



MARIONETTES AND MAZES:

Exposing the New Venture
Fund's "Pop-Up" Network

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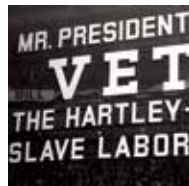
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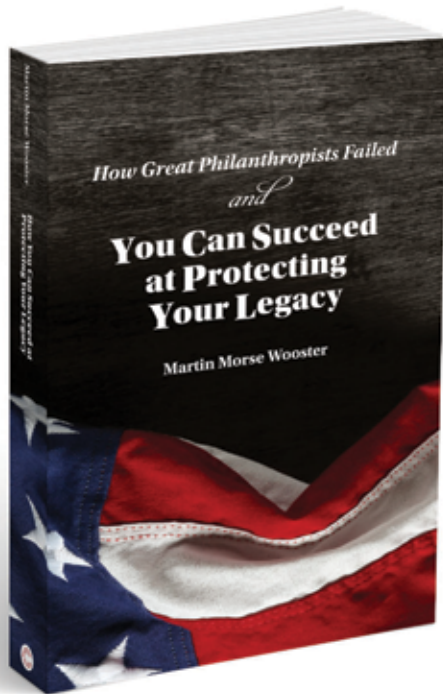


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Is Your Legacy Safe?



An instructive and cautionary tale for our time.

—W.J. Hume,
Jaquelin Hume Foundation

This is a must read for anyone thinking about establishing a private foundation.

—Linda Childears,
President and CEO, The Daniels Fund

No, your legacy is not safe.

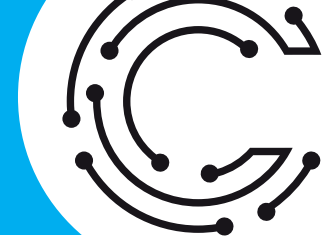
It is hard enough to give well when you're living. After you're gone, the odds of successful giving are stacked even higher against you. Entrepreneurial geniuses like Andrew Carnegie, John D. Rockefeller, and Henry Ford were rarely tricked out of their money in business deals. But when they gave their money away, they failed to have their intentions respected.

This fascinating book covers the history of some of the biggest philanthropic mistakes and offers practical tips on how to protect your legacy. Everyone who wants to use their money to change the world needs to read this book.

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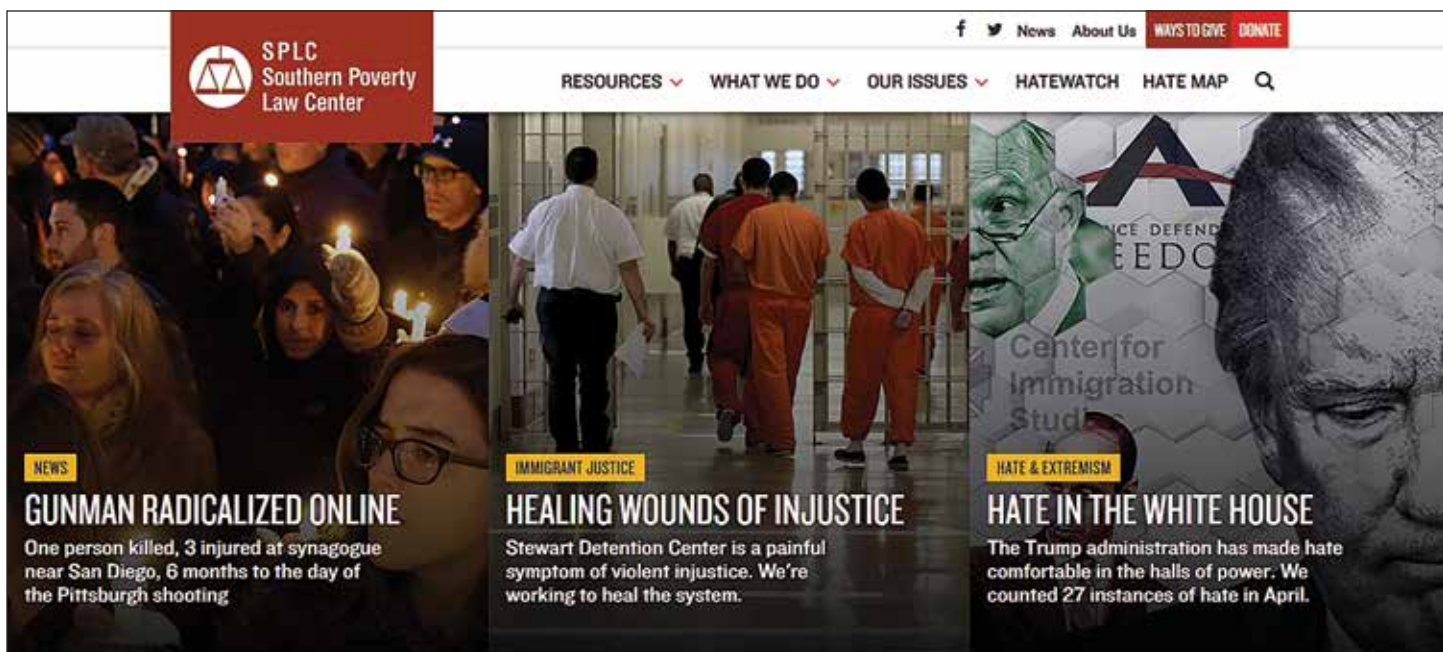


CAPITAL RESEARCH CENTER
AMERICA'S INVESTIGATIVE THINK TANK



TWITTER DUMPS SOUTHERN POVERTY LAW CENTER, STOPS MAKING HATE PAY

By Kristen Eastlick



Credit: SPLC screenshot. License: splcenter.org

Other Southern Poverty Law Center lists of alleged extremists have included Kentucky Sen. Rand Paul, U.S. Housing and Urban Development Secretary Ben Carson, and Supreme Court litigators at the Alliance Defending Freedom.

Twitter has quietly dumped the Southern Poverty Law Center from its “Trust and Safety Council,” according to a recent report. After a March scandal exposed the Law Center’s leadership for apparently participating in the racist and sexist conduct it proclaims to be policing, it’s tempting to ask why Twitter didn’t loudly promote the separation. But a more pertinent question is: Why have media and corporate America ever relied upon the Law Center’s advice at all?

The recent scandal may have exposed the Law Center’s history of hypocrisy, but the rabid watchdog’s dishonest definition of “hate,” and arguably even more duplicitous fundraising from it, has been an obvious and ongoing scandal for years. It’s well past time for those who have relied upon this, sometimes dangerously, unscrupulous guidance to also dump the Law Center.



Why have media and corporate America ever relied upon the Law Center’s advice at all?

The Law Center’s reputation as the hate authority stems from supposedly well-researched lists of hateful extremist groups and individuals. And its so-called “Hate Map” does include some seemingly well-selected targets, such as 51 Ku Klux Klan affiliates.

But the Klan has absurd company. A 2016 Southern Poverty Law Center guide to supposedly anti-Muslim extremists warned journalists to steer clear of Ayaan Hirsi Ali, a decorated human rights advocate who agitates against female genital mutilation and other forms of

Muslim extremism. Maajid Nawaz, mentioned on the same list, successfully sued the Law Center into a \$3.4 million

Kristen Eastlick is senior vice president of Programs and Communications.

settlement and a public apology. Other Southern Poverty Law Center warning lists of alleged extremists have included Kentucky Sen. Rand Paul, U.S. Housing and Urban Development Secretary Ben Carson, and Supreme Court litigators at the Alliance Defending Freedom.

The Family Research Council, a traditional conservative Christian group with a downtown D.C. headquarters, was deemed a hate group by the Law Center in 2010. Real hate arrived at the Family Research Council's front door less than two years later when a domestic terrorist shot a security guard. Debriefed by the FBI, the gunman said he'd both picked his target and found its address by shopping the SPLC "hate" list.

Reckless language can have awful consequences. To ask why the Law Center would continuously be so careless despite the risks is to solicit the answer given by Willie Sutton when asked why he robbed banks: "Because that's where the money is!" The Southern Poverty Law Center raked in \$132 million in 2017, and its endowment pushed to nearly half a billion dollars.

Observers from within the civil rights community have known for years the Law Center and its founder, Morris Dees, were all about the money.

CC —————
The hate lists always seemed to grow suspiciously in concert with fundraising appeal hyperbole.

Yale law professor Stephen Bright, former director of the Southern Center for Human Rights, told the *Los Angeles Times* the Law Center's fundraising was "fraudulent" and called Dees a "flimflam man" who "managed to flimflam his way along for many years."

Former Law Center employee Bob Moser, writing in the *New Yorker*, noted the hate lists always seemed to grow



Credit: Tim Pierre. License: <https://bit.ly/2H2aHt0>.

Pictured above Morris Dees. Yale law professor Stephen Bright, former director of the Southern Center for Human Rights, told the Los Angeles Times the Law Center's fundraising was "fraudulent" and called Dees a "flimflam man" who "managed to flimflam his way along for many years."

suspiciously in concert with fundraising appeal hyperbole: "though the center claimed to be effective in fighting extremism, 'hate' always continued to be on the rise." This led to a cynical saying amongst the staffers: "The S.P.L.C.—making hate pay." Moser speculated over whether he and his compatriots were "complicit" by just quietly cashing paychecks and "ripping off donors on behalf of an organization that never lived up to the values it espoused."

