

SISTER DISTRICT ACTION NETWORK

DARK MONEY - BOOK CLUB READER'S GUIDE
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Hello Friends!

Sister District Action Network ('Sister District', more info at the end of this document) hosts a quarterly book club. **If you haven't joined, please [sign up here](#) to vote on future books and keep in the loop with regard to book club events and information!**

Our current book selection is Dark Money by Jane Mayer. This reader's guide provides: A) main themes of the book; B) discussion questions; and C) facilitator's guide for folks who will be leading book discussions in person (highly recommended!).

A. Main Themes

1. The infrastructure on the right has been in development a long time

- a. The financial, institutional, and ideological infrastructure we see today on the right did not come from nowhere. It is the culmination of a hundred years of strategic efforts on the part of a small group of wealthy conservatives.
- b. A small group of late 19th – early 20th century American families amassed a gigantic amount of wealth. Some of them developed very strong political ideologies that focused almost exclusively on the protection and expansion of that wealth. This political ideology is pro-business, anti-regulation, anti-tax, anti-social safety net, anti-public education. The core political ideology is the belief that the sole purpose of government is to protect individual property rights and wealth.
- c. It was largely the second generation of this wealth that, during the mid-late 20th century, formalized a set of political strategies and institutions that led to the infrastructure we see now on the Right.

2. This infrastructure and the political strategies it has enabled have a few principles

- a. "Charitable" giving is used as a tax-dodge and a method of obscuring the flow of funds for political purposes. Thus giving would be "weaponized" to achieve political goals.
- b. Ideas matter, and getting them into the mainstream matters.
 - i. Universities and other intellectual institutions were largely controlled by liberal ideas.



- ii. Conservative ideas would need to be developed, incubated and tested somewhere, and these venues would require a certain amount of public legitimacy.
 - iii. So, conservative institutions would need to be established and maintained, essentially from scratch.
 - iv. This “alternative opinion elite” would be established at think tanks and university centers and program “beachheads” funded by conservative donors, and such sites would produce conservative thinkers.
 - c. Secrecy in giving, and in the intention of ideas and institutions, is paramount.
 - d. The popular vote and the will of the public do not matter, so long as conservative powerbrokers can control the institutions of power through other means.
3. **The infrastructure-building has three phases**
- a. Investment in intellectuals whose ideas would serve as the raw products;
 - b. Investment in think tanks and universities that would turn the ideas into marketable and legitimate products; and
 - c. Subsidize ‘citizen’ (Astroturf) front groups that would, along with special interests, pressure elected officials to implement conservative policies.
4. **The movement has pursued multiple targets and strategies**
- a. Create financial infrastructure involving a small, centralized set of nonprofit vehicles;
 - b. Give generously to charitable vehicles engaged in conservative institution-building;
 - c. Build coalitions with corporate and Christian groups;
 - d. Create institutions and fund people there who produce ideas: think tanks and universities;
 - e. Invest heavily in state legislatures and governorships in addition to federal seats, particularly using states as venues for incubating and testing conservative policy;
 - f. Orchestrate, and engage in, strategic litigation to achieve policy goals;
 - g. Invest in judicial races in addition to other elected officials, as courts are a principal venue for policy development;
 - h. Create the appearance of widespread public support, even if illusory, through the use of Astroturf ‘citizen’ organizations;
 - i. Engage in non-electoral strategies when appropriate, including voter suppression;
 - j. Create and fund enduring institutions that can coordinate and execute national and regional strategy, independently of the national party (e.g., ALEC, SPN, Center for Shared Services);
 - k. Post-Citizens United, fund candidates indirectly through unlimited ‘independent expenditures;’
 - l. Withhold further financial investment from, and fund primary attacks on, electeds who do not advance the specified agenda;



- m. Develop parallel campaign and political infrastructure separate from the formal party, including polling, data analytics, and political strategy;
- n. Only engage with the formal party when strategically beneficial.

B. Discussion Questions.

1. Conservative Dynastic Origins

- a. What were the origins of the Koch and Scaife family fortunes? Is it surprising that their children became such virulent anti-government crusaders, or did they absorb their fathers' opinions?
- b. Was charitable giving an early strategy of the Koch and Scaife families to save on their tax bills? Did the sons learn about this strategy from seeing it work for their families early in life?
- c. Were the Koch brothers' ideas about free-market economics considered fringe or mainstream in the 1960s and 1970s, when they solidified their views? Where did they learn about these theories?
- d. How was the Scaife strategy different from the Koch strategy?
- e. What was the unified message about government that these dynastic family crusaders wanted to convey, and what were the mechanisms by which they conveyed the message?

2. Taking on the Academy

- a. Wealthy conservatives came to understand that they needed to cultivate ideas, institutions and movements that would parallel those on the liberal side. How did they go about articulating these ideas and building such institutions?
- b. What is Law & Economics, and what was its impact on the academy? On the judiciary?
- c. What is the "beachhead" strategy, and what are some examples of it in action?

3. Kochtopus Takes Off

- a. When did the Koch brothers, particularly Charles, become interested in politics?
- b. Did they start out identifying as Republicans, or as something else?
- c. At some point they receded from public view and built their Kochtopus. What is the Kochtopus, and how was it built?
- d. What were the three phases of the plan to take over American politics, as set out by Koch operative Richard Fink? How well have they achieved these goals?



4. Boots on the Ground

- a. Once the conservative movement had institutions to create and disseminate ideas to compete with mainstream liberal ideas, they needed boots on the ground. How did they build this operation?
- b. Was the idea of using ‘front’ groups new, when the conservative movement adopted this tactic, or was just its scale new?
- c. Was the Tea Party a ‘grassroots’ phenomenon?
- d. Who is Americans for Prosperity and Freedom Works? How were they involved in the Tea Party?

5. Kochtopus Takes On Climate Science

- a. How did conservative-backed academics and think-tanks manage to polarize Americans along partisan lines when it comes to climate change?

6. Citizens United

- a. What is the basic holding of the Citizens United decision?
- b. Were these decisions the culmination of decades of effort by conservatives? If so, how?
- c. Who are Betsy and Dick DeVos, and what was their role in challenging campaign finance laws?

