

## #74 Kochland: Inside the Koch's Vision for Public Education

Jennifer Berkshire: Welcome to Have You Heard. I'm Jennifer Berkshire.

Jack Schneider: And I'm Jack Schneider.

Berkshire: And Jack, I thought as a special treat we could start this episode with a little multimedia display. Okay.

Schneider: Is this going to be another musical?

Berkshire: It is not going to be another musical. Okay. Are you ready?

Schneider: I don't know if I'm ever ready, but yes. Okay, go ahead.

Berkshire: Okay.

Video from Yes Every Kid: Over the years we've lost sight of the goal of education. Our kids, like parts stamped out on an assembly line, are hammered and filed away to fit a mold. Our teachers subject to endless tests and rules are handcuffed. Our voices muted, and when we've begged for reform, we've been handed top-down one size fits all solutions because they don't know our schools or our kids. Well, it's time for a revolution in education and it starts with us.

We are parents, teachers and kids and now we're inviting everyone to the table. Together we are building a movement. We are the enemy of average. We're innovators and we're here to make change from the ground up. It's time we say yes. Respect the dignity of every student, yes! Unleash the extraordinary potential of every learner. It's time we stand up and shout "yes, every kid!"

Berkshire: So I should just describe how you looked as you were listening to that. Your head was literally a blaze.

Schneider: Well, it was every buzzword and I kept waiting for them to tell us what we should get behind and then it just abruptly ended. So I found that to be either, you know, a fairly compelling satire, or somebody edited like the, you know, the product pitch off the end. You know, I would expect something like 'this is a digital management platform for an algorithm that kids can sit in front of and we'll all pretend that it's personalized learning.'

Berkshire: Well, perhaps even more importantly for the sake of this episode, could you tell who was behind Yes, Every Kid?

Schneider: I couldn't, but it seemed like a large money organization that has some ulterior motive because why else are we, you know, not getting a clear understanding of what this

organization is about? I'm picturing Dr. Claw, stroking his cat and laughing at the marketing materials that have been produced for his latest scheme for taking over the world.

Berkshire: Well, Jack, you're close. I'll go ahead and blurt it out that Yes, Every Kid is brought to you by the Koch brothers.

Schneider: Now how is that? That is, I'm like 100% right on that. Charles Koch *is* Dr. Claw. Should I have used his other name? Should I have used his, his street name? Charles Koch?

Berkshire: Well, so there is obviously a reason why we're talking about this today. So as you know, I'm a voracious reader and I often have the experience where I read something that has really has very little to do with education and I get very excited about it. And I send an excited email to the author of said book. And I say, you know, I've got this podcast about education. Would you come on and talk about something you know nothing about?

Schneider: And then you email me and say, 'Hey, do you have any interest in doing this?' And I say, well, I don't know that it's a great idea. And you say, well, we've already booked to the author.

Berkshire: Well, today's story is a little bit different. I reached out to Christopher Leonard, who is the author of a monumental new book about Koch Industries.

Schneider: Should I pick it up and drop it? Should I drop it on the table or the floor?

Berkshire: The floor.

Schneider: It might break the table.

Berkshire: Wow. So the book is called Kochland. And when I wrote to Chris Leonard and said, you know, I'm so excited about your book and one of the reasons that I'm interested is that the Kochs are moving into education in a big way. Instead of saying, you know, I'm not sure that's a topic I really want to take on, he had the exact opposite response. He said, you know, I worked on the book for seven years. I was so sorry that I couldn't include more about education because it turns out to be such a priority for them and for the Koch network and Jack, can you imagine how excited I was?

Schneider: One of the things that I think is so interesting about the book is that although it doesn't really discuss public education, it is very clear as you read through this, as I'm looking at my sticky notes here, that the Koch philosophy that emerges from essentially the corporate world is very much what informs their approach to education. And I think the fact that it isn't about schools actually ends up being more illuminating about what the Kochs might bring to public education because you can see it unvarnished, right? You can see it in its clearest kind of ideological form.

Berkshire: Our guest today is Christopher Leonard. He's the author of the bestselling new book *Kochland*, the secret history of Koch Industries and corporate power in America. Leonard goes deep into the Kochs world as he traces the rise of their family corporation. It's a book about business, but Leonard says that as he tried to understand the enigma that is Charles Koch, he kept encountering an issue that we don't typically associate with the Koch brothers education.