The corporate friends of the Law Center need to demonstrate Moser's commendable self-awareness. Like Twitter, Amazon and other big companies have relied on the Law Center's hate lists to make major business decisions. AmazonSmile, the retailer's charity program, will not allow nonprofits listed on the Law Center's "Hate Map" to participate. Visa and Mastercard flirted with refusing to process credit card donations made to groups listed on the map.

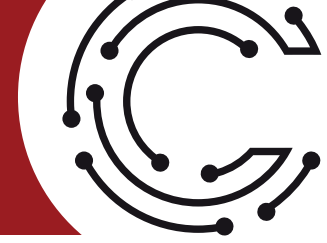
Prospects for internal reform at the Law Center are slim. Board member Karen Baynes-Dunning became the interim president in the wake of the scandals. Presumably, she wouldn't have joined the board if she had disagreed with the reckless hate-list branding and fundraising in which the organization has long engaged. A recent interview posted by NPR didn't reveal any intent on her part to deviate from this course.

And so, Citizens for Corporate Accountability recently appealed to Southern Poverty Law Center donors to suspend giving until the group retracts its noxious fundraising tool. It issued an open letter to Amazon founder Jeff Bezos, urging him to rethink the Southern Poverty Law Center relationship.

It's about time. If corporate America wants to shun contemptible business partners, why would it allow just such an odious actor to guard the door? ■

This article originally appeared in the Washington Examiner on April 29, 2019.

Read previous articles from the Commentary series online at <https://capitalresearch.org/category/commentary/>.



SWIMMING IN GREEN: EXPOSING THE OAK FOUNDATION, THE LEFT'S GREEN GIANT

By Kevin Mooney and Hayden Ludwig

Summary: Many left-wing foundations in the U.S. support overtly political causes in the name of “philanthropy,” spending tens of millions of dollars each year pushing an environmentalist agenda. But one of these “green” mega-funders shells out its millions from the seclusion of its headquarters in Switzerland—far beyond the reach of IRS disclosure rules. Meet the Oak Foundation, the Left’s “green giant.”



Credit: Oak Foundation/screenshot. License: oakfnd.org

Unlike American foundations, which are required to disclose their spending, much of the Oak Foundation’s funding enjoys virtual anonymity in the United States.

One of the Left’s greatest accomplishments is turning support for an overtly political issue—global warming—into philanthropy. Dozens of massive foundations pour hundreds of millions of dollars each year into “climate resilience” and “climate justice” causes in America.

But one funder, the mysterious Oak Foundation, does so with little to no American oversight. Ensnared in the alpine city of Geneva, Switzerland, this mega-funder quietly spends its millions on activist groups that push climate change policies in the developing world and encourage cities to sue the oil and gas industry over supposed global warming-related damages. And unlike American foundations, which are required to disclose their spending, much of Oak’s funding enjoys virtual anonymity in the United States.

A Swiss Green Giant?

So what is the Oak Foundation? The group is headquartered in Geneva, Switzerland, with offices in the United States, the United Kingdom, Denmark, Bulgaria, India, Zimbabwe, and Tanzania. The original, Europe-based foundation was created in 1983; its smaller U.S. affiliate was created around 1999 (though records are unclear).

Identifying founding records on the Geneva Oak Foundation itself is more difficult than might be expected. A search

of Swiss corporate records reveals no entities registered in the country under the names “Oak Foundation” or “Oak Philanthropy” (the name supplied by the group’s 2017 annual report). An archived page posted by the Oak Foundation states “Oak Philanthropy Limited” as being incorporated in Jersey, a British-owned part of the Channel Islands located off the French coast near Normandy.



A search of Swiss corporate records reveals no entities registered in the country under the names “Oak Foundation” or “Oak Philanthropy.”

The foundation’s 2018 annual report claims that Oak Philanthropy Limited is wholly owned by Oak Holdings Limited, but there’s another Jersey entity that was formed

Hayden Ludwig is an investigative researcher at CRC. Kevin Mooney is an investigative reporter with The Daily Signal who also writes and reports for several national publications including National Review, the Daily Caller, American Spectator and the Washington Examiner.

on September 1, 1997, and registered to the same address in Jersey as Oak Philanthropy Limited.

Oak Holdings Limited's 2018 annual report provides some additional insight, noting that Oak Holdings Limited is co-owned by RBC Trust Company Jersey Limited, an incorporation and offshore services entity affiliated with the Royal Bank of Canada Wealth Management, and Oak Fiduciary Services Limited. The purpose of this indirect ownership is unclear and made all the more confusing because the Oak Foundation in Switzerland isn't bound to follow IRS disclosure and filing rules.

The foundation's latest annual report shows that Oak made more than \$350 million in grants in 2018 alone to groups in 36 countries covering a number of issue areas, most notably humanitarian causes (like preventing child sex abuse), the environment, and what it calls "special interest" projects—a catch-all term covering genuine charities as well as "social justice" activism.

According to the online service FoundationSearch, Oak's American arm—the San Francisco-based Oak Foundation USA—paid out \$430 million in grants between 1999 and 2016. These grants run the gamut of issue areas with a particular emphasis on environmentalist and social justice causes.

For example, since 2003 Oak has given Oceana \$16.9 million, ClimateWorks Foundation \$4 million, Climatecare Foundation USA \$3.1 million, New Venture Fund \$2.7 million, the Natural Resources Defense Council \$2.5 million, the Energy Foundation \$2.2 million, and 350.org \$1 million. In October 2016, Oak also announced a \$20 million grant to the Climate Justice Resilience Fund, an environmental project of the left-wing fiscal sponsor group New Venture Fund.

Social justice-oriented groups funded by the Oak Foundation USA include the Robin Hood Foundation (\$9.6 million), Human Rights Watch (\$9 million), the Fund for Global Human Rights (\$4.6 million), New Profit (\$3 million), the Center for Constitutional Rights (\$2.4 million), the U.S. Committee for Refugees and Immigrants (\$1.6 million), and the Tides Foundation (\$1.1 million).

The Oak Foundation's "special interest" category of grants covers a wide range of issue areas, many of which are genuinely charitable; others are less so.

One Oak Foundation grant recipient is El Pueblo, Inc., a North Carolina-based Latino voter mobilization and registration organization that agitates against increased enforcement of illegal immigration laws. In 2018, Oak granted \$4 million to Human Rights Watch to "counter the anti-rights populist surge" in the U.S. (presumably among conservatives).

One of the Oak Foundation's areas of focus is funding climate change activism. The group has funded Greenpeace, the World Resources Institute, Environmental Law Institute, World Wildlife Fund, and other eco-activist groups

to support the 2015 Paris Climate Accords and push global warming policies.

In 2018, the group gave \$1 million to Oil Change International "to align the global energy transition

with the goals set in the historic Paris [Climate Accord] by ending public funding of fossil fuels." The Oak Foundation also directed a \$3 million grant to Rockefeller Philanthropy Advisors to promote "climate mitigation efforts."

In 2018, Oak gave \$1 million to ClimateWorks Foundation "to support the greening of the Belt and Road Initiative," a global trade infrastructure project pushed by Chinese President Xi Jinping to link the communist country with the rest of Eurasia. Another Oak grant to the Brazil-based Instituto Clima e Sociedade is meant to "strengthen Brazilian civil society . . . by supporting the Brazilian Government to reduce greenhouse gas emissions."

Funding "Climate Justice" and Global Warming Litigation

According to the Oak Foundation's website, the nonprofit has committed \$100 million to "climate justice" programs to be spent between 2015 and 2020. Oak has pledged a whopping \$75 million over five years to ClimateWorks Foundation, a frequent Oak grant recipient, for "climate change mitigation" and another \$20 million to the Climate Justice Resilience Fund, which seeks to indoctrinate developing countries in Africa and Asia with "climate justice" schemes.

One grant recipient under this program is the Center for International Environmental Law (CIEL), a litigation nonprofit in Washington, D.C. The Center for International Environmental Law's board of trustees includes climate



The Oak Foundation's "special interest" category covers a wide range of philanthropic interests, many of which are genuinely charitable; others are less so.

attorney Matt Pawa and Sharon Eubanks, who spearheaded the U.S. Justice Department’s tobacco litigation in the 1990s. The group even runs a website called Smoke & Fumes which accuses oil and gas companies of “benefit[ing] from the tobacco [industry’s] playbook in their fight against climate science.” Advisers to Center for International Environmental Law include John H. Adams, founding director of the Natural Resources Defense Council, and Brent Blackwelder, founding president of Friends of the Earth.

Another recipient of Oak Foundation grants is EarthRights International, a Washington, D.C.-based legal nonprofit. EarthRights represents two key clients in Colorado—the city and county of Boulder and San Miguel County—involved in a climate liability lawsuit against ExxonMobil and Suncor. According to FoundationSearch, the Oak Foundation USA has given \$360,000 in grants to EarthRights since 2008.