7. Post-Citizens United: Dark Money in 2010

- a. After Citizens United, Republican operatives realized they could funnel an unlimited amount of money into campaigns. Why were state legislatures their first main target?
- b. Did the Obama administration understand what the dark money operation had planned for the 2010 midterm elections? If not, why not?
- c. What was REDMAP and how did it work?

8. Congress becomes—and Stays— Intractable

- a. How did the conservative donor network drive Congress to the right?
- b. Who were “the Young Guns” and why did they refuse to govern?

9. The 2012 Setback

- a. It looked like Republicans were poised to win the presidency in 2012. Why didn’t they?
- b. How did the Koch brothers build a level of separate infrastructure that rivaled the Republican establishment?
- c. How did the ‘one billionaire, one candidate’ approach hinder the Republican presidential prospects in 2012?
- d. In the final stretch, the presidential result came down to turnout. Was the vote suppressed significantly in 2012? What about 2016? What was the

difference between 2012 and 2016 in terms of voter suppression and turnout?

10. States Gain Ground

- a. Although the Republicans lost the presidential in 2012, they gained all kinds of ground in the state legislatures they'd captured in 2010 and held on to the house. How did Dems win more votes in 2012 but still lose house and state leg seats?
- b. What are some examples of state policies that the newly conservative North Carolina legislature instituted, in carrying out the agenda of its financial backers?

11. 2014 and Beyond

- a. The 2014 midterms were the most expensive in history. Why was this so?
- b. Did the conservative machinery revamp after the 2012 losses? Was 2014 a better year for them?
- c. Was Donald Trump's success in 2016 a triumph or a setback for the Kochtopus and its infrastructure?
- d. What can the recent past suggest to us in terms of the 2018 midterms this year?

C. Facilitator's Guide.

1. Koch Family Origins

- Fred Koch
 - The Koch Brothers' father Fred became rich during and after WWII. Fred was a strict, punitive authoritarian with his children. He was also a political extremist.
 - 1958: Fred was one of eleven original members of the John Birch Society, the archconservative group known for spreading far-fetched conspiracy theories (38). Fred was also racist. "The colored man looms large in the Communist plan to take over America" he claimed in a pamphlet (39).
 - Fred tapped his fortune to subsidize his political activism. He printed copies of his own books (anti-government, anti-Communist screeds) and paid for himself to go on a speaking tour. The FBI took notice, describing him as "utterly absurd" (39).
 - The John Birch Society used 'astroturfing' strategies to spread their message, setting up phony front groups (40).
 - Fred Koch took out full-page ads in *The New York Times* and *The Washington Post* after the JFK assassination, advancing the conspiracy theory that Oswald acted as part of a Communist plot, and including a tear-out form to join the John Birch Society (41). In 1968, Koch called for a Birch Society member to run for

president with Strom Thurmond on a platform calling for racial segregation and abolition of income taxes (41).

- “Charity” as a Tax-Dodge
 - David and Charles absorbed Fred’s conservative politics. After college, Charles came back to Wichita to work in the family business.
 - To minimize future taxes, Fred Koch took advantage of elaborate estate planning, including setting up a “charitable lead trust” to pass on his estate to his sons without inheritance taxes, *as long as the sons donated the accruing interest on the principle to charity for twenty years.*
 - Thus, the Kochs learned early, from their father, that charitable giving was a tax avoidance strategy, which they could use to maximize their financial self-interest (42).
- Fringe Thinkers Capture Koch Attention
 - Seminal to Charles Koch’s political thinking was Robert LeFevre, who started The Freedom School in 1957 that taught “the philosophy of freedom and free enterprise.”
 - The teachers were Holocaust deniers, segregationists, and espoused extreme anti-government views. The school taught a revisionist history of the US in which robber barons were heroes and the Gilded Age was venerated.
 - Taxes were theft by the government, and the weak and poor should be cared for by charity, not government (44). Slavery was a lesser evil than military conscription.
 - Charles was especially impressed by the work of laissez-faire economists Hayek and Mises. Here Charles became indoctrinated with the idea that the free market was the “key to all human freedom.” (46)
 - Charles was extremely enthusiastic about the school and funded it heavily, beginning around 1966. This was his first step towards a “lifelong, tax-deductible sponsorship of libertarianism in America. His hope was to use his wealth to inject his fringe views in to the mainstream by turning the Freedom School into an accredited graduate school and then a four-year undergraduate program.” (46)
- Getting Down to Business
 - Fred Koch died in 1967 and Charles became CEO. At the time, Koch Industries was successful, but slight in comparison to what it became. Principal businesses were refining oil, operating pipelines, and cattle ranching (48).
 - The four brothers didn’t all get along well. They engaged in protracted legal battles for control of family wealth, and for even pettier gains. Litigation between the brothers spanned decades (51).
 - Charles ran Koch Industries as a “brilliant, detail-oriented, metrics-driven manager.” He worked 60 hour weeks; when he proposed to his wife, Liz, he required her to study free-market economics. (52)
 - David lived lavishly in NY; after a plane crash almost killed him, he married and became a “huge benefactor of the arts and medicine”, though miserly with personal assistants and help (53).

- Politics and Such
 - “As their fortunes grew, Charles and David Koch became the primary underwriters of hard-line libertarian politics in America... Charles’s aim was to tear the government out “at the root”” (53).
 - He could have supported existing organizations if he was just motivated to promote free-market economic theories, but he was attracted to fringe groups, driven by an urge to “smash the one thing left in the world that could discipline him: the government.” (54)
 - He came to understand the mechanisms of political power, writing in 1978 that they needed to organize. “Ideas do not spread by themselves; they spread only through people. Which means we need a *movement*.” (54)
 - He sponsored a conference in 1976 that laid the road map for his future strategies. The conference featured papers that highlighted disdain for the public and belief in the necessity of “political subterfuge.”
 - To attract a bigger following, they needed to organize “synthetic ‘grassroots’ groups.” (55)
 - The groups should operate in secret; should use, in Koch’s words, “all modern sales and motivational techniques,” and should cultivate credible leaders and a positive image (55)
 - To gain adherents, Charles argued they should focus on attracting youth, because they are “the only group that is open to a radically different social philosophy” (56). He would act on this belief later by funneling millions into educational indoctrination, including university sponsorship.
 - Traditional gifts to universities wouldn’t guarantee enough ideological control. Instead, they’d need to fund private institutes within universities, where they could influence hiring/firing based on ideology, while hiding who really had control.
 - They should use “ambiguous and misleading names, obscure the true agenda, and conceal the means of control.” (56)
- Presidential Ticket
 - After this 1976 conference, Charles plugged into Libertarian Party politics. In 1980 he persuaded brother David to run for office, securing the vice presidential slot on the Libertarian ticket by essentially promising to pay for the whole campaign.
 - Hilariously, the ticket’s slogan was “The Libertarian Party has only one source of funds: You.” (David ended up paying for 60% of the entire campaign budget. 57).
 - The campaign platform was a replica of the Freedom School’s curriculum - abolition of the FEC, Medicare and Medicaid, the SEC, FDA, EPA, FBI, CIA, the minimum wage, child labor laws, seat belt laws, and even public schools.
 - The government’s sole purpose should be to protect individual and property rights [which might have assumed that everyone gets a fair roll of



