission to build a ramp-equipped home in order to accommodate a wheelchair-bound daughter (in exchange for a demotion and a large salary cut), he was fired. His offense was that his contractor was using building materials from a competitor.

Menard had a disputatious record on compensation and taxes as well. The IRS ordered him to pay $6 million in back taxes after he allegedly mischaracterized $20 million as salary, not dividends, deducting it as a business expense. In a separate case, the Wisconsin Supreme Court forced Menard to pay $1.6 million to a former legal counsel, a woman who was the sister of his girlfriend at the time, to compensate for gender discrimination and gross underpayment. The woman's lawyer described Menard as "a man without parameters, no limits, no respect for the law, and obviously no self-discipline."

That case was followed by another in which the wife of a former business associate whom Menard fired in 2011 accused him of retaliating against her husband because of her refusal to engage in a sexual threesome with the billionaire and his wife. A spokesman for Menard denied the allegation. Meanwhile, a second woman, the wife of a former Indianapolis Colts quarterback, claimed Menard fired her for rebuffing his sexual advances. The company spokesman denied this as well. All in all, Menard seemed an unlikely patron for Walker, who emphasized his Christian conservatism as the son of a Baptist preacher, but on economic policies there was a meeting of the minds. Moreover, Menard was famously press shy, and little of his involvement with Walker surfaced until years later.

Diane Hendricks, the richest woman in Wisconsin and another of the Kochs' million-dollar donors, might also have stayed beneath the radar except for a documentary filmmaker who fortuitously caught her on camera. Fifteen days after Walker was inaugurated, in January 2011, Hendricks was captured in what she thought was a private chat, urging the governor to go after the unions. Looking glamorous but impatient, the sixty-something widow pressed Walker to turn Wisconsin into a "completely red" "right-to-work" state. Walker assured her that he had a plan. He had kept voters in the dark about it during his campaign, but he confided to Hendricks that his first step was to "deal with collective bargaining for all public employees' unions." This, he assured her, would "divide and conquer" the labor movement. Evidently, this was what Hendricks wanted to hear. She had amassed a fortune estimated at $3.6 billion from ABC Supply, the nation's largest wholesale distributor of roofing, windows, and siding,

which she and her late husband, Ken, founded in 1982. Despite her phenomenal success, Hendricks said she was worried that America was becoming "a socialist ideological nation." Soon after the governor reassured her that he shared her concern, Hendricks and her company began a series of record-setting contributions that would reportedly make her Walker's biggest financial backer.

When Walker "dropped the bomb" on the unions, as he put it, he effectively stripped most state employees of the right to bargain collectively on their pay packages. He singled out the public employees, and particularly teachers, whose average salary was $51,264, as causes of the state's deficit. Amid the doomsday talk about overindulged and under-contributing public workers who were bankrupting the state, one awkward fact went unmentioned. Thanks to complicated accounting maneuvers, Diane Hendricks, according to state records, did not pay a dime in personal state income taxes in 2010.

Lines were drawn in Madison. In a desperate attempt to deprive Republicans of the quorum necessary to pass Walker's anti-union bill, Democratic legislators fled the state. Angry activists stormed the legislature, thronged the streets, and lambasted Walker as the Kochs' anti-union stooge. Walker unwittingly lent credence to the caricature less than a month into his tenure by carrying on a long, cringe-worthy phone conversation with a prankster pretending to be David Koch, the contents of which were soon made public. In a phrase that said all too much, Walker enthusiastically signed off with the impostor by saying, "Thanks a million!"

As the furious backlash against Walker evolved into a prolonged and ultimately unsuccessful effort by his critics to recall him from office, the Kochs, who by then had become the face of the opposition, mounted a fierce counterattack. They used Americans for Prosperity and other vehicles to mobilize pro-Walker rallies and air thousands of "Stand with Walker" and "It's Working!" television and radio ads. They also utilized Themis, a high-tech data bank they had developed, to help get out the vote.