But perhaps the most disturbing example of the Oak Foundation’s funding is its support for a campaign to promote climate change litigation in Canada.

In January 2019, the British Columbia capital of Victoria endorsed filing a class-action lawsuit against multiple fossil fuel companies in Canada and abroad alleging damages from climate change. The proposed lawsuit would seek compensation for municipal “climate adaptation costs” supposedly resulting from energy companies’ greenhouse gas emissions. The Victoria government has since called on other Canadian cities to join the proposed lawsuit.

The endorsement, a first in Canada, follows a string of climate change policies enacted by the Canadian government in recent years, including a carbon tax implemented in April. Depending on where individuals live, the tax is estimated to cost consumers as much as \$1,120 more in annual energy bills.

In November 2018, the mayor of the ski resort town of Whistler, British Columbia, sent letters to 20 oil and gas companies demanding they “commit to pay[ing] a fair share of the costs of climate change being experienced by Whistler.” Those “costs” reportedly included estimates of low snowfall in future years, which the mayor blamed on climate change.

As it turns out, Whistler and Victoria aren’t alone: another 18 Canadian cities have sent similar letters to energy companies since mid-2017.

Orchestrating the campaign against oil and gas producers is West Coast Environmental Law (WCEL), a nonprofit legal advocacy group created in 1974 and headquartered in Vancouver. According to the group’s website, West Coast

Environmental Law is supported by grants from the Oak Foundation, the Moore Foundation, the Wallace Global Fund, and the Tides Foundation, a San Francisco-based mega-funder.

As it turns out, the Oak Foundation gave a grant of \$100,000 in 2015 to West Coast Environmental Law “to support the emergence of a public and legal narrative that fossil fuel companies and other large-scale greenhouse gas producers in the U.S. **should pay compensation for the damages caused by their productions and operations**” (emphasis added).

Did Oak help orchestrate the global warming litigation campaign? That’s debatable—but because Oak is primarily housed outside the U.S. it’s difficult to track most of its spending. In its latest annual IRS filing, for example, the Oak Foundation USA reported net assets of \$60.7 million at the end of 2017 and disbursements of \$7.7 million. It’s Swiss counterpart, meanwhile, reported spending \$200 million that same year.

The massive discrepancy between the finances reported by the Oak Foundation in Switzerland and the Oak Foundation USA strongly suggests that the group only apportions a small segment of its funding to its American arm, where it would be subject to the strict IRS public disclosure rules. Sadly, the climate change litigation campaign won’t benefit the environment—but it will line the pockets of the lawyers at West Coast Environmental Law.



State government attorneys who were part of what became known as the #ExxonKnew campaign have long accused ExxonMobil and other oil and gas companies of deliberately misleading their shareholders and the public about the dangers of climate change.

Credit: Peg Hunter. License: <https://bit.ly/3078UQz>.

The Future of Climate Litigation

The kind of climate change litigation threatened in Canada and the United States ought to concern anyone who supports cheap and abundant energy. So long as compliant politicians in both countries are willing to advance specious allegations against oil and gas companies, there will continue to be a market for foreign-financed judicial mischief—particularly in the form of grants from the Oak Foundation.

But now there are rising voices of dissent in both the U.S. and Canada which suggest that the political class is not nearly as united around litigation strategies as it once was.

In April, Toronto city councilman Mike Layton was rebuked after introducing a motion that would require the city to calculate the costs of damage from climate change which could then be folded into a legal assault on energy companies. Jason Kenney, the United Conservative Party candidate for premier of Alberta, sent a letter to Toronto Mayor John Tory denouncing the motion.

“I am writing to ask that you and [the] Toronto City Council oppose Councilor Layton’s motion that seeks to pin responsibility for the global challenge of greenhouse gas emissions on Canada’s oil and natural gas producers through a lawsuit,” Kenney wrote. “This motion is injurious to national unity, is divisive, and would be damaging to Canada’s economy.”

☺☺

Sadly, the Oak Foundation-funded climate change litigation campaign won’t benefit the environment—but it will line the pockets of the lawyers at West Coast Environmental Law.

It’s not hard to understand where Kenney is coming from. Alberta is home to Canada’s oil and gas industry, and the area is reeling from insufficient pipeline development.

In the U.S., state attorneys general who have joined with environmental activists to pursue what can best be described as shakedown campaigns against oil and gas companies are now running scared from open records



Chris Horner, an attorney with the public interest law firm, Government Accountability and Oversight, has filed open records requests lawsuits against complicit attorneys general in Virginia and Maryland.

requests. That’s ironic, considering that the state government attorneys who were part of what became known as the #ExxonKnew campaign have long accused ExxonMobil and other oil and gas companies of deliberately misleading their shareholders and the public about the dangers of climate change. But now it’s the state attorneys general who appear to be concealing information that would provide insight into their relationships with narrow, well-funded special interests.

Chris Horner, an attorney with the public interest law firm Government Accountability and Oversight who has also worked with the center-right Competitive Enterprise Institute, has filed open records requests lawsuits against complicit attorneys general in Virginia and Maryland.

Horner’s suits seek to shake loose information that would likely reveal what the government attorneys promised to deliver to environmental activists in exchange for receiving private support from Michael Bloomberg, a billionaire climate activist and former mayor of New York City.

Bloomberg has funded a program through the New York University School of Law which places attorneys in the offices of state attorneys general who then pursue legal action against energy companies. How legal and ethical these Bloomberg-funded arrangements are remain open questions.

At least the Bloomberg funding comes from a source inside the United States. The \$1 million grant from the Oak Foundation to the Washington, D.C.-based Center for International Environmental Law—is another matter.

Oak Foundation as Part of a Larger International Network

There's no doubt that the Oak Foundation is a critical funder of the environmental Left. But upon closer examination, the foundation fits into a larger network of foreign entities working to influence and shape U.S. climate policy with an eye toward undermining American energy.

For one thing, the Oak Foundation is a top funder of the European Climate Foundation. Why is that important? The European Climate Foundation was created in 2008 and is devoted to “the development of a low-carbon society” throughout Europe, according to its mission statement.



Where did the Oak Foundation's wealth originate from, and who's behind this shadowy “green” giant?

Although the European Climate Foundation claims on its website that its grantmaking functions are limited to the European Union, its operations extend into the United States. For instance, there is European Climate Foundation's Global Strategic Communications Service (GSCS), which assists governments, nongovernmental organizations, media, and think tanks in the development of climate communications, crafted to ensure that “each campaign bolsters an over-arching narrative.”

Global Strategic Communications Service has taken root in the U.S. and the G-20 countries that are not part of the European Union. This much is made clear by email correspondence obtained through open records requests from one Tom Brookes addressing himself to the office of Washington Gov. Jay Inslee (D), now a presidential hopeful. Brookes is the executive director of the Global Strategic Communications Service and a senior adviser to ClimateWorks Foundation, a major Oak Foundation grant recipient.

In his correspondence with Inslee's team, Brookes offers to assist Inslee in possible messaging techniques that could be used to advance Inslee's climate change agenda. It is also worth noting that an archived version of the European Climate Foundation website shows that the European Climate Foundation is part of the ClimateWorks Network. According to the website, the network “shares goals, strategies and resources to address the global challenge of climate change mitigation with a global network of aligned organizations.”

There are all kinds of interlocking international relationships that can be unraveled through a careful examination of the Oak Foundation and its top personnel, some of whom have occupied positions on the European Climate Foundation's supervisory board at one time or another.

The Oak Foundation-backed European Climate Foundation has also been a recipient of funding from center-left sources. The William and Flora Hewlett Foundation based in Menlo Park, California, provided the Foundation with a \$2 million grant in 2015 to start an initiative called the Climate Briefing Service, which is heavily focused on climate change communications strategies. This begs the question: would any of these efforts have even gotten off ground without the Oak Foundation?

The Oak Foundation's Leadership

But where did the Oak Foundation's wealth originate from, and who's behind this shadowy “green” giant?

British businessman Alan M. Parker started the Oak Foundation, according to the foundation's website. Parker helped build the Hong Kong-based multinational Duty Free Shoppers (today DFS Group), which retails luxury goods in major airports and resorts worldwide. (Interestingly, one of DFS's co-founders, Charles “Chuck” Feeney, later founded Atlantic Philanthropies, a Bermuda-based foundation that funded the 501(c)(4) advocacy group Health Care for America Now, one of the drivers of the campaign to pass Obamacare.)



One of Duty Free Shopper's co-founders, Charles “Chuck” Feeney, later founded Atlantic Philanthropies, a Bermuda-based foundation that funded the 501(c)(4) advocacy group Health Care for America Now, one of the drivers of the campaign to pass Obamacare.

Credit: atlanticphilanthropies.com. License: <https://bit.ly/2HFjMPP>

According to an October 2012 report by *Forbes*, Feeney hired Parker, an accountant, in the early 1960s to be a joint owner and “help manage the bootstrapped business more professionally.” In 1997, Feeney and Parker sold their shares in DHS to French multinational LVMH—Feeney for \$1.6 billion, Parker for £464 million (or \$605.6 million). Parker later moved to Geneva, where he now resides and serves on the Oak Foundation’s board of directors alongside his wife, Jette. In 2014, his net worth was estimated to be \$2.34 billion.