the dice, or might have evinced a complete lack of interest in those whose roll of the dice is not equal to the privileged.] (58)

- The campaign failed terribly, and they realized their brand of politics did not resonate with the public. Charles became scornful of conventional politics and to regard politicians as “actors playing out a script.”
 - They’d focus instead on supplying the “themes and words for the scripts.” They’d do this by influencing where the ideas for policies percolate: academia and think tanks.
- Receding from the Public
 - Charles and David receded from the public. They quietly put together a “many-tentacled ideological machine...known as the Kochtopus.” (58)
 - They sought ways to steer American politics hard to the right without having to win the popular vote.
 - They did this with a small cadre of like-minded rich families.
 - “Philanthropy, with its guarantees of anonymity, became their chosen instrument. But their goal was patently political” (59).

2. Scaife and his Strategies

- Origins of the Fortune & Ideology
 - In 50 years, Richard Scaife (heir to Mellon Scaife fortune) personally spent upward of \$1 billion from his family fortune on philanthropy – “most of it” aimed at “influencing American public affairs.” (60)
 - His father was rich but unaccomplished; he did a stint in the OSS (precursor to CIA) during WWII, where he was described as a “lightweight.” But this ignited in his son a lifelong infatuation with conspiracy theories and international affairs and anti-Communist views (61).
 - Grew up believing that wealthy capitalists like his family were under attack – labor riots and class warfare was coming, and so they had to stockpile all the money possible (Koch family had a very similar narrative).
 - They were, literally, descended from the robber barons. His great uncle had been Andrew Mellon, the banking baron who believed that economic inequality wasn’t just inevitable, “it was the just reward for excellence.” (65)
 - Once in public office, Mellon helped “define the 1920s as an era during which business succeeded in rolling back many of the Progressive Era’s reforms” (65).
- The Charitable Trust is Born
 - In 1941, Scaife’s parents created a gigantic charitable trust, the Sarah Scaife Foundation. Its intent was to shelter the family’s wealth from anticipated tax increases. (66).



- The family went on to create a number of additional charitable trusts, with 50-100 million in each. They were set up so that all net income had to be donated to nonprofit charities for 10 or 20 years; after that, the principal balances would pass to heirs free from inheritance taxes (68). He admits in his memoir that it was “a socially useful tax shelter.” (69)
- For both the Kochs and the Scaifes, “the tax law ended up spurring the funding of the modern conservative movement.” (69)
- So he had to donate the interest payments to “charity.” But “nonprofit charities” could include any organization with tax status – including conservative organizations with political goals, and especially “private foundations” that they set up themselves.
- Private foundations have few legal restrictions. They have to donate 5% of their assets each year to nonprofit organizations, and in return they are granted tax deductions.
- They’re common now but these “aggregations of private wealth, intruding into the public arena” were once “seen as a form of unelected and unaccountable plutocratic power.” (70)
- In 1930, there were 200 private foundations; by 1950, there were 2,000; by 1985, there were 30,000; and by 2013, there were over 100,000 private foundations in the US – with assets of over \$800 billion dollars (71).
- Scaife was thus able to direct the spending of the interest payments made by his family trusts to his charitable trusts. He was thus able to be a gigantic donor and grantmaker to causes he cared about – namely conservative groups and ideas (72).
- Too Much Money, Too Few Institutions
 - There was all this money, but how to spend it? There weren’t enough conservative groups and people working on ideas to give the money to.
 - Intellectuals on the right were realizing that they needed to build their own intellectual establishment to counter that of the liberals.
 - Then corporate lawyer Lewis Powell, future Supreme Court justice, had a plan for how conservative business interests could “reclaim American politics” – calling for a surprise attack on the liberal establishment carried out by an “alternative opinion elite” that would be funded privately, by partisans with a pro-business agenda (72).
 - They had to build conservative institutions essentially from scratch.
 - The late 1960s – early 1970s were a daunting time for corporate America. Environmental and consumer movements spawned government regulations and public awakening and activism. Nixon created the EPA and OSHA. EPA was directed to weigh only one concern in setting regulations – public health. “Costs to industry were explicitly deemed irrelevant.” Public respect for business was low (74).