After Walker triumphed in the recall fight, putting him in line for his ill-fated run for the White House in 2016, an independent counsel's investigation into possible campaign-finance violations disgorged a trove of e-mails revealing just how many hugely wealthy, out-of-state hidden hands were involved in his campaign to stay in office. The e-mails revealed advisers to Walker scheming to get the

Kochs and allied donors to help him by donating to what purported to be an independent group, the Wisconsin Club for Growth. One e-mail suggested, "Take Koch's money." Another insisted that the governor should "get on a plane to Vegas and sit down with Sheldon Adelson." It went on, "Ask for $1m now." A third advised Walker that Paul Singer, the hedge fund mogul, would be at the same resort as he and insisted, "Grab him." Soon after, the Wisconsin Club for Growth received $250,000 from Singer.

At the helm of the Wisconsin Club for Growth, and thus at the center of the web, was an old ally of the Kochs', Eric O'Keefe. He was the same Wisconsin investor who had volunteered in David Koch's ill-fated Libertarian campaign for vice president, before going on to run the Sam Adams Alliance, which had played a seminal role in launching the Tea Party movement, and join the Cato Institute's board. Over the years, O'Keefe's various political gambits had also been greatly aided by the Bradley Foundation. According to one tally, it contributed over $3 million to groups directed or founded by O'Keefe between 1998 and 2012. The Bradley Foundation, meanwhile, tightened its ties to several members of the Kochs' circle. It soon added to its board both Diane Hendricks and Art Pope, the Kochs' longtime North Carolina ally, who also was on the board of Americans for Prosperity. The club that O'Keefe and the others belonged to was ingrown and small, but its reach was growing.

Richard Fink made clear what the stakes were for both himself and his benefactors after the embarrassment of the trick phone call. "We will not step back at all," he proclaimed. "With the Left trying to intimidate the Koch brothers to back off of their support for freedom and signaling to others that this is what happens if you oppose the administration and its allies, we have no choice but to continue the fight." Fink defiantly claimed, "This is a big part of our life's work. We are not going to stop."

Buoyed by their success in Wisconsin, the Kochs began to focus in earnest on the presidential race. It had taken years, but by 2012 they were becoming a rival center of power to the Republican establishment. Political insiders who had once scoffed at them now marveled at the breadth of their political operation.

While amassing one of the most lucrative fortunes in the world, the Kochs had also created an ideological assembly line justifying it. Now they had added a powerful political machine to protect it. They had hired top-level operatives, financed their own voter data bank, commissioned state-of-the-art polling, and created a fundraising operation that enlisted hundreds of other wealthy Americans to help pay for it. They had also forged a coalition of some seventeen allied conservative groups with niche constituencies who would mask their centralized source of funding and carry their message. To mobilize Latino voters, they formed a group called the Libre Initiative. To reach conservative women, they funded Concerned Women for America. For millennials, they formed Generation Opportunity. To cover up fingerprints on television attack ads, they hid behind the American Future Fund and other front groups. Their network's money also flowed to gun groups, retirees, veterans, antilabor groups, antitax groups, evangelical Christian groups, and even $4.5 million for something called the Center for Shared Services, which coordinated administrative tasks such as office space rentals and paperwork for the others. Americans for Prosperity, meanwhile, organized chapters all across the country. The Kochs had established what was in effect their own private political party.

Secrecy permeated every level of the operation. One former Koch executive, Ben Pratt, who became the chief operating officer of the voter data bank, Themis, used a quotation from Salvador Dalí on his personal blog that could have served as the enterprise's motto: "The secret of my influence is that it has always remained secret."

Robert Tappan, a spokesman for Koch Industries, defended the secrecy as a matter of security, because "Koch has been targeted repeatedly in the past by the Administration and its allies because of our real (or, in some cases, perceived) beliefs and activities concerning public policy and political issues," overlooking decades of secrecy from the John Birch Society onward.

This consolidation of power reflected the overall national trend of increasingly large and concentrated campaign spending by the ultra-wealthy in the post–*Citizens United* era. The spending, in turn, was a reflection of the growing concentration of wealth more generally in America. As a result, the 2012 election was a tipping point of sorts. Not only was it by far the most expensive election in the country's history; it was also the first time since the advent of modern campaign-finance laws when outside spending groups, including super PACs