Douglas Griffiths became president of the Oak Foundation in January. Prior to that, he was appointed by President Obama in 2009 to be the U.S. representative to the U.N. Human Rights Council, where he resided in Geneva; he was later appointed ambassador to Mozambique.

Caroline Turner is board president of the Oak Foundation USA. Turner appears to be the principal and owner of DifferenceWORKS, a for-profit “gender diversity” consultancy.

Oak Foundation USA vice president Heather Graham is a former Gates Foundation program officer, vice president

of Teach For America, program associate for the Annie E. Casey Foundation, and President George W. Bush White House Fellow.

In Geneva, Kristian Parker—the son of Alan and Jette Parker—runs the foundation’s environmental program, a position he’s held since 1998. Parker is on the boards of the ClimateWorks Foundation and Oceana, both major recipients of Oak Foundation funding.

Conclusion

The Oak Foundation is a classic example of a foundation that masks its support for political causes in philanthropy. An alpine global green giant, the foundation has its hands in many of the environmental Left’s biggest efforts to push a global warming agenda on energy producers, consumers, and even governments. ■

Read previous articles from the Foundation Watch series online at CapitalResearch.org/category/foundation-watch/.

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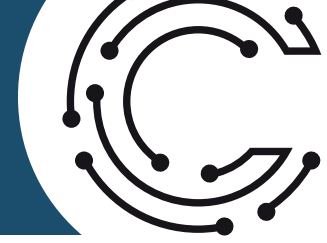
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THE BIRTH OF RIGHT-TO-WORK

By Michael Watson

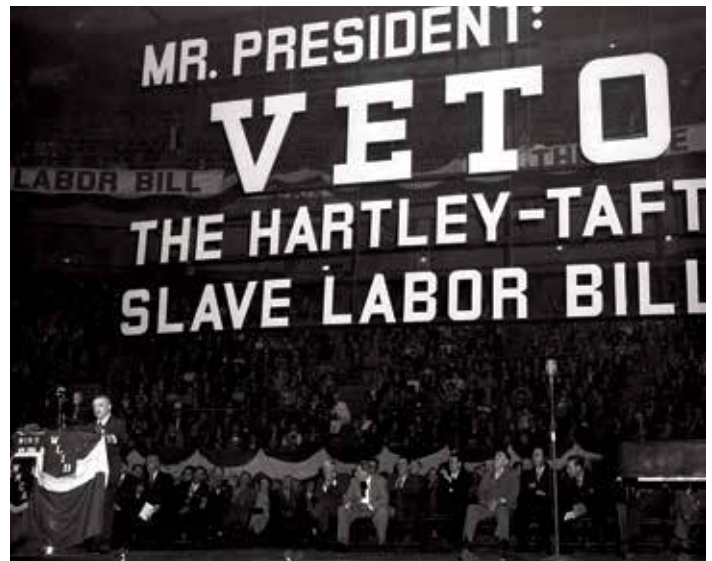
Summary: *The 2020 elections set up a potential “trifecta” for labor-union-backed Democrats should the party succeed in unseating President Donald Trump and allies of Senate Majority Leader Mitch McConnell (R-KY). Sitting in Big Labor’s cross-hairs—as it has since its enactment—is the Labor Management Relations Act of 1947, a labor reform package passed by Congress over a politically motivated veto by President Harry Truman to re-balance the positions of workers, businesses, and the labor unions that the New Deal era had supercharged with aggressive legal privileges.*

Shortly after the socialist holiday of May Day, House and Senate Democrats, led by House Education and Labor Committee Chair Rep. Bobby Scott (D-VA), caucus leaders Rep. Nancy Pelosi (D-CA) and Sen. Charles Schumer (D-NY), and six candidates for the Democratic nomination for President co-sponsored the “Protecting the Right to Organize Act.” The bill functions as Big Labor’s wish-list for its next golden age, when its favored politicians control all three elective arms of the federal government.



Since its passage, Taft-Hartley has been labor unions’ all-purpose excuse for everything bad that ever happened to them.

The proposal’s main provisions—a prohibition on state right-to-work laws and legalizing strikes to coerce employers to stop doing business with *other* businesses not directly involved in the specific labor dispute (known in labor jargon as the “secondary boycott”)—target the Taft-Hartley Act. The name of the bill comes from Sen. Robert Taft (R-OH), one of McConnell’s illustrious predecessors as Senate Republican Leader. Taft-Hartley became law in response to a wave of post-World War II labor union unrest that placed destructive strains on the American economy. The law corrected



Credit: Unknown. License: <https://bit.ly/2LBC1xHt>.

Taft-Hartley affirmed that employees had a right to “refrain” from participating in union activities. (Above: David Dubinsky gives a speech against the Hartley-Taft bill, with Luigi Antonini in the audience, May 4, 1947.)

a power imbalance between labor unions and employers created by New Deal-era legislation empowering unions.

Taft-Hartley affirmed that employees had a right to “refrain” from participating in union activities and it applied anti-coercion rules—which already applied to employers—to labor unions. The law also secured employee rights to refrain from membership in unions and refrain from supporting unions, codifying a state option to enact a “right-to-work” law guaranteeing “that no person can be compelled, as a condition of employment, to join or not to join, nor to pay dues to a labor union.”

Since its passage, Taft-Hartley has been labor unions’ all-purpose excuse for everything bad that ever happened to them. Today, partisans of “The Strike Wave” demand the

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law's repeal; Democrats backed by labor union contributions and seeking labor's muscle in the Presidential primaries have now joined them.

Between Wagner and Taft-Hartley

In 1935, President Franklin Roosevelt and his Democratic Party passed the Wagner Act as part of the New Deal program of social-democratic economic planning advanced by Democrats to counter the Great Depression. The law strengthened the bargaining position of labor unions by prohibiting management interference in union organizing, legally protecting strikers and strike actions, and compelling employers to bargain with certified labor representatives. (For more on the Wagner Act, see “Empowered Labor,” Labor Watch, May 2018.)

In the years immediately following its passage, the Wagner Act led to increased union membership, which peaked after the Second World War. During the war, President Roosevelt created a National War Labor Board to regulate wage rates and prevent strikes and lockouts for the length of the conflict; in practice, the War Labor Board required “maintenance of membership,” a union security provision requiring union members to remain so for the length of a contract, in exchange for preventing strikes. (Union security provisions are clauses in contracts obligating employees to have some relationship with a union.)

Despite a no-strike pledge from the heads of both major union federations and the predecessors of the contemporary AFL-CIO, the American Federation of Labor (AFL) and Congress of Industrial Organizations (CIO), unauthorized “wildcat” strikes continued throughout the war years.

The Great Strike Wave

After the end of World War II, the tensions that lay beneath the surface-level labor peace enforced by the National War Labor Board broke down. Unions struck against the maritime, railroad, energy, electrical, communications, and steel production industries. In total, an estimated 10 percent of the American workforce—4.6 million workers (equivalent to 16 million people in a workforce the size of today's)—struck in the postwar labor discontent, with over 5,000 work stoppages called.

Socialist United Auto Workers (UAW) president Walter Reuther called the most prominent strike: a walkout of 320,000 General Motors workers in November 1945 that lasted 113 days. Reuther's demands went far beyond mere



Credit: Harris & Ewing. License: <https://bit.ly/2VXhLdu>.

Senator Robert Taft (R-Ohio) and Representative Fred Hartley (R-NJ) [not shown] chaired the respective labor committees in the two houses; both favored enacting measures to re-balance the power of organized labor with the needs of the general public.

wages and working conditions; the UAW sought a role fixing the prices of GM cars, demanding that they be held steady despite a 30 percent wage increase for UAW workers. The automaker defeated the socialist; wage increases would track the level (18.5 cents per hour) given to other unionized production workers in other industries, and the car company would retain control over pricing.

The politically dominant New Deal Democrats felt the danger from the strike wave. Railroad workers called a national strike in May 1946; President Harry Truman retaliated (despite the strike being resolved on his terms) by proposing legislation that would draft striking railway workers into the U.S. Army.

Unrest and disorder continued through the end of the year. Oakland labor unions under the auspices of the Alameda County Central Labor Council and Building Trades Council of the American Federation of Labor called a “general strike”; 100,000 workers brought the city to a halt for two and a half days in early December 1946.

Frustration with the strike wave, the onset of the Cold War, and 13 years of unbroken New Deal Democratic rule created an opportunity for Republicans in the 1946 midterm elections. While Big Labor's political operations targeted pro-free-market candidates, Republicans debated how assertive their free-market agenda should be.

The Battle for the Republican Party

Entering the 1946 election cycle, the Democratic Party had won the Presidency in four consecutive elections (all with President Franklin Roosevelt as its candidate), eight consecutive majorities in the U.S. House of Representatives, and seven consecutive majorities in the U.S. Senate. While a “conservative coalition” of Southern Democrats and national Republicans could block major New Deal legislative activity, the GOP sought a return to power after the longest wilderness period since the modern two-party system emerged in 1856.

