



Written by on June 10, 2011

## Fred Koch: Oil Man Against Communism

In the year 1930, the city of Tiflis (now Tbilisi) was a captive capital. The ancient city in the heart of the Caucasus, with its mountain scenery and splendid architecture, was enduring, with the rest of the Soviet Union, the onset of Stalin's reign of terror. As elsewhere in the Soviet Union, ordinary people had become practiced in the arts of sullen self-preservation. Perhaps that was why no one offered to help the men working to extricate one of their party from an overturned car before the badly damaged vehicle burst into flames. The men wore business suits and spoke English, though few of the passersby recognized the unfamiliar tongue. The man trapped in the car, on the other hand, was a feral-faced communist "handler," a man with considerable clout in the Soviet government.



Eventually, the foreigners managed to pull out their little "guide," whose name was Jerome Livshitz. As soon as he was on his feet, Livshitz addressed one of the foreigners, a young man scarcely 30. "Why did you save my life?" Livshitz asked. "We are enemies. I would not have saved yours. Perhaps when the revolution comes to the U.S.A. and I return there, I will spare your lives."

Many years later, the American businessman who had helped to rescue Livshitz still expressed astonishment at the little Bolshevik's cruel and unyielding ideology.

"[Livshitz] told me that if his own mother stood in the way of the revolution he would strangle her with his bare hands," he wrote. "This is the mark of a hard-core Communist. They will do anything — anything." The businessman's name was Fred C. Koch.

### **Building a Business**

At the time, Fred Koch was already a wunderkind in the petroleum industry. Born in 1900 the son of a Dutch immigrant from Quanah, Texas, Fred had graduated from MIT in 1922 with a chemical engineering degree. He was first employed by the Texas Company in Port Arthur, Texas, and then by the Medway Oil and Storage Company in Kent, England, where he was chief engineer. Only three years after graduation from college, Koch rejoined an MIT classmate at Keith-Winkler Engineering, a petrochemical engineering concern in Wichita, Kansas. His friend P. C. Keith soon moved on, however, and later in 1925, the firm was renamed the Winkler-Koch Engineering Company.

Within two years, Koch had devised a more efficient procedure for cracking crude oil — the process by which crude oil is refined into gasoline and other products. Cracking was first invented by a Russian engineer, Vladimir Shukhov, in the late 19th century. By the 1920s, the petroleum industry was fully fledged, in no small measure in response to the needs of the burgeoning automobile industry. Then as



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now, the petroleum industry was dominated by a few mega-corporations that did not scruple to enlist the power of the state to enforce their near-monopolistic dominance of the industry at the expense of smaller would-be competitors. Koch's new royalty-free thermal cracking process, by producing higher yields of refined gasoline from crude oil and reducing down time, helped smaller companies to better compete with their larger, more entrenched, and better-capitalized rivals. The latter lost no time in attacking Koch, filing no less than 44 lawsuits against Winkler-Koch and all its customers in a contemptible campaign to force the company out of business. That Winkler-Koch won every lawsuit but one (and that verdict was later overturned when it was discovered that the judge had been bribed) is evidence enough that the full-frontal legal assault on the upstart Koch was inspired by no higher motives than envy and greed. We must suppose that, as a result of the campaign to sue him out of the refining business, Fred Koch must have begun to understand that the modern American business sector was not nearly as free-market as it was cracked up to be.

Vindicated though he must have felt at staving off the lawsuits, they proved to be Pyrrhic victories. The cost and production delays occasioned by litigation left Winkler-Koch unable to conduct business in the United States for several years — as the Big Oil oligarchs intended. Undismayed, Koch and his associates turned their attention to potential foreign markets, including the Soviet Union, where there was a demand for American expertise in petroleum engineering. Ironically, the litigation unleashed by anti-free-market monopolists at home prompted Koch to look eastward, to the rising communist sphere of influence, for new contracts. From 1929 to 1932, Koch built 15 cracking units in the Soviet Union, and many others elsewhere in Europe, the Middle East, and Asia. He also brought Soviet technicians to the United States for training — some of whom opted not to return to their Stalinist motherland.