- In this situation, Powell argued that the greatest threat to corporate America wasn't a few leftist extremists – instead, it was “the college campus, the pulpit, the media, the intellectual and literary journals...and politicians.” (75)
- Conservatives and corporate America would have to fight back by capturing public opinion – by exerting influence over the institutions that shape it – academia, the media, churches, and courts.
- To accomplish this, the wealthy conservatives like Koch and Scaife would have to “weaponize their philanthropic giving” and direct the funds towards building these new, alternative institutions (76), to promote a “market” of ideas to give equal balance to liberal and conservative views (81).
 - These included think tanks. Scaife was for decades the largest backer of the Heritage Foundation, and was the largest donor to the American Enterprise Institute. Heritage's whole goal was to create, sell, and inject deeply conservative ideas into the American mainstream, for political purposes (77).
 - This was new, since earlier think tanks had strived to promote the general public interest, rather than narrow partisan interests (79).
- By the end of the 1970s, conservative nonprofits and think-tanks had achieved power and certain legitimacy. “Enormously wealthy right-wing donors had transformed themselves...into the respected ‘other side’ of a two-sided debate.” (82)
- This set the conditions under which, now in the 2010s, we have “fake news” and “alternative facts.” These partisan think-tanks introduced doubt into settled areas of scientific and academic scholarship, undermined unbiased experts, and gave politicians a ‘menu of conflicting statistics and arguments.’ (82)
- Single unified message pushed by those financing the conservative movement: government, not business, is America's problem. (89).
- During the 1970s, and for decades afterwards, public trust in government sank.
- Conservative clout in Congress was growing too. Conservative operative Weyrich created the Republican Study Committee – a caucus that united outside activists and conservative elected officials.
 - Weyrich also launched the American Legislative Exchange Council (ALEC), with Scaife's financial backing. The group, which continues to be extremely powerful, is aimed at waging conservative fights in every state legislature in the country (90).
 - He also formed the Moral Majority with Jerry Falwell. Harking back to Powell's plan to enlist the church in corporate political goals. This was the purpose of the Moral Majority – to bring social and religious conservatives into the pro-corporate agenda (90).
 - It all came together when they worked to elect Reagan, who was a conservative dream. The Heritage Foundation had laid out 1,270 specific policy proposals in its playbook, Mandate for Leadership. The Reagan administration adopted 61% of them (90).

- Conservative foundations had financed a “parallel intellectual establishment” but only through think-tanks. They still hadn’t conquered America’s colleges and universities. That would come next (91).
 - ALEC and the conservative State Policy Network remain powerful forces today. ALEC produces about 1,000 bills a year, 200 of which become state law.
 - The State Policy Network (SPN), a network of conservative think-tanks, provides legislative research (346).

3. Olin and Bradley – Taking on the Academy

- Wealthy industrialist John M. Olin formed his foundation in 1953. He began to fund an “ambitious offensive to reorient the political slant of American higher education to the right.” (93).
 - By the time the foundation ended by design in 2005, it had spent more than \$170 million bankrolling the promotion of free-market ideology and other conservative ideas on American campuses. It “molded and credentialed a whole new generation of conservative graduates and professors.” (94)
- This was “movement philanthropy.”
- The Olin Corporation created a number of environmental catastrophes; private litigation and government enforcement hardened him further towards fighting a subterranean war for pro-corporate policy.
- The plan coalesced with the “beachhead” strategy – to establish conservative cells, or beachheads at the most influential schools to gain the greatest leverage. It required subtlety and some misdirection (103).
 - The idea was to keep the funding on the downlow. They funded programs and scholars that were carefully curated – that the funders likened to “a wine collection” (105).
 - It reaped rewards. Between 1990 and 2001, 56 of the 88 Olin fellows at their Harvard program went on to teach at the University of Chicago, Cornell, Dartmouth, Georgetown, Harvard, MIT, Yale, and Penn. Others became public figures in government, think tanks, and the media (105).
 - They encouraged their scholars to write books, rather than academic articles, because books don’t need to go through such rigorous (or any) peer review (106).
- Most significant Olin Foundation beachheads were at American law schools. It bankrolled an approach to law called “law and economics.” The idea was to harness the power of courts to bring about social, economic, and political change. Law and economics was a tool for pro-corporate ideas.
 - Olin Foundation underwrote 83% of the costs for all Law and Economics programs in American law schools between 185-1989 (more than \$68 million) (107). By 1990, nearly 80 law schools taught the subject. (109)



- The genius of it was that law and economics didn't push an ideology. The idea was that the economic impact of laws and regulations should be factored in, alongside or rather than simply fairness and justice. This was a pro-corporate stealth move (108).
- Olin Foundation also hosted Law & Economics seminars for judges – all expenses paid week-long trips to glamorous and luxe resorts. These became popular free vacations. At one point, 40% of all federal judges had participated in the junkets (110).
- Olin Foundation (along with Scaife and Koch foundations) also provided start-up funds for the Federalist Society, a powerful organization for conservative law students (110). It also funded a string of right-wing newspapers on American college campuses (112).
- The Bradley Foundation also backed public policy experiments, incubated in think tanks. In 2009 it gave gigantic grants to WI think tanks to develop plans to break the power of the state's public employee unions (Walker later delivered on this plan). They also backed other public policy experiments that started at the state level, particularly in Wisconsin, and spread across the nation – including welfare reform, public vouchers for private schools and cutbacks in public employee benefits and collective bargaining (308).

4. Koch Method: Free Market Mayhem

- Charles Koch and Koch Industries were monumental environmental polluters, and their factories and refineries caused numerous injuries and illnesses. He knew his companies were violating the law and seriously injuring workers and innocent folks who just lived nearby. Yet he continued to fight regulation and enforcement at his companies tooth and nail (123).
- Between 1980 – 2005, under Charles' leadership, Koch Industries “developed a stunning record of corporate malfeasance.” (123). They engaged in a pattern of willful and egregious pollution, sometimes just pleading guilty and paying fines when sued (128), actually telling managers that it would be cheaper to pay off damages from a lawsuit if someone died than make repairs to faulty equipment and facilities (130).

5. A Kochtopus is Born

- In the late 1980s, the Kochs adopted a three-phase takeover of American politics set out by their operative Richard Fink:
 - 1) “investment” in intellectuals whose ideas would serve as the “raw products;”
 - 2) investment in think tanks that would turn the ideas into marketable policies;
 - 3) subsidization of “citizens” groups that would, along with special interests, pressure elected officials to implement the policies.
 - This multi-pronged approach was carried out by a series of initiatives that became known as the Kochtopus (142).

- By the mid-90s the Kochs were funding shell corporations and obscure nonprofits that produced attack ads on Democratic candidates. In 1996 alone, these Koch groups produced ads against Dems in 29 races(144).
- This strategy deepened, intensified, and expanded over time. They funded an increasing number of front groups, shell corporations, and shadowy nonprofits, which they likened to a political strategy similar to venture capitalists with diversified portfolios (145).
- They funneled their money through three different channels:
 - 1) political contributions to party committees and candidates;
 - 2) their business made contributions through its political action committee and lobbied; and
 - 3) they founded nonprofit groups, which they filled with tax-deductible contributions from their own private foundations (146).
- This strategy was unprecedented in scope and reach.
- The Koch ‘academic beachhead’ was George Mason University (a public! Institution), particularly the Mercatus Center, which has been described as “a lobbying group disguised as a disinterested academic program.” (150)
- By 2015, the Charles Koch Foundation was subsidizing pro-business, antiregulatory, antitax programs at 307 different American colleges and universities (155).
- So the first two steps in the plan were complete – conservative ideas had become mainstream, through years of funding work of questionable or marginal quality at think tanks and universities. But they needed, in David’s terms, “a sales force.” Enter the astroturf.