Christopher Leonard: Charles Koch and Koch Industries were huge supporters and huge funders of ALEC through the 1990s. And I interviewed a woman named Bonnie Sue Cooper who was executive director of ALEC in the late nineties and she was talking to me about Charles Koch and Koch's support and influence for ALEC. And I asked her what, what the biggest issues were for Koch, what did he care about? And you know, there were a lot of predictable answers about energy and electricity and things like that. But one of the things she said they focused on was education. And this was really interesting to me and actually that didn't make it into the book because I focused on on business elements.

Berkshire: Leonard says that to understand why public education has been such a preoccupation for the Koch family, you have to understand how they see the world.

Leonard: Charles Koch is an extreme libertarian, if you will. You know, he talks about this very detailed formulated worldview. He has that that is inspired by these Austrian economists like Ludwig Von Mises or Frederick Hayak. And the basic theory you take from these thinkers is that the only way to really organize society is as a voluntary exchange system. As a market. Okay. The King of all things needs to be price because in the view of these economists, you know, you and I can talk about what we really value. But in reality what we really value is what we pay for. And you know, price is what determines what we really value in what we don't. So in the view of Charles Koch and these economists, the world needs to be organized as a private marketplace. So there's a price on public roads, there's a price on retirement, there's a price on health care, there's a price on education. And that when the government intervenes in the system to try to, you know, give something away for free in their view, all it does is distort the price and it distorts the market system and it creates more problems than it solves.

Berkshire: If you're thinking that the Kochs are interested in say, acquiring public schools as a business investment, that is not it. Leonard says that their objection to the system of public education is ideological, starting with the taxes that pay for it.

Leonard: The entire system of public education is a massive distortion. In fact, it's kind of a poster child for everything wrong with government intervention because you know Hayak and Von Mises, they talk about government program after government program that is well intentioned but only causes more problems than it solves. So when you have public education, first of all, one of the biggest problems for the libertarians is that it's funded through taxes. And when you look back over the rhetoric and you look back over the writings of the libertarian

thinkers that Charles Koch is funded through the Cato Institute or other groups, they see taxation truly as a form of theft and robbery.

Berkshire: So Jack, there were various moments in the book where I really wished that I could be somewhere, you know, in proximity to you as you read it because I really figured...

Schneider: I'd be breaking things?

Berkshire: That this would just be something that would be, that would push you over the edge. And one of them is right here on page three 69. So Charles Koch is very enamored of an economic approach called experimental economics. And this is where you test out various theories in a laboratory setting. So he hires a guy and, and has the guy run, you know, various experiments. And one of the things he wants him to take a look at is a more efficient way to organize public education. And I thought, what a, just what an amazing example, right? Of that, you know, that you're going to do this in a lab. Like how, how sterile and, and I, I can just guess you have a, you'd have a long list of variables that, that he probably wouldn't think to include in the experiment.

Schneider: What I think is so interesting is that we can see Charles Koch's approach to education in the way he runs Koch Industries. So, you know, I think he would contest my claim that Koch Industries is much simpler than education. Koch Industries is hugely complex, right? We have a set of shell corporations nested together, uh, in a sort of Byzantine corporate hierarchy designed to thwart regulators. But the difference is that Koch Industries is focused on one bottom line, on making profits. And Charles Koch has created a top down organization that is ruthlessly focused on return on investment. And so I think to his mind, uh, governance in education should be exactly as it is at Koch Industries. It therefore would make total sense to, you know, try to run some model that would tell you how to run public education. It just so happens however, that public education is vastly more complex than even this, you know, incredibly, you know, obtuse and obscure corporation.

Berkshire: Well, I was very curious about what the results were of that experiment, if they really did find a way to organize public education more efficiently. And I asked Chris Leonard about that and he said that he never was able to find any papers or anything related to public education because the economist running the experiment was almost always sidetracked by some other pressing Koch Industry problem. Like what was the, what was the ideal amount you had to pay in order to convince people who were holding out, you know, to give up their land for a pipeline.

Okay. Back to the book. Now, there is an actual public school that appears in Koch land. Christopher Leonard spotted it when he was at Koch industry headquarters about to interview Charles Koch himself. Leonard was taking in the vast expanse of the Prairie through the windows, the executive suite. And right there on the very grounds of the Koch campus was a Wichita public school. So what was that like?

Leonard: So when I was there looking out over that vista, there was a kind of physical operations guy who was explaining to me that when you looked out northward, Charles Koch essentially owned every piece of property to the horizon through a trust or you know, all these different ownership vehicles he has. And my understanding is that Charles Koch essentially donated the land or allowed the land to be used to build that public school that you can see from his window. So, you know, I don't think that the relationship goes any deeper than that.