Motivated by fear—no American political party had yet recovered if it did not hold the White House for 20 consecutive years—Republicans divided into two factions; a moderate, New Deal-accommodationist faction led by 1944 Presidential candidate and New York Gov. Tom Dewey and a conservative, anti-New Deal faction led by U.S. Senator Robert Taft of Ohio.

Prior to April 1946, Dewey-aligned operatives controlled the Republican National Committee; Taft-aligned factions took it over after the chairman resigned that month. A newly aggressive Republican National Committee heated up its messaging, attacking communists at home and abroad, capitalizing on Truman’s inept handling of the strike wave. The Republican National Committee messaging targeted organized labor, especially the efforts of the Congress of Industrial Organizations’ \$6 million political committee, the CIO-PAC.



The GOP sought a return to power after the longest wilderness period since the modern two-party system emerged in 1856.

Congressional Elections of 1946

Buoyed by a vigorous party machine and a favorable political climate, Republicans seized control of both Houses of Congress in the midterm elections of 1946. Republicans gained 55 seats in the House, giving them 246 total seats, a number the party would not match until the midterm elections of 2014. Republicans also took control of the U.S. Senate, gaining 12 seats.

For organized labor and its political arm, the CIO-PAC, the results were even worse than the top-level numbers

indicated. A majority of its highest-rated incumbents (42 of 78) lost re-election; 108 of 132 incumbents it opposed were re-elected.

The members elected in the 1946 elections (and continuing Senators) formed the 80th United States Congress. Notable freshmen included Reps. Richard Nixon (R-California) and John Kennedy (D-Massachusetts), both of whom would become President of the United States in later years.

Introducing Taft-Hartley

Senator Robert Taft (R-Ohio) and Representative Fred Hartley (R-NJ) chaired the respective labor committees in the two houses; both favored enacting measures to re-balance the power of organized labor with the needs of the general public. Taft’s Senate Labor Committee was stacked with Dewey-aligned moderate Republicans skeptical of such measures, so he directed Hartley and House Majority Leader Charles Halleck (R-Indiana) to advance the most free-market-oriented bill that could pass with a veto-override majority, allowing Taft’s Senate committee to weaken it to secure more moderate votes.

As an example of the House precursor bill’s broad scope, consider its prohibition on “featherbedding” (payments for unnecessary make-work or for non-work) relative to the final Taft-Hartley Act. The House bill would have prohibited a union from demanding an employer “employ or agree to employ any person or persons in excess of the number of employees reasonably required . . . to perform actual services,” among other prohibited practices; in essence, a union negotiating any excess labor for the completion of a job would be illegal.

The final law prohibited only acts “to cause or attempt to cause an employer to pay or deliver or agree to pay or deliver any money or other thing of value, in the nature of an exaction for services which are not performed or not to be performed.” Under Taft-Hartley’s final rule, if union members provided services to the employer—even if the union required more workers to be hired than were strictly necessary—the union did not commit an unfair labor practice.

Both the Hartley House bill and Taft’s narrower Senate proposal passed their respective Houses with veto-proof margins. A conference committee agreed upon a proposal between the House and Senate bill in scope; it passed by a veto-proof margin.

President Truman vetoed the bill, though he told at least one prominent official that he did so for naked partisan gain rather than from policy conviction. He reportedly told

James J. Reynolds, at the time a Democratic member of the National Labor Relations Board and later an Undersecretary of Labor in the Johnson Administration:

Everybody thinks I am pro-labor, and I am—but they've [labor leaders] gone too far in many, many ways. I'm convinced Taft-Hartley is a pretty good law. I've had a head count made on the Hill, and I know that if I veto it my veto's going to be overridden. So we're going to have a pretty good law on the books in spite of my veto, and if I veto it, I'm going to have labor support in the election next year.

As President Truman predicted, Congress overrode his veto. The Labor Management Relations Act of 1947 took effect on June 23, 1947, upon the certification of the bipartisan override vote in the U.S. Senate.

So, what did the Taft-Hartley act *do*, anyway? It banned certain unfair labor practices by unions, balanced employer interests, protected individual employees subject to organizing campaigns, restricted forced unionism, and tried to kick Communists out of the union movement.

Union Unfair Labor Practices

The original Wagner Act did not permit the National Labor Relations Board (NLRB) it created to hold unions accountable for unfair labor practices. The Taft-Hartley Act outlined a number of union practices that would be prohibited as



Credit: Abbie Rowe. License: <https://bit.ly/2WylTfgs>.

President Truman vetoed the Taft-Hartley bill, though he told at least one prominent official that he did so for naked partisan gain, rather than from policy conviction. (Above: President Truman with labor leader Walter Reuther)

unfair labor practices, including coercion of employees, failing to negotiate a collective bargaining agreement in good faith, forcing employers to pay for work not performed under most circumstances, and engaging in “secondary boycotts” to coerce outside “neutral” employers to stop doing business with an employer in a labor dispute. The law also made unions liable for damages caused by an illegal strike.

The Taft-Hartley Act banned a number of activities for coercing employees. Most prominently, the law recognized an employee right *not to join* a union, making certain union attempts to coerce workers to join unfair labor practices. The Wagner Act prohibited coercion of employees by employers and empowered a National Labor Relations Board to adjudicate allegations of employee rights violations. Taft-Hartley extended jurisdiction of the NLRB to similar forms of coercion by unions. Pro-union labor scholar Steven E. Abraham described one potential effect of this change on a union organizing campaign:

For example, while unions had not been able to use physical violence or intimidation during the pre-election campaign even before the Taft-Hartley Act, they had been able to do things such as make false promises regarding previous success elsewhere, call employees names such as “scab” and “union buster” if they opposed the union, and refer to rival unions as “weak and incompetent.” These statements were prohibited by Section 8(b)(1)(A).

Taft-Hartley also made reciprocal the Wagner Act requirement that employers bargain in “good faith” with unions negotiating with them. This change also made bad-faith bargaining by a union a defense against a charge that an employer did not bargain in good faith. The law restricted the practice of “featherbedding”—requiring more workers than a job actually required—by banning payment of excess workers when work is not performed.

Perhaps the most important unfair labor practice by unions prohibited by Taft-Hartley is the practice of “secondary boycotts” or “secondary strikes.” A secondary boycott is “secondary” because it targets a business not directly party to a labor dispute. According to *Congressional Quarterly*, Taft-Hartley “made it an unfair labor practice for a union to induce employees to strike or stop work with the aim of getting their employer to cease doing business with another firm with which the real dispute existed.”

Secondary strikes—the most prominent of which were the “general strikes” in Rochester, New York, and Oakland, California—contributed to the mass disruption in the economy during the 1946 strike wave.

Organizing and Representation

The Taft-Hartley Act made management-level employees ineligible to unionize, removing a conflict of interest in workplace supervision; dictated that the NLRB should use a secret-ballot election to resolve contested unionization campaigns; made explicit employers' rights to express opinions about unionization, so long as they did not coerce employees; and established a procedure to decertify—remove—an unwanted union.

The NLRB and Supreme Court spent much of the 1940s vacillating on whether the unionization authority granted to production workers also applied to their supervisors. By 1947, they had established that the Wagner Act did allow supervisors' unions; employers argued that these unions created conflicts of interest in supervisors tasked with enforcing employer directives. Taft-Hartley made supervisors ineligible to unionize.

The law also changed how the NLRB should resolve a contested unionization (known as a “question concerning representation”). If the employer did not “voluntarily recognize” the union based on its signature collection, the Wagner Act allowed the NLRB to order recognition without an election based on a check of signed authorizations (known in contemporary labor policy as a “card check”). Taft-Hartley ordered the NLRB to instead hold a secret ballot election.



Secondary boycotts—strikes targeting businesses that work with other businesses in a labor dispute—contributed to the mass disruption in the economy during the 1946 strike wave.

The Wagner Act made it an unfair labor practice for employers to “interfere with, restrain, or coerce employees” in their exercise of collective bargaining rights, including the right to form a union. The Taft-Hartley Act clarified that “the expression of views, arguments, or opinions shall not be evidence of an unfair labor practice absent the threat of reprisal or promise of benefit,” in the words of the National Labor Relations Board.

Taft-Hartley also corrected a major oversight in the Wagner Act: The Wagner Act had no provision for employees to dissolve a union outright. Taft-Hartley allowed employees to petition to “decertify” their union and replace it with no union representation.

Forced Unionism

The Taft-Hartley Act curtailed the practice of compulsory unionism through “union security” contract provisions substantially. The law prohibited outright “closed shop” provisions requiring employers only to hire and employ union members.

“Union shop” provisions requiring newly hired employees to join unions and pay dues throughout their employment remained legal, but unions had to win an NLRB-sanctioned election affirming such provisions. (The NLRB election requirement was later repealed.) Further, section 14(b) explicitly authorized states and territories to enact “right-to-work” laws that forbid union shop provisions.