6. Boots on the Ground

- The “sales force” started in earnest in 1984, when Koch funded Citizens for a Sound Economy (CSE).
 - From the outside, it looked like an authentic political group. But it was in fact a fake populist movement secretly manufactured by corporate sponsors – “not grass roots, but ‘Astroturf’ (159).
- Because it was classified as a nonprofit “educational” group, it was able to hide the identity of its donors. The largest donors, though, were the Koch brothers, who provided at least 7.9 million between 1986-1993 (159).
- The idea of using a deceptive front group to mask corporate self-interest wasn’t entirely new. Among others, the du Pont family used similar tactics during the New Deal years (159).
 - But over time the scale and reach was unprecedented.
 - Within a few years, CSE had 50 paid field workers in 26 states, rallying voters, selling the ideas of flat tax and privatization of government programs including Social Security (160).
 - Soon CSE was serving as a “front for dozens of the country’s largest corporations.” Later the group created a spin-off, Citizens for the Environment, which called acid rain and other environmental problems “myths” (161).

- CSE became the prototype for corporate-backed opposition campaigns that proliferated after Obama was elected (161).
- Americans for Prosperity grew out of CSE. The stage was set for the Tea Party.

7. **The Tea Party**

- Common wisdom is that the Tea Party movement sprang to life in America spontaneously, “unsullied by vested financial interests.” This is a lie. In reality, “a small number of people with massive resources orchestrated, manipulated, and exploited” the economic unrest after the recession for their own purposes (165).
- From the start, “the ostensibly anti-elitist rebellion was funded, stirred, and organized by experienced political elites.” (168). Theda Skocpol has observed that the Tea Party was a “mass rebellion...funded by corporate billionaires”, led by GOP kingpins, and promoted by rich conservative media celebrities (168).
- Obama was up against a new form of “permanent campaigning”, waged not around candidates but rather by rich people and corporations who could fund their own private field operations (169).
 - This led to Congressional inaction and gridlock. In the words of Jerry Lewis, a GOP congressman, regarding any action on any bill of any kind: “We can’t play.” (173)
 - Obama was “unrealistically confident that he could transcend partisan rancor.” (174)

8. **More on the Tea Party**

- In 2008, right groups started experimenting with using Twitter to help organize right-wingers. This led to Americans for Prosperity to register the domain TaxPayerTeaParty.com, using their network of 50+ staffers to plan rallies across the US (180).
- The Heritage Foundation, the Cato Institute, and Americans for prosperity provided “speakers, talking points, press releases, transportation, and other logistical support” for the rallies (180).
- AfP helped ‘educate’ the activists who showed up at the rallies on policy details and gave them lists of elected officials to target (181).
- FreedomWorks, funded by Phillip Morris and Scaife, was heavily involved in the Tea Party. The group’s director of state and federal campaigns counseled supporters with how to plan rallies, what issues to protest, provided slogans and signs to use, and sponsored a daily conference call with 50+ Tea Party activists across the US to coordinate their efforts (182).
- FreedomWorks inked a deal with Glenn Beck – for \$1million a year, Beck read “embedded content” written by FreedomWorks staff. The arrangement was described on FreedomWorks’ tax disclosures as “advertising services.” (183)

- When Democratic congresspeople held town halls that summer, there were ruckuses started by Tea Partiers. They seemed spontaneous, but actually were in part organized and certainly subsidized by FreedomWorks and other right groups (194).
- The press exaggerated the size of the grassroots groundswell (195).
 - The actual number of Tea Party activists “was not, by historical standards, all that large. But the professionalization of the underground infrastructure, the growth of sympathetic and in some cases subsidized media outlets, and the concentrated money pushing the message from the fringe to center stage were truly consequential.” (196)

9. The Fossils & Climate Science

- Oil companies have long history in lobbying and extracting power and bennies from US government. In 1913, the oil industry fought for and won a special tax loophole, the “oil depletion allowance.” (203)
- Although oil industry benefited “enormously from the federal government in the form of favorable tax treatment, huge government contracts, and aid in building pipelines,” it became a bastion of anti-government conservatism (202).
- Oil magnates suffer from what Bryan Burroughs termed the “deep-tissue insecurity of the nouveau riche,” who were hell-bent on keeping what they’d just earned (203).
 - Environmentalism wasn’t a polarized issue before relatively recently – remember that the EPA and OSHA were established under Reagan; H.W. Bush accepted science without dispute, sending his secretary of state to the first international summit of climate scientists. He wasn’t an outlier in his party – “for decades, the environmental movement had enjoyed bipartisan support.” (204)
 - This is echoed in David Vogel’s recent book, *California Greenin’* – many of California’s environmental successes, including regulatory policy, enjoyed broad bipartisan support and were established under Republican state administrations.
- But as public opinion and scientific knowledge about climate change mounted in favor of action, the fossil fuel industry organized and financed a counteroffensive.
- Between 2005-2008, a single source – the Kochs – poured \$25 million into dozens of different organizations fighting climate reform. They outspent the world’s largest public oil company, ExxonMobil, by a factor of three (204).
- An academic study found that between 2003-2010, over half a billion dollars was spent on a “campaign to manipulate and mislead the public about the threat posed by climate change.” The study found that a corporate lobbying campaign “disguised as a tax-exempt, philanthropic endeavor” had used 140 conservative foundations to disburse 5,300 grants to about 100 “nonprofit” groups – think tanks, trade associations, other foundations, and academic and legal programs. They all engaged in a “permanent campaign” to undermine science and defeat regulations (205).
- Three-quarters of all the funds were untraceable (205). This was in part due to “donor-advised funds”, where wealthy conservative donors and foundations could pool their funds and serve as a screen. DonorsTrust, the largest such money screen, was

described as “the dark-money ATM of the conservative movement” by Mother Jones (206).