And you know, Koch has been what we call a good corporate citizen in Wichita. They're very engaged in the civic culture there and public schools are certainly part of that. But you can't get away from this view that where they want to move it is to an entirely private system. I mean, public schools might be this, the status quo way, things work today that the Koch philanthropic network would kind of accommodate themselves to in, in ways like this. It's like letting a public school be built there. But the ultimate vision is that I think a public system would be replaced entirely by a private sector school system, which in their view is, you know, more efficient or would deliver better results.

Berkshire: Leonard traces the evolution of Koch Industries into one of the private companies in the world. There's a big question that hangs over the book. What happens next? Charles Koch who took over the company in 1967 is now 84 years old. His brother David, died just a few months ago. This is also a story about the likely heir to the throne, Charles's son Chase Koch. And as it happens, he shares the family interest in disrupting public education.

Leonard: One thing that's really interesting to me is that Charles Koch son, Chase Koch, is sort of the heir apparent to take over the corporate empire. And Chase has been taught the theory of market-based management since he was a little kid. He's been cultivated to take over the company. One of Chase Koch's earliest independent actions was to launch a private school in Wichita, Kansas. And in many ways it sounds like a great school. You know, of course you have to pay. It's private, but they're really focused on this different kind of curriculum that they say is more flexible. It's more project based. And I think what you see here is an effort to create a parallel private education system that they would say is better training the next generation of Wichita children to be employees at places like Koch Industries where you have to be entrepreneurial, you have to be more project focused. So you see that they are definitely acting to try to create this, this sort of separate private educational sphere.

Berkshire: The central premise of the book is that the rise of Koch Industries parallels the transformation of the American economy into something that looks like, well, Kochland. The story Leonard tells is also about what happens to Koch's actual employees. He spent years reporting on the workers at a unionized warehouse facility in Oregon that formerly belonged to Georgia Pacific.

Leonard: What would happen is Koch installed the software system. Actually it was installed right before Koch bought the company, but Koch employed this tracking system that would, first

of all, it would direct these warehouse employees who are driving these forklifts. It would direct their movements every minute of the day for their 10 and 12 hours shift, tell them where to go and what to do. But it also tracked their performance. And then Koch would publicly post the rankings so you'd have the top tier performers in the red, I'm sorry, the top tier performers in the green zone, the middle tier in the yellow. And then the slowest warehouse drivers would be in the quote unquote red zone. And if you are in the red zone too often, you would be disciplined or fired.

The key thing about publicly posting those rankings is that it's this idea of solidarity with the workforce. So even though these employees still belonged to a labor union, they've been systematically divided and pitted against one another. And you know, at this point, the union is really just sort of struggling to keep what they have now. It's not bargaining for anything more than to hold onto their pension and, um, try to stop the deterioration of their take home pay.

Berkshire: So Jack, as I listened to Christopher Leonard describing Koch Industries' data-driven approach to getting more out of their employees. I couldn't help but think about how we've seen similar things happening in education. Did you pick up on that?

Schneider: Yeah. And what goes hand in hand with that is the union busting that is so characteristic of Koch Industries. So we see this pretty early in the book with uh, the attempt to bust the pine bend union. And you can see a kind of philosophy emerging here that, you know, managers cannot do their jobs unless employees take direction. And Charles Koch as the head of this organization needs people to follow orders if he is going to exert control over the organization. Again, it just so happens that public education does not make for a very good parallel here that teachers are actually professionals, who have deep knowledge, not only of their craft but also the context in which they work. And so telling teachers to follow orders actually will undermine the success of their work in a way that it might not. If we're talking about, you know, uh, the construction of oil pipelines.

Berkshire: Now over the past few years, we've started to hear growing concerns on the right that the kids are turning into socialists. I was curious about whether Leonard thinks that that might be driving the Koch's push to meld the minds of the next generation.

Leonard: I've got to tell you, I mean, I've spent years working on this book and I've spent countless hours talking with senior people at Koch and they would just kind of shake their heads at me and feel sorry for me that my brain had been poisoned by these socialist ideas at school. They see, I think, public education as a model of collectivism that is, is just sort of a bad example in and of itself. So that's why they've been fighting it. What is ironic is that the strain of modern capitalism as we know it, which values shareholder profits pretty much above any other concern, you know, which leads to the offshoring, the grinding nature of work these days, the lack of control have it's become profoundly alienating to people. And I mean particularly this young generation that graduated college into the teeth of the great recession and a totally anemic recovery since then. You know, this in fact, I think points to the split between Trumpism

and Kochism today. The Trump people believe that if you keep alienating working Americans in this way, they're going to go to Bernie Sanders, they're going to go to socialism and that you need to have this kind of pro working class, so called America first approach of conservatism. Whereas the Koch Network is sticking with this libertarian, you know, super capitalism point of view. And those, those two views are doing battle right now in conservative circles.