### **Repelled by Revolution**

It was Fred Koch's hands-on experience with Soviet Communism that convinced him of the unmitigated evil of such a system, and ultimately turned him into a passionate crusader on behalf of liberty. In 1960, three decades after his hands-on experience in the Soviet Union, he published a small but trenchant tract, *A Business Man Looks at Communism*, which spelled out his convictions and won many admirers. The Soviet Union, he wrote, was a "land of hunger, misery, and terror." He had seen firsthand the fruits of Soviet Communism, both at home and abroad. One of his original Soviet associates, a Mr. Barinoff, the president of a major Soviet oil concern in Baku, whom Koch described as a "very large man with handle-bar mustache," befriended the American at a meeting in Wichita. "Mr. Barinoff told me to be sure and come to see him at Baku," Koch wrote. "When I came to Russia a year and a half later Mr. Barinoff was dead, shot by Stalin." Another prominent Soviet oil executive at the Wichita meeting, a Mr. Ganshin, was, at the time of Koch's visit, "on trial for his life, later to be shot." As for the Soviet engineers that Winkler-Koch trained in the United States:

As far as I could tell most of these men were subsequently shot or sent to Siberia. One man, a little fellow by the name of Hatchatouroff, after leaving Wichita to return to Russia, found out in Germany that he would be shot when he reached home, so he came back to the U.S.A., and to Wichita. In order to help him we gave him a job, but after a few months, in the spring of 1930, he either committed suicide, or was murdered by the Soviet Secret Police, which unknown to most people has operated in the United States for thirty years. There is a saying among Communists that it is easier to commit an artistic murder than an artistic suicide. In other words many murders are made to look like suicide, so we will never know the truth about Hatchatouroff's death in Wichita.

Thus did Soviet communism cannibalize its own.



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Koch was exposed to communism by precept as well as by experience, thanks to the unflagging evangelism of Jerome Livshitz, his handler during his time in the Soviet Union. Livshitz, like many elite Russian revolutionaries, was well educated and eager to debate the alleged merits of the Soviet system with his captive American audience. "In the months I traveled with [Livshitz] he gave me a liberal education in Communist techniques and methods," Koch recalled:

He told me how the Communists were going to infiltrate the U.S.A. in the schools, universities, churches, labor unions, government, armed forces, and to use his words, "We will make you rotten to the core." I believe that due to his American experience he was one of the original architects of the Communist plan of subversion of the U.S.A.

But Livshitz — whose life had once been saved by capitalists who plucked him from beneath an automobile — suffered a no less indecorous end than many of Koch's other Soviet associates; he was liquidated by Stalin in 1936.

### **How to Corral Communism**

*A Business Man Looks at Communism* furnishes a neat overview of the theory of Marxism-Leninism; the late Livshitz had at least been a good preceptor. At a time when many of the wealthy and well- (or perhaps over-) educated rhapsodized about the supposedly high-minded principles of socialism and of Stalin's program, Koch, in crisp, businesslike prose, demolished the Soviet cause in a mere 40 hard-hitting pages. But Koch was no reflexive fear-monger; he perceived, correctly as affairs have turned out, the comprehensive character of the communist threat. Where others saw only the military danger, Koch understood, thanks to the indiscreet boasting of Livshitz, that the communists' aim was to conquer by subversion. He comprehended their patience and their willingness to appear to give ground tactically for strategic advantage. He perceived that the communists were masters at long-term planning:

If you do not think dialectically, you are at the mercy of any trick they pull. They are working it all around the world today — the dialectic thrust and then retreat. They surge in Iraq. We send troops to Lebanon. They retreat, then thrust at Berlin. We react and they smile, and send over the mass murderer Khrushchev breathing smiles and peace one minute and Communist propaganda and threats of nuclear destruction the next.... Words do not mean to a Communist what they mean to you and me. This is a carry-over from the Aesopian language of the revolutionary in Czarist days. When a Communist says he wants peace he means he wants Communism. When he says he wants "peaceful coexistence" he means he wants no outward violence while he bores from within and conquers you by treason and subversion.