- Dems use donor-advised funds too, the largest of which is Tides Foundation. But DonorsTrust soon had “four times the funds and a far more strategic board” (206).
- Much of the stealth funding bought the dissemination of scientific doubt. It followed a playbook developed by tobacco companies in the 1960s to fabricate uncertainty about the science linking smoking to cancer.
 - As one PR firm put it, “Doubt is our product.” (207)
- Winning over public opinion was hard. As late as 2003, 75% of *Republicans* supported strict environmental regulations (209).
 - The key was to question the science.
 - The tactic was to discredit scientists supporting climate change and create an alternative scientific narrative, even if it was blatantly false.
 - This alternative scientific narrative came in the form of dark-money funded think tank pieces, non-peer reviewed studies, and dubious academic studies –including one where the payments for the production of ‘scientific’ studies were marked as ‘deliverables’ by fossil fuel company sponsors (210).
- Interestingly, while partisan differences among the general public remained small, as the 2000s wore on, partisan differences between elected officials grew “into a gaping chasm” (211). So the partisan shift among elected officials grew before the partisan shift in public opinion.
 - This shift tracks rather linearly to increases to Republican elected officials and candidates by the oil, gas, and coal industries (211).
 - Also interestingly, climate change deniers also recruited conservative evangelical Christian leaders (213).
 - Recall that enlisting the Church as an ally was an earlier strategy of Republicans looking to coalition-build.
 - A hit film in evangelical circles was released called *Resisting the Green Dragon* that equated environmentalism with the worship of a false god (213).
- By 2010, the scientific evidence of climate change had only increased further. Yet 48% of Americans believed that fears of global warming were “generally exaggerated.” This wedge and divergence was bought and paid for by industry using the tactics above (224).

10. Citizens United

- On Jan 10, 2010, the Supreme Court announced its 5-4 decision in *Citizens United*, overturning “a century of restrictions banning corporations and unions from spending” unlimited amounts to elect candidates (227). As long as corporations gave their money

to outside groups, rather than to the candidates directly, they could spend unlimited amounts to promote their chosen candidate.

- To reach this verdict, the Court accepted the argument that “corporations had the same rights to free speech as citizens.” (228)
- Quickly thereafter, this standard was also adopted for individual contributions, in the appeals court case *SpeechNow*. As long as individuals gave to independent groups working to elect a candidate, rather than to the candidate directly, there could be no donation limits (228).
 - These decisions were the culmination of decades of work by wealthy archconservatives.
- One family who had been particularly tireless in this fight was the DeVos clan of Michigan.
 - Built their fortune on Amway, which hawked a “gospel of wealth with cultlike fervor” (230). The DeVoses were Dutch Reformed Church members, which was a “vitriolic center of the Christian Right.”
 - It crusaded against “abortion, homosexuality, feminism, and modern science,” as well as “extreme free-market economic theories rejecting government intervention” (230).
 - Amway was structured “to avoid federal taxes,” by having its salesman called “independent business owners” rather than employees – thus no need for Social Security contributions and employee benefits. (The original “gig economy”).
 - The FTC and IRS disagreed, bringing various legal challenges over the years, alleging that Amway was just a pyramid scheme to mislead its distributors (231).
- The DeVoses were angry about the legal limits to how much they could spend on elections.
- After Watergate in 1974, Congress set new contribution limits and established the public financing of presidential campaigns. Opponents like the DeVoses struggled to find work-arounds. In 1976, the Supreme Court struck down limits on independent expenditures, opening an alternative pathway for big campaign spending (231).
- In 1980, DeVos and Andel (his Amway partner) led the way in independent expenditures – they were the top spenders on behalf of Reagan’s presidential candidacy and later Republican candidates (232).
- DeVoses were also involved in funding other aspects of the right’s infrastructure, including the Heritage Foundation and the Intercollegiate Studies Institute, and were active in the secretive Council for National Policy (233).
- Dick DeVos married into “the other royal family of Michigan’s Dutch Reformed community,” Betsy Prince. Her brother founded the mercenary firm Blackwater; her father was a billionaire auto parts manufacturing magnate (234).
- Betsy and Dick funded legal challenges to campaign finance laws. They were founding board members of the James Madison Center for Free Speech, of which Senator Mitch McConnell was honorary chair.



- They cast their opposition to campaign-finance restrictions as a “principled defense of free speech” – although McConnell revealed a more partisan motive. He once admitted, “a spending edge is the only thing that gives Republicans a chance to compete.” (234)
- The James Madison center took its fight to the courts. In addition to the DeVos family, early donors included the Christian Coalition and the NRA (235).
- In Betsy DeVos’s own words in support of unlimited campaign contributions: “I have decided to stop taking offense at the suggestion that we are buying influence. Now I simply concede the point. They are right. We do expect some things in return...We expect a return on our investment.” (235-236).
 - Citizens United was that return on investment. It was orchestrated by the Madison Center’s general counsel, Jim Bopp, who admitted, “We had a 10-year plan to take this all down...I think we can pretty well dismantle the entire regulatory regime that is called campaign finance law.” (236)
 - With Citizens United, they really sealed the deal. “By flashing a bright green light, the Supreme Court sent a message to the wealthy and their political operatives that when it came to raising and spending money, they now could act with impunity. Both the legal fog and the political stigma lifted.” (238)

11. **Dark Money’s Midterm Debut: 2010**

- As soon as the Court handed down its decision in Citizens United, Ed Gillespie (later Republican gubernatorial candidate) he and Karl Rove started pitching a new kind of shadow political machine, through which Republican high rollers could now “legally funnel limitless amounts of cash” (242).
 - As Rove said, “People call us a vast right-wing conspiracy, but we’re really a half-assed right-wing conspiracy. Now it’s time to get serious.” (242)
- Obama’s ratings were sky-high – so instead, Gillespie looked to the states. He knew that 2011 was a year in which many state legislatures would redraw the boundaries of their congressional and state legislative districts, which only took place once a decade. So he put together a plan to take over governorships and state legislatures (243). REDMAP was born.
- Similar plans were hatched and executed for Congressional and Senatorial takeovers.
 - Incredibly, as late as May 2010, David Axelrod (Obama’s Senior Advisor) barely knew who the Kochs were. When a reporter asked what he knew about them, he seemed unsure. “Obama’s political team was almost clueless.” (258)
- As the congressional races grew nasty with dark-money bankrolled attack ads on TV, internet and print media, Gillespie’s REDMAP channeled dark money into “one local state legislature race after another. These were furtive, well-coordinated projects to take over the statehouses in Wisconsin, Michigan, Ohio, and Elsewhere.” (261)
- Indeed, the Citizens United decision was an even bigger ‘game changer’ at the local level than at the national level, because money goes so much farther in local races. A

single donor, like the Kochs, could play a “significant and even decisive role” in specific races (262).