The Taft-Hartley Act further prohibited unions from requiring employees subject to a union security contract to pay “excessive or discriminatory” initiation fees. The provision was included in part to prevent permitted union shops from becoming *de facto* closed shops by imposing a penalty initiation fee on non-member hires.

Other Minor Provisions

The law required union officers to file affidavits affirming that they were not members of the Communist Party. Unions whose officers failed to file these affidavits would not be able to seek redress for unfair labor practices before the NLRB. The Supreme Court initially upheld the requirement, but later found it unconstitutional in the 1960s.

Taft-Hartley also made changes to federal campaign finance. The law prohibited unions and corporations from making expenditures or campaign contributions in federal elections.

The Taft-Hartley provisions and the Republican Congress elected in 1946 took the wind out of the strike wave. With public order and economic stability returning and facing an anemic Republican challenge from moderate New York Governor Tom Dewey, President Truman won re-election with support from labor interests he had placated with his politically motivated Taft-Hartley veto. Democrats also retook control of both Houses of Congress, and Congress of Industrial Organizations president Philip Murray declared repeal of the law “Number One on the list” of his legislative priorities.

But repeal proved strategically difficult and ultimately politically impossible. First, the “popular mandate” against Taft-Hartley was less obvious than it first appeared: Both the U.S. House and the U.S. Senate, though controlled by Truman's Democratic Party, had majorities of members

who had voted either in the House or the Senate to override Truman's veto. Second, Democrats and labor divided over strategy: The Truman administration, mindful of the political consequences of the 1946 strike wave under the old Wagner Act, proposed a "repeal and replacement" approach, while the AFL and CIO both demanded total repeal of Taft-Hartley before considering any amendments to the Wagner framework.

The divisions in Congress soon came to the forefront of debate over a possible Taft-Hartley replacement. A moderate bill sponsored by Representative John Wood (D-Georgia) received backing from Southern Democrats and conservative Republicans; it passed a House test vote despite the Truman administration backing a different, more pro-union proposal offered by Rep. John Lesinski Sr. (D-Michigan). The Senate similarly adopted a moderate proposal backed by (among others) Sen. Taft. The administration and the House let the moderate Senate bill die, defeating labor's goal of repeal.



Taft was not the only anti-repeal candidate to triumph over labor opposition in 1950; Richard Nixon was likewise elected to the U.S. Senate from California.

CC ————— *The Taft-Hartley provisions and the Republican Congress elected in 1946 took the wind out of the strike wave.*

Labor reacted by targeting Sen. Taft, who was up for re-election in the 1950 midterms. The Congress of Industrial Organizations' CIO-PAC made the U.S. Senate election in Ohio a referendum on what Big Labor called the "slave labor law," heavily backing his Democratic challenger, State Auditor Joseph Ferguson. But Taft, buoyed by survey research showing "no ground swelling [sic] demand for repeal of the Taft-Hartley law" and public resentment of mass disruption and economic costs from labor unrest, aggressively defended his eponymous labor law. He won reelection by a landslide margin, increasing his majority by over 400,000 votes from his election in 1944.

Taft was not the only anti-repeal candidate to triumph over labor opposition in 1950; Richard Nixon was likewise elected to the U.S. Senate from California. The Senate of the 82nd Congress would begin with an estimated 55 supporters of the law and only 41 opponents, despite nominal Democratic control.

Amendments

The 82nd Congress passed a series of technical corrections to provisions of the Taft-Hartley law in a bipartisan package backed by Sen. Taft and Sen. Hubert Humphrey (D-Minnesota). The package modified the requirement for non-Communist affidavits (fixing a potential major disruption caused by a Supreme Court decision applying it to CIO national officials retroactively) and removed the requirement for an NLRB-supervised election to authorize a "union shop" forced dues provision.

Congress passed and President Dwight Eisenhower signed a subsequent major labor reform bill, the Labor Management Reporting and Disclosure Act, in 1959. That law, passed in response to revelations about labor racketeering, dealt with union internal expenditures and governance and expanded Taft-Hartley's ban on secondary strikes by prohibiting "hot cargo" agreements, which prevented secondary employers from handling or otherwise dealing in goods produced by a struck employer.

Effects

The Taft-Hartley Act's best-known effect is a substantial curtailment of forced unionism. As of early 2019, 27 states and the territory of Guam have a right-to-work law authorized

Credit: National Park Service photographer. License: <https://bit.ly/2WYCOLh>.

by Taft-Hartley Section 14(b) in force. This provision and the 28 laws passed under it are directly targeted by the Congressional Democrats' "Protecting the Right to Organize" bill.

But this latest proposal is far from the first effort by labor unions and Democrats to reverse all right-to-work laws by repealing substantial portions of Taft-Hartley; as of writing, they came closest in the 89th United States Congress, when Senate filibusters defeated two attempts to repeal all right-to-work laws. The second attempt came after a major transportation workers' strike in New York City that observers credited with hardening opposition to repeal of right-to-work.

The Supreme Court's First Amendment jurisprudence has further narrowed the extent of forced dues provisions over time. In a 1963 case (*NLRB v. General Motors Corp.*), the Court ruled that: "It is permissible to condition employment upon membership, but membership, insofar as it has significance to employment rights, may in turn be conditioned only upon payment of fees and dues"—known as the "financial core." This forbade unions from imposing fines or discipline on unwilling members for any reason other than failure to pay initiation fees, dues, or "agency fees" assessed of non-members in lieu of dues.

In 1988, the Court further restricted the application of forced dues in a case titled *Communications Workers of*

America v. Beck; in a decision authored by arch-liberal Justice William Brennan, the Court held that the mandatory financial core could not include spending on advocacy and political activities unrelated to collective bargaining, allowing dissenters subject to union security rules to reduce their forced dues payments.

The Taft-Hartley Act succeeded in bringing order to American labor relations; work stoppages have not reached the peaks of 1946 since Taft-Hartley's passage. The rate of private-sector unionization, which was in many ways artificially inflated by wartime agreements that forced workers into unions to which they were not committed, has fallen precipitously.

Repealing Taft-Hartley through the Protecting the Right to Organize Act would return American labor relations to a past the past itself rejected after facing the destructive consequences of excessive union power. By removing states' authority to outlaw forced dues, reinstating secondary boycotts, and restricting the rights of employers to inform employees of potential negative consequences of unionizing, Democrats are rewarding a declining constituency, and putting the U.S. economy at risk of a reprise of America's postwar convulsions or Britain's 1979 Winter of Discontent. ■

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AMERICA'S RARE EARTH ULTIMATUM

By Ned Mamula

Summary: For the past decade, our dependence on rare earths has conjured up considerable attention, fascination, and concern regarding their importance. This has caused a cascading effect to create interest and investment in other rare metals, critical minerals, ore deposits, mining, and the American mineral endowment—all related to U.S. technology manufacturing, national security, military readiness, geopolitics, and trade, particularly with China. Rare earth elements have become the poster child for critical minerals, especially those for which we are 100 percent import-dependent—the vast majority of which come from China.

Why Rare Earths Are News

From the 1960s to the 1980s, the United States was the leader in global rare earth production. Since then, China has become the world leader in rare earth mining and processing, in part due to lower labor costs, and less burdensome environmental and safety standards.

Beginning in 1990, supplies of rare earth elements became an issue as the Chinese government tightened its control over rare earth production and exports.¹ It also began to limit the number of Chinese and Sino-foreign joint-venture companies that could export rare earth elements from China. In 1993, 38 percent of world production of rare earth elements came from China, 33 percent from the U.S., 12 percent from Australia, and 5 percent each from Malaysia and India. Several other countries, including Brazil, Canada, South Africa, Sri Lanka, and Thailand, made up the remainder.

However, by 2008, China accounted for more than 90 percent of world production of rare earth elements, eventually growing to 97 percent by 2011, thus solidifying its worldwide rare earth monopoly.

But, in 2010, the Chinese quietly announced their intention to reduce worldwide rare earth element exports. By that time the technological uses of rare earths had already begun to explode in all industrial economies, creating an enormous global dependency on China's exports. This created official



Rare earths are a series of chemical elements found in the Earth's crust that are vital to many modern technologies, including consumer electronics, computers, network communications, clean energy, advanced transportation, health care, environmental mitigation, national defense, and many others. (Clockwise from top center: praseodymium, cerium, lanthanum, neodymium, samarium, and gadolinium.)

Credit: Peggy Greb, US Department of Agriculture. License: Public domain.

concern among policymakers in the U.S., Japan, and the European Union, but they were powerless to do anything about it.

Due to the 2010 embargo of rare earth exports by China to Japan, exploration activities to discover new rare earth deposits ramped up quickly worldwide. Unfortunately, rare earth mining outside of China was next to nothing; but worse, even when rare earths were mined elsewhere, they still needed to be shipped to China for processing in order to convert rare earth minerals into oxides—and ultimately into usable metals and alloys to be made into components for manufacturing the final product. Unfortunately, outside

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of China, few countries have the capability to process rare earth oxides for commercial use.

Suddenly, the idea of rare earth element supply vulnerability became *doubly* real—it now involved dominance of the material supply side *and* the processing technology side by China. As the 2010 crisis between China and Japan played out, and even after it was resolved, U.S. policymakers asked two key questions:²

- How essential are rare earths to economic well-being and national security?
- How vulnerable is the U.S. to rare earth supply disruptions?