Berkshire: So I want to dwell here just for a second on what Leonard was talking about, about this distinction between what he described as Trumpism and Kochism. And that you can go down this list of policy areas and identify pretty quickly where they're not in agreement on things like immigration, on maybe on criminal justice. But Jack, do you know one policy area where there is near complete overlap?

Schneider: I feel like I'm being set up.

Berkshire: You are, you are. People know that you're familiar with the book, they've heard you cite chapters and...

Schneider: Right. So, so I have no excuse for not being prepared for this. Public education.

Berkshire: Correct, right. That education in general, the conservative position now is basically the DeVosian view. And so it means you have this weird phenomenon where you have, you know, like rural residents and, and people who are furious with the coastal elites and what they're being offered is the disruption of schools that are oftentimes the key institution in their communities. And so, you know, DeVos was saying it again this weekend that, you know, we need to invest in individuals not in their schools. Right? Like, that is ludicrous. Or, you know, why do you care about vouchers if you're in an area with no private schools? Right? Like, so when I hear this, I think of it as a huge opportunity for critics of Kochism and Trumpism.

Schneider: We've talked about this many times on the show about the strange bedfellows we see coming together to support policy proposals like school vouchers, where on the one hand we've got, you know, people who are inclined to send their children to religious schools and would like to do so at state expense. On the other hand, we've got folks like Charles Koch who believe that really the government should get out of every business that it can, and who believe that regulation is the enemy of any successful organization. And you know, they come together here around a set of policy proposals in public education that, you know, Donald Trump in so far as Betsy DeVos represents him, may support but may support for, you know, some other set of reasons or no reason at all.

Berkshire: One of the great ironies of the Koch business success story is that for all of their anti-regulatory zeal, they've profited as a result of regulation. Here I'll share a quote from Leonard's book that sums it up. "It is revealing that Koch Industries expands almost exclusively into businesses that are uncompetitive dominated by monopolistic firms and deeply intertwined with government subsidies and regulation." So that description reminds me a lot of the way that

the Kochs and other quote unquote disruptors talk about the public education status quo. And there is a reason for that, says Leonard.

Leonard: It's very hard to build public taxpayer funded systems that work. It is a constant struggle whether you're talking about highway infrastructure, um, public markets, you know, like commodities, trading markets, whether you're talking about education, it is a hard job and the Koch network benefits from the struggle and the dysfunction in the public sphere, whether it's the struggle and the dysfunction in Congress, which allows the incumbent status quo, big corporations to benefit so much, or whether it's the extremely difficult struggle to run public schools that allows people to come in and point at that system and say, look how dysfunctional this is. We need to raise up a private sector parallel to compete with it.

Berkshire: Remember way back at the start of this episode when I played that, yes, every kid video for Jack. Well, I asked Christopher Leonard what he makes of the coax latest foray into public education and he was quite blunt after seven years spent digging deep into the Koch worldview, their company and their political advocacy group, Americans for prosperity, he is not buying the inspiring appeals to break free work together, say yes and make change. And he says that you shouldn't either.

Leonard: Know what the blueprint is. The Koch influence machine is multifaceted and complex and I am just telling you in a very honest way, there's a huge difference between the marketing materials produced by Americans for Prosperity and the behind the scenes actual political philosophy. There's a huge difference. And here's the actual political philosophy. Government is bad. Public education must be destroyed for the good of all American citizens in this view.

So the ultimate goal is to dismantle the public education system entirely and replace it with a privately run education system, which the operatives in this group believe in a sincere way is better for everybody. Now, whether you agree with that or not as the big question, but we cannot have any doubt, there's going to be a lot of glossy marketing materials about opportunity, innovation, efficiency. At its core though the the network seeks to dismantle the public education system because they see it as destructive. So that is what's the actual aim of this group. And don't let them tell you anything different.

Berkshire: That was Christopher Leonard, the author of Kochland, the Secret History of Koch Industries and Corporate Power in America. I can't recommend it highly enough. And Jack and I will be back after the break to wrap things up and I'm going to test him to see just how closely he did this episode's reading assignment.