- For instance, in North Carolina, Art Pope and his family spent \$2.2 million dollars in 2010 state legislative races, and Republicans won 18 of the 22 races they targeted. \$2.2 million would be just a fraction of just one congressional race’s budget – but at the state legislative level, it essentially bought the chambers – “placing both chambers of the generally assembly firmly under Republican majorities for the first time since 1870” (264-265).
- As reality dawned on the Obama administration, they realized there was nothing they could do and they’d completely missed the boat.
 - “We lost all hope in October” one White House aide said (265).
- On November 2, 2010, Democrats lost 63 seats in the House, the largest turnover since 1948. At the state level, the losses were even more staggering. Republicans gained 675 legislative seats; they won control of the legislature and governor’s office (trifecta control) in 21 states.
 - As a consequence, Republicans now had four times as many districts to gerrymander as Democrats, and they built a firewall to protect Congressional and state legislative control for a decade (266).

12. The Spoils

- As a very small group of ultrarich, ultraconservative Republicans began to wield increasing financial control over the financing of elections, Theda Skocpol found that the House took “the biggest leap to the far right” since political scientists had begun measuring legislators’ positions (273).
- The radicalization of the moneyed Right led Republicans in Congress to advocate for policies much to the right of rank and file Republican citizens, and to try tactics they would never have dared to before.
- For instance, Koch Industries PAC was the single largest oil and gas industry donor to members of the House Energy and Commerce Committee – having donated to 22 of the committee’s 31 Republican members (and 5 Dem members too).
 - 5 of the 6 Republican freshman on the committee had received “outside” support from Americans for Prosperity.
 - Many new committee members had signed a promise to vote against any kind of carbon tax unless offset by spending cuts (an unlikely scenario). This pledge was invented by Americans for Prosperity (273-274).
 - Not surprisingly, this allegiance to funders tracked directly to the votes of such Congresspeople.
 - This, despite the fact that in 2012, Koch Industries was the number one producer of toxic waste in the United States, and the country’s fifth largest polluter (275).
- By 2011, the conservative nonprofit ecosystem also succeeded in reframing the 2008 financial meltdown as having been caused by “too much government, not too little” in financial markets regulation (292).



- This ‘big lie’ was told over and over again by the American Enterprise Institute, a conservative think-tank. Its claims “failed to withstand even casual scrutiny” by traditional economists and academics (293).
- And yet, by 2011, politicians backed by those same think-tanks and their conservative donors were echoing this ‘big lie.’ (293)
- This big lie, along with a similar conservative-backed claim that the biggest economic issue facing the country was the deficit, forced Obama to go on the defensive when budget-time rolled around and Paul Ryan introduced his plans. Instead of talking about jobs and spending, Obama was forced to talk about the deficit and bargaining over how many trillions to cut. Republicans were jubilant (296), leading wealthy donors to give even more generously.
- By 2011, extremist upstarts had formed a powerful clique in the Republican party – the Young Guns. “Many owed more to the Kochs and other radical rich backers than they did to the party.” (297)
 - They refused to compromise, to govern. They claimed it was a matter of principle, but really they were reacting to their rich backers, who just had to “threaten a primary challenge, and “they start wetting their pants,”” (297).
- This unwillingness to govern led to the debt ceiling fight and the sequester, which damaged Obama’s popularity and led to a perception of his weakness (300). The Republicans showed they had no incentive or interest in governing or bargaining. The wealthy conservative machinery behind them would simply find someone else to do the job if they refused.

13. The 2012 Setback

- 2012 was the first presidential since Citizens United, and the Kochs were stoked.
 - Nate Silver predicted that if the Republicans chose a strong candidate, Obama would lose (302).
- But finding a strong Republican candidate was difficult – because each billionaire wanted his own guy, rather than forging a consensus around a particular candidate.
- The Kochs came up with a cleverer way to mask money – they pooled cash donations in the form of a 501(c)(6) “business league” nonprofit entity. The genius was that donations by wealthy conservatives were classified as “membership dues” – meaning the wealthy donors could deduct the donations as “business expenses.” Further, donors anonymity was protected by law. In 2011 alone, this entity, Freedom Partners, accumulated over \$250 million (305).
 - Baldly, their original incorporation documents stated to the IRS that it did not “currently plan to influence any election” and in the future might only do so to “an insubstantial” extent (305).
- Kochs rallied around Walker during the ultimately unsuccessful campaign to recall him as governor, using Themis, a high-tech data bank they had developed, to help get out the vote (311).