While the U.S. had questions, China seemed to have all the answers, because of their long and deep commitment to robust rare earth development. One glance at the history of Chinese activity over the past 65 years demonstrates that they are the true rare earth aficionados and the world's most serious students of the overall critical mineral industry.

If the magnitude of Chinese rare earth involvement and expertise surprises most critical mineral and rare earth analysts, then it should leave U.S. policymakers and Pentagon planners breathless, because it indicates just how badly the U.S. is lagging behind China's critical mineral and rare earth superpower status. Answers to questions about U.S. rare earth vulnerability should be suddenly obvious. Instead, policymakers should be asking:

- Can the U.S. ever catch up to China's strong minerals position?
- How many years will it take?
- What other critical mineral vulnerabilities beyond rare earths have been ignored at the nation's peril?

These questions needed to be answered yesterday—but for now, rare earths are the U.S.'s critical mineral canary-in-the-coal-mine, and attention must be focused on reducing the nation's vulnerability.

What Are Rare Earths?

Rare earths are a series of chemical elements found in the Earth's crust that are vital to many modern technologies, including consumer electronics, computers, network communications, clean energy, advanced transportation, health care, environmental mitigation, national defense, and many others.³

Rare earth elements—the best known of all critical minerals—are not, in fact, minerals. They are metals. But before that

they are processed into oxide powders from mined rare earth ore. They are also among the heaviest naturally occurring non-radioactive elements. A variety of industries from energy production to manufacturing scientific, medical, and military technologies depend on using the processed metals. Rare earths take on many different forms and are referred to by a variety of terms—and each one has a specific meaning.

Rare Earths Peculiar Vocabulary

Rare earth terminology is often misused. A recent article titled “Rare Earth Terminology—A Refresher on the Basics” helps to organize the peculiarities of rare earth vocabulary:⁴

- *Rare earth elements* can be found in different minerals within their host rocks.
- The term *rare earth mineral* is not synonymous with the terms *rare earth elements* or *rare earth metals*.
- *Rare earths* are never found in elemental form, therefore, for them, the term *mineral* is never synonymous with *element*.
- *Rare earth metals* are different from *rare metals*—the former contain rare earth elements, the latter may not.
- *Rare earth elements* are divided into groups based on their atomic structure—Light and Heavy.
- *Light Rare Earth Elements*, are lanthanum (La), cerium (Ce), praseodymium (Pr), neodymium (Nd), samarium (Sm), europium (Eu) and gadolinium (Gd).
- *Heavy Rare Earth Elements*, are terbium (Tb), dysprosium (Dy), holmium (Ho), erbium (Er), thulium (Th), ytterbium (Yb) and lutetium (Lu).

There are 17 rare earth elements: 15 within the chemical group called “lanthanides,” and two other associated elements—yttrium and scandium—all shown on the Periodic Table. Yttrium is commonly regarded as a rare earth element because of its chemical and physical similarities and affinities with the lanthanides. Yttrium also typically occurs in the same ore deposits as rare earth elements. Scandium is chemically similar to, and included with, rare earth elements, but it does not occur in economic concentrations in the same geological settings as the lanthanides and yttrium.⁵

Rare Earth Elements
by Geology.com

H																	He
Li	Be											B	C	N	O	F	Ne
Na	Mg											Al	Si	P	S	Cl	Ar
K	Ca	Sc	Ti	V	Cr	Mn	Fe	Co	Ni	Cu	Zn	Ga	Ge	As	Se	Br	Kr
Rb	Sr	Y	Zr	Nb	Mo	Tc	Ru	Rh	Pd	Ag	Cd	In	Sn	Sb	Te	I	Xe
Cs	Ba	La-Lv	Hf	Ta	W	Re	Os	Ir	Pt	Au	Hg	Tl	Pb	Bi	Po	At	Rn
Fr	Ra	Ac-Lr	Rf	Db	Sg	Bh	Hs	Mt									
Lanthanides																	
La Ce Pr Nd Pm Sm Eu Gd Tb Dy Ho Er Tm Yb Lu																	
Actinides																	
Ac Th Pa U Np Pu Am Cm Bk Cf Es Fm Md No Lr																	

Ironically, most rare earth elements are not as rare as the group's name suggests. They are moderately abundant in the earth's crust, some even more plentiful than copper, lead, gold, silver, and platinum. However, concentrated and economically minable deposits of rare earth elements are still unusual. They were named rare-earth elements because most were identified during the 18th and 19th centuries as "earths" (originally defined as materials that could not be changed further by heat) and in comparison to other "earths," such as lime or magnesia, they indeed are relatively rare. Cerium is the most abundant rare earth element, while promethium is naturally unstable and consequently the rarest of all rare earths.⁶

Rare earth elements are some of the most essential mineral components in today's technology products. Tiny rare earth magnets are in all electronics from smartphones to stealth technology, while larger commercial and industrial magnets are used in the fields of medicine, propulsion, and fusion. Found in hundreds of types of consumer, commercial, industrial, and military equipment that support our everyday lives, rare earth elements are indispensable to the nation's modern economy and national defense. Fortunately, their mystique has raised the level of awareness for most average Americans.

The amount of rare earth elements used in a product may not be a significant part of that product by weight, value, or volume; yet without specific rare earths, certain manufactured products and systems cannot operate. For example, magnets made of rare earth elements often represent only a small fraction of the total weight, but without them, the spindle motors and voice coils of desktop and laptop computers would not function.

Because of their unique magnetic, luminescent, and electrochemical properties rare earth elements enable manufacturers to produce machines and equipment with greater efficiency, performance, speed, durability, thermal stability, and magnetism. They make possible miniaturization, too, something we now take for granted. Therefore, they are key to enabling many technologies to perform with reduced weight, fewer emissions, and greater efficiency for civilians and the military.

Rare Earth Technology—Virtually Unlimited



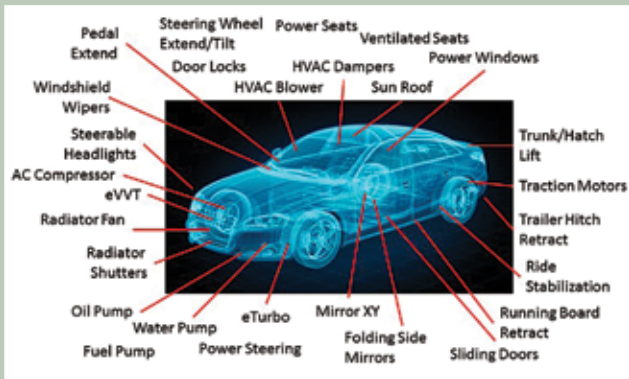
magnet alloys in wind turbines, while tellurium is used in solar panels. Compact fluorescent bulbs utilize praseodymium as a phosphor material. All of these products have very recently entered the global spotlight as developed countries continue to invest heavily in green energy technologies.⁸

Most of the group of 17 rare earths are used in the components of many technology products that we use daily, such as smartphones screens, computers, flat panel displays, miniature motors for hard drives, batteries, numerous components in electric cars, and various lighting including LED technology. Two examples of individual rare earth applications include *lanthanum*-based catalysts used in petroleum refining, and *neodymium* used for magnets inside the generators of wind turbines.⁷

Each of the rare earths has unique applications and as of yet there are no real substitute materials in technology manufacturing. For example, one of the light rare earths, dysprosium, is solely used for heat-resistant permanent

Rare Earth Dual-Use Technology

While rare earth costs are higher, their quality is vastly superior, and their potential for innovation is seemingly limitless in civilian electric vehicles and military hardware. For example, a typical Toyota Prius contains over thirty pounds of dysprosium, neodymium, terbium, and lanthanum and other rare earth metals. These are used in as many as forty different electric motors that are spread throughout the car's entire electrical system, not including the rechargeable batteries.¹¹



Rare earths are also used for a variety of applications throughout most new cars whether electric or not, including:

- **Europium, yttrium, and cerium**—dashboard LCD screens
- **Cerium**—UV cut glass and mirrors
- **Lanthanum**—catalytic converters, refine fuel for hybrid models
- **Neodymium**—headlight glass, magnets in electric motors
- **Yttrium**—various component sensors

But those 30 pounds of rare earths needed to manufacture just one electric car pales in comparison to renewable energy wind turbines which are beginning to dot the landscape. Each turbine requires upwards of 500 pounds of rare earths metals for the motors and interior components. Military uses of rare earths dwarf everything else¹²:

- **920 pounds** for each F-35 Air Force Joint Strike fighter
- **5,200 pounds** for each DDG-51 Aegis-class Navy destroyer
- **9,200 pounds** for each nuclear-powered SSN-744 Virginia-class fast attack submarine

Some estimates are that China now produces about 90 to 95 percent of the world's rare earth oxides and is the majority producer of the world's two strongest rare earth magnet materials—samarium cobalt and neodymium iron boron.⁹

The rare earth element neodymium is critical to enable functionality and miniaturization of components used in electric motors in cars, speaker magnets in stereo and public address systems, and music amplifiers. With it, companies like Bose can make tall, thin, lightweight, powerful speakers that look like a pole or street light, rather than the large, heavy, clunky iron magnet speaker boxes of last century. And that is just one use—there are dozens for each of the 17 rare earth elements. New applications are being researched and produced daily, as evidenced by the incredible number of patents being issued.¹⁰ We are only at the very beginning of our understanding of the rare earth story, especially the wide-ranging properties, various types of alloys (combinations of metals) and the host of technology products made possible by those metals. The best example of rare earth teamwork, and where they are indispensable is in electric cars.