[Music]

So Jack, I don't know if you noticed, but there was a fascinating little tidbit about the fact that Koch Industries likes to hire people for their executive team who went to state universities. The,

they don't like to hire kids who graduated from, you know, from the IVs from the elites. And so, you know what that means, right?

Schneider: It means that, um, let's see, I can think through... This logic puzzle is a typical Jennifer logic puzzle. It means that they are, I don't know.

Berkshire: It means that only one of us is Koch material!

Schneider: Oh yeah, you got me. You got me. That's good. That's good. Yeah. I did notice at one point, and shame on me for not being able to remember this employee's name, but it was a strike against him that he had a degree from Yale, you know, he had not gone to Texas A and M as many of them had and been trained as engineers to work in oil and natural gas. You know, I think he may have even had an MBA from Yale. You know, this is ironic because Charles Koch has a couple of degrees from MIT. But there is a kind of anti elitism built into this, even as Charles Koch, the MIT educated devotee of Hayak and Von Mises, is, you know, running this business with a fairly elaborate set of economic, philosophical principles. So there's a kind of interesting pairing there, I think.

Berkshire: Well, and it's doubly ironic and sadly ironic in that they are also really leading the charge to cut back the, the public dollars that pay to support state universities. Right?

Schneider: Yes. So much of this story helps explain the Koch position in education. I think so. Um, you know, I think I've gotten a neat and tidy answer to the irony that you've presented, which is actually, uh, engineering is a program that I think Charles Koch would get behind because there's your return on investment, right? Those people who go and get engineering degrees at Texas A and M go work for Koch Industries or you know, some rival and are employed and are therefore, uh, you know, paying taxes are not on the Dole and are economically productive members of society. He sees that as a useful expenditure of funds. Now he would prefer that those funds be spent by private individuals who are either funding it themselves or taking out loans to do so. But there is a return on investment there. Whereas I think he would strongly disagree with state funds which come from taxpayer dollars being used to educate people, let's say in the liberal arts.

Berkshire: Are you saying that he might not want to hire a double major in poetry and political science from Eastern Illinois University?

Schneider: Well, Jennifer, you've got a powerful skillset, so he might, and actually there's some new research. I was just reading something by David Deming at Harvard about how initially undergraduates who major in fields like engineering, these applied fields make more upon graduation, that eventually the liberal arts majors catch up because they have a flexible set of skills that allow them to step into different roles, uh, over time and actually continue updating their skill sets. So there is hope for you at Koch Industries yet, Jennifer.

Berkshire: Well, and you've also set the stage for me to lead our listeners over the paywall.

Schneider: Oh my God. It turns out that the paywall is in Wichita today folks and Jennifer will be guiding you on a tour of Koch Industries wearing her Koch Industries hard hat and carrying her Eastern Illinois diploma with her.

Berkshire: Well Jack, I thought since you dutifully did your reading this week? I would surprise you...

Schneider: This week? This week? When you say that, that extra phrase there makes it sound like I don't usually do my reading.

Berkshire: Let's move on. So Jack, I thought that in our special extended episode that we call In the Weeds, we could discuss an essay that has been so divisive, so irritating to many that it's come to be known simply as "the essay." Do you know of what I speak?

Schneider: It's gotta be something that you wrote if it's, if it's that annoying, Jennifer.

Berkshire: Well, as part of our multimedia tour, I actually brought a hard copy of the magazine just to prompt your memory.

Schneider: Oh my gosh, yes. The George Packer article. The 10,000 word article that like everybody I know from professional and personal life sent me and asked for comment on,

Berkshire: Well, save some of that bile and strong reaction for the other side of the paywall. If you'd like to join us there, all you have to do is go to [Patreon.com](https://www.patreon.com) and search for Have You Heard. And you'll see a list of all the cool extras you can get for just a couple of dollars a month. You get things like reading lists and you get to hear Jack and I hold forth about even more interesting topics.

Schneider: The bile may be reserved for those who pay to go beyond the paywall, but the rest of the content is open to everyone. As a part of our publicly oriented mission, we ask in return only that you help spread the word. So tell people that you're listening to the show. Tweet about us. You can tag our Twitter handle: [@HaveYouHeardPod](https://twitter.com/HaveYouHeardPod) at. It often engages back with people. And go on and give us a rating. I think that that helps people find the show on iTunes, Stitcher, or wherever you get it.

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