- Indeed by 2012, the Kochs had created a level of infrastructure that rivaled the Republican establishment in terms of data, strategy, and money.
 - They hired top-level political operatives, financed their own voter data bank, and did their own polling.
 - They forged a coalition of 17+ allied conservative groups with niche constituencies (including women, Latinos, millennials, gun groups, retirees, evangelical Christian groups) who agreed to mask their centralized source of funding (the Kochs) and carry their message.
 - They created the Center for Shared Services, which coordinated administrative tasks like office space rentals, human resources, and other services for these groups (313).
 - They established what was in effect their own private political party. (313)
- The dark money spending in 2012 was incredible. On its own, in 2012, the Kochs' network of a few hundred individuals spent \$407 million – this was more than John McCain spent on his entire presidential bid in 2008.
 - Ken Vogel at Politico found that in the 2012 presidential race, the top .04 percent of donors contributed about the same amount as the bottom 68 percent (314).
- But each billionaire wanted his guy – which we later saw repeated in the 2016 presidential election. Foster Friess gave millions to Rick Santorum; Sheldon Adelson gave \$20 million to Newt Gingrich. By the time those two bowed out, damage had been done on the Republican side (320).
- The Republican shift from broad-based party funding to hugely wealthy individual donors changed the race into an ideologically driven, atomistic ecosystem.
- While Obama had at first been unwilling to support the idea of Obama super PACs, he reversed his position when it became clear he would otherwise be utterly outspent (322).
- The Kochtopus stayed largely invisible during the 2012 elections, but the CA Fair Political Practices Commission did launch an investigation into the tangled web of Koch-funded front groups operating in California. The agency blasted the front groups as “definitely money laundering” and imposed a record-breaking \$1 million fine to settle the case (327).
- In the final stretch of the 2012 presidential, it became clear that it was very close and would come down to voter turnout. Republicans accused Democrats of voter fraud, and Democrats countered that the allegations of voter fraud was the actual fraud (328).
 - After REDMAP and the takeover of state legislatures, in 2011 and 2012, 37 states launched legislative initiatives to require voters to provide official photo IDs (328).
 - There was, it appeared, a rash of grassroots fever over voter fraud – but beneath the surface were the same set of deep-pocketed conservative front groups.
- Nonetheless, voters turned out for Obama. Karl Rove had a fit on the air on Fox the night of the election, refusing to admit defeat (330).
- What happened? Koch insiders believed their data had been wrong (331).



- The newly conservative state legislatures hadn't succeeded in suppressing the Democratic vote enough through new voter ID laws (by 2016, they would have far more success).
- And the one-billionaire, one-candidate approach had probably been confusing to the Republican public.
- Also, as described later, the state-level voter suppression laws that conservative states would go on to pass in a year or so hadn't quite gotten off the ground, so voter turnout was still high among Dems in 2012.
- They hadn't won the White House, but they had changed the face of American democracy. They had privatized much of the public campaign process, and dominated the agenda for one of the two major political parties (332).
- Contrary to predictions, Citizens United had not triggered a tidal wave of corporate political spending. Instead, it had empowered a small group of extraordinarily rich individuals and families to spend an unlimited amount of money on their personal, self-serving agendas.
- The days of "compassionate conservatism" or expanding Medicare drug coverage – as Republicans had discussed during the Bush presidencies – was over. Government was a force for evil, full stop, and there was no middle ground to discuss (332).

14. **The States: Gaining Ground**

- While Obama won reelection in 2012, Republicans held on to the house and the state legislatures they'd captured in 2010. This was so even though the turnout was bigger in 2012 for Democrats than for Republicans. How?
- The REDMAP plan had worked "remarkably well." The newly conservative state legislatures had drawn new congressional lines in 2011 that had favored Republicans – so much so that they held on to the house and their state seats (333).
- This happened in North Carolina and in other states.
 - The gerrymander in North Carolina was particularly good for Republicans. In effect, the new map had resegregated folks along racial lines. Progressive groups filed a lawsuit claiming that the new maps violated the Voting Rights Act, which prohibits discriminatory elections.
 - The case was headed to the state's supreme court, where Republicans had a 4-3 advantage, making it likely that the Republican maps would get a friendly hearing.
 - But first, the judges had to face reelection in 2012. One Republican incumbent looked fragile – so outside groups spent more than \$2.3 million helping him win reelection – "an unheard-of sum in such a judicial race." (336)
 - Among others, such funders included the Republican State Leadership Committee and Americans for Prosperity (336).
 - The Republican judge was narrowly re-elected, and the state supreme court upheld the Republican gerrymandered maps. (This case later went on to the Supreme Court.)

- This type of strategy was widespread. The Republicans channeled dark money into state and local races at a terrific rate – which not only succeeded in advancing their political goals, but also succeeded in “wiping out a generation of lower-level Democratic office holders who could rise in the future.”
- From 2010 to 2014, Democrats lost more than 900 state legislative seats and 11 governorships (337).
- The North Carolina legislature then got to work carrying out the conservative agenda of its financial backers.
 - In a matter of months, they slashed corporate taxes and the wealthy, while cutting benefits and services for the middle class and poor.
 - They gutted environmental programs, limited access to abortion, backed a constitutional ban on gay marriage, and legalized concealed guns on schools and playgrounds.
 - The legislature also enacted cumbersome barriers to voting, designed to discourage poor and minority voters (339).

15. Data, 2014 Wins, and Beyond...

- Going into the 2014 midterms, the Kochs had refined their data operation. They’d invested in i360, a political data company that they merged with Themis. Soon it had 100 staffers, and assembled portraits of 250 million Americans and 190 million active voters (368).
- Until then, the voter file had been a core function of the RNC. But now the Kochs had a rival operation, and several Republican candidates started to purchase i360s data, even though it was more expensive (369).
- The Republican party was a bit sidelined, and started using i360 too. The Kochs were “building a party from outside to take over the party” (369).
- It worked. The conservative machinery had retooled and revamped after the 2012 loss. In November, 2014, Republicans picked up 9 seats in the Senate, winning full control of both congressional chambers (370).
 - It was the most expensive midterm in history. The Koch network had poured \$100 million into House and Senate races, and almost \$200 million into other kinds of activism (370)
- Leading into the 2016 election, it was back to the “one billionaire, one candidate” approach for the Republicans. Donald Trump came into the mix as a self-funded candidate, who didn’t need the Koch money.
- Why did the Republican win in 2016 but not in 2012? What happened in between then? Voter suppression laws had gone into effect in the intervening time, among other changes in the political and social landscape.
- We’ll have to see what happens in 2018...



Sister District Action Network (SDAN) is a 501(c)(4) organization that primarily focuses on nonpartisan education and advocacy on civic engagement issues. Specifically, SDAN aims to:

- *Educate voters on the importance of state and local elections;*
- *Train new leaders interested in becoming community activists;*
- *Conduct research in partnership with nonprofit and academic partners to test new methods to increase civic engagement and voter participation;*
- *Disseminate best practices for voter engagement and civic participation.*

SDAN is affiliated with the Sister District Project, but it is a separate legal entity.