Koch warned that American institutions were honeycombed with communist subversives, from labor unions and tax-free foundations to universities and churches. Art and newsprint, radio and television — all these media had been transmuted into vehicles of communist propaganda. Koch declared unflinchingly that the United Nations was a tool of the communists:

The United Nations ... has been a rotten core of subversion. It is a haven for subversives and security risks. UNESCO has been spewing forth Communist and World government propaganda into our schools for years. The U.N. was conceived by the Russians during World War II as a device to continue collaboration with the United States which had proven so profitable to them. The argument that the U.N. is an instrument of peace is entirely fallacious. Is there any indication that since the U.N. has been in existence there is any less war than formerly? As a matter of fact there are more arms, hatred, threats, brush fires and threats of war than there have ever been.... The



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U.N. will undoubtedly be one of the most important tools for the Communist take-over of America.... Let us give Red China a seat in the U.N. — our seat!!!!

To fight the scourge of communism, Koch the businessman urged Americans to educate themselves about communism, to organize, and to act, never compromising their principles no matter how withering the rhetorical opposition. “Be scrupulous about your evidence and the rules of fair play before making a charge against any individual or group,” Koch warned. “You have helped Communism instead of hurting it when you have to retract.... The TRUTH and EXPOSURE are your most powerful weapons.”

To those too young to remember the Cold War, some of Fred Koch’s concerns may seem anachronistic. After all, goes received wisdom, the Soviet Union and Eastern Bloc collapsed without a shot being fired, and freedom is now breaking out the world over. Yet America is less free now than at any time in her history, excepting perhaps the extreme regimentation during World War II. While we are still a far cry from the Soviet Union of Stalin, Americans now seem willing to tolerate comprehensive attacks on our liberty carried out in the name of a war on terror. Where once helmeted storm troopers kicking in doors were tropes associated with totalitarianism, they are a commonplace nowadays on American soil — all in the name of a feckless war on drugs. Where America once took pride in a laissez-faire business climate, businessmen and consumers alike seem to positively embrace the growing ascendancy of the federal government, with its legions of bureaucrats and regulators, over every facet of the economy. From perverted full-body patdowns in our airports to our newly socialized medical system, Americans — large numbers of them, at any rate — seem eager to participate in a Gadarene rush into full-blown socialism of a sort that would have made the Stalins and Khrushchevs of yesteryear proud.

Fred Koch was no fly-by-night pamphleteer. He spent a generous portion of his later years using his wealth and influence to fight the communism he abhorred. He was an early member of the The John Birch Society’s National Council, an advisory group to JBS founder Robert Welch. Koch supported a variety of freedom-related causes, all the while continuing to build the company today known as Koch Industries. Today Koch Industries produces not only a wide range of petroleum-based products and related goods like process equipment, but also has diversified into chemicals, fibers, plastics and forest and consumer products. As Matthew Continetti of *The Weekly Standard* put it:

You wake up in the morning and turn on a light using electricity generated by oil and natural gas that Koch Industries discovered, sold, refined, and delivered to the power plant. You get out of bed and your feet touch a carpet made from Koch polymers. You drink from a paper cup manufactured by Koch. You use a Koch paper towel to clean up water spilled from the cup. You get dressed in Lycra products made by Koch. You leave the house, built from materials that in all likelihood have at some point intersected with a Koch company, and get into a car powered by gasoline made by Koch Industries. You drive to the airport where you get on an airplane using fuel refined at a Koch facility. If the airplane is Air Force One, when you get thirsty you have some coffee from the Koch-produced official presidential coffee cup. You hijack the plane and demand that the pilot take you to a country where there is no Koch presence, no Koch employee, no Koch brand. But he can’t.

Fred Koch died in 1967, not long after turning over management of Koch Industries to his son Charles. Were he alive today, he would doubtless be pleased that virulent communism as he knew it has withdrawn from Soviet soil, and that the Soviet Union itself has ceased to exist. He would probably be dismayed, however, that the United States is still enmeshed in the United Nations, and that she has traveled very far down the road to socialist serfdom. He would no doubt perceive the irony that, despite the demise of the Bolsheviks, their program for America, as a wispy little revolutionary explained it to



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him so long ago, is still very much in force. The process of subversion, corruption, and compromise of liberty continues apace, even if its authors are nowadays known (to the extent that they are recognized at all) by different names. But the occasional Fred Kochs that America is still capable of nurturing — the men of exceptional abilities who somehow avoid being seduced by success and who are willing to hazard all in the fight against organized evil — afford us hope that, after all, truth and right will prevail in the long run.

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