Without any commercial production of rare earths in the U.S., some experts on military acquisition have stated that the Pentagon is acting foolishly to advertise a grand strategy of weaponry and technology without the raw materials to back up their development plans. There is now a growing call for the Defense Department to advocate forceful support of domestic rare earth supply lines because the performance of weapons of war are a matter of life and death.

Former Assistant Secretary of the Army Dean Popps has summarized the issue extremely well by stating: “Though seemingly unimportant things like a \$2 rare earth magnet steering a billion-dollar weapons platform may sound inconsequential, when our adversaries cut off our supply leveraging our greatest weakness against us, we won't have anywhere to turn.”¹³ He refers to rare earth elements as our “Achilles heel” given our over-reliance on China.

What Happened to American Rare Earths?

The year 1980 marks the most important rare earth production milestone for China and the rest of the world. That was the year the International Atomic Energy Agency (IAEA) and the U.S. Nuclear Regulatory Commission (NRC) jointly crafted regulations to eliminate handling and transport of mine waste rock or “tailings” that contained radioactive “source material.” These regulations included commercial quantities of rare earths generated during mining of uranium, thorium, and phosphate rock containing both of these materials.¹⁴

Therefore, these regulations—one international and the other domestic—turned the processing and transportation of most tailings containing rare earths into a financial and environmental liability for mining companies. To this day these regulations cause the waste of enormous quantities of unprocessed rare earths, considering what we now know about the capabilities of rare earths and their abundance in phosphate and other mine tailings.¹⁵

As a result, the International Atomic Energy Agency and Nuclear Regulatory Commission regulations figuratively paved a 12-lane interstate highway for the Chinese domination of the rare earth industry that has lasted for almost 40 years, with no end in sight. In 1983, several years after adoption of these sweeping regulations, China established the first National Laboratory for Rare Earths—adding an exclamation point to the significant opportunity and feckless negligence of the rest of the world’s approach to rare earth mining.

The tremendous advantages inherited by China after the adoption of the source material regulations were summarized by rare earth researcher James Kennedy this way:

Today these [rare earth] resources are discarded because of regulatory and liability issues associated with thorium and/or uranium. The larger problem, almost universally overlooked, is the lack of a fully integrated value chain outside China. To put things into context, prior to its bankruptcy the largest rare earth producer outside China shipped all of its non-cerium and lanthanum (rare earth) oxides to China for refining into high-value metals, alloys, magnets, and components. It is reasonable to assume that this strategy will be replicated by most or all new rare earth resource producers. What is the point of developing new rare earth mines if the value-added ends up happening in China? Resolving the larger issue of non-Chinese metallurgical refining should be the focus of government agencies, researchers, and industry.¹⁶

A decade later, the start of 1990s saw numerous rare earth milestone events, beginning with the opening of China’s second National Lab for Rare Earth materials in 1991. The following year, China’s leader Deng Xiaoping established rare earths as central to China’s industrial policy with his ominous quote, a possible implied threat of using rare earths as an economic weapon: “*The Middle East has oil, China has rare earths.*”

This was, and still is, *America’s rare earth ultimatum.*

At the time of Deng’s rare earth proclamation, China already had four decades of success on its own and a decade’s worth of “help” from the International Atomic Energy Agency and

Nuclear Regulatory Commission source material regulations. China’s rare earth snowball was quickly rolling downhill, gaining momentum, and turning into an industrial and economic avalanche.

Major follow-on activities included the start of a massive technology transfer from the West to China, and the shift of Western companies to China, too. This was capped by the formation of the National Non-Ferrous Import Corporation, a Chinese entity specifically set up in 1995 to acquire U.S. rare earth pioneer Magnequench, a subsidiary of General Motors. At that time, Magnequench was the most important rare earth magnet maker in the world.

As China was boosting its research and development of rare earths and other critical minerals under the new leader Jiang Zemin, the Clinton administration in 1996 closed down the U.S. Bureau of Mines, which since 1910 was the world leader in mining and minerals research. More bad news hit in 1998 when the Chinese shut down operations of their newly-acquired Magnequench plant in Indiana. At that time, Magnequench was the only producer of rare earth magnets used in defense technologies, including missiles.



“*The Middle East has oil, China has rare earths.*”—Deng Xiaoping
This was, and still is, America’s rare earth ultimatum, signaling that the U.S. is losing this critical trade war.

But there was still more bad news to come before the decade ended. By 1998 the only major U.S. producer of rare earth ore, California-based Molycorp, terminated operations at its Mountain Pass Mine, after 300,000 gallons of low-level waste solutions from its mine tailings spilled across the floor of the Mojave Desert. The bill for the cleanup cost exceeded \$185 million.¹⁷ One year later, China established its third National Laboratory for Rare Earths in Mongolia—this facility focused on functional materials engineering.

In late 1999, Congress published what became known as the “Cox Report”—commissioned by the U.S. House of Representatives Select Committee on U.S. National Security and Military and Commercial Concerns. The report explained the methods used by the Chinese to capture military and dual-use technologies from the U.S., including utilization of rare earths. The 900-page volume gained little traction, but provides a stunning look back at lessons learned—all too late—regarding the loss of U.S. leadership in rare earth technologies.¹⁸

Decades of Chinese Focus Produce Rare Earth Global Dominance

1949	People's Republic of China formed, ruled by Chinese Communist Party (CCP)
1950	Baotou Iron & Steel Company begins production
1957	RE concentrate production begins at Bayan Obo
1960 –1980	National mineral exploration, survey work on RE gets attention of CCP leadership
1972	Xu Guangxi, the father of China's RE program, begins focus on RE research
1980	IAEA & NRC alter "source material" regulations, halting all Heavy REE production outside of China
1980	Congressional Subcommittee on Mines & Mining warns of US mineral resource dependence
1983	Chinese Society of REs Journal (published in Chinese and English)
1986	Program 863 established for the advancement of RE technology by Deng Xiaoping
1987	First Chinese national lab for RE
1978 -1989	Ministry of Resources & Planning expands RE focus & operations
1990	Journal of REs launched (published in Chinese and English)
1991	Second Chinese national lab for RE materials
1992	Deng Xiaoping establishes RE as central to China's industrial policy: "The Middle East has oil, China has REs"
1992	Baotou Industrial Development Zone attracts western corporations for the purpose of technology transfer
1995	Chinese companies acquire Magnequench, world's most important RE magnet producer
1996	US closes Bureau of Mines, ending government involvement in mining, minerals research
1997	Program 973 to boost research and development of RE materials by Jiang Zemin
1997	Jiang Zemin further defines China's industrial RE policy: "change resource advantage to economic superiority"
1997	Magnequench RE oxide powder facility for making magnets moves to China
1998	China closes Magnequench U.S. facility—only U.S. producer of RE magnets used in Tomahawk Cruise Missiles
1998	Molycorp terminates RE mining at Mountain Pass mine
1999	Third Chinese national lab for REs in Mongolia
1999	Congress publishes Cox Report, specifically outlining China's capture of dual use technology, including REs
2000	
2001	Fourth Chinese national lab and engineering research center for REs
2001	China allowed into WTO
2002	China completes closure of all U.S. Magnequench operations, relocates assets to China
2004	Apple begins manufacturing iPhones in China
2005	China attempts to acquire Molycorp via its acquisition bid for Unocal but fails
2007	China cuts off REs to W.R. Grace, forcing them to relocate in China
2007	China begins rationing RE exports, securing RE supply for only Chinese-based companies
2008	China begins acquiring interests in non-Chinese RE mines
2010	China embargos Japan's RE supply, securing RE supply for only Chinese-based companies
2010	Japan RE embargo causes a global exploration and speculation frenzy
2010–2015	Molycorp IPOs, RE bubble collapses, Molycorp declares bankruptcy
2015	RE mining frenzy and bust is a \$10 billion loser, over 300 RE-related firms declare bankruptcy
2015	GM, Ford, Siemens, GE, other technology firms have moved corporate components or entire divisions to China
2015	All leading RE dependent wind, solar, battery technology is centered in China
2008–2018	GAO declares RE "bedrock national security issue", government to-date spent less than \$25 million on RE problem
2010–2018	Japan spends nearly \$1.5 billion with no real change of RE import reliance on China
2016–2018	EU plans to spend over \$1billion to solve RE problem
2000-2018	U.S technology and defense industry become 100% import dependent on Chinese RE metals & critical minerals

China's Path to Rare Earth Dominance

It is useful to compare the evolution of the energy industry to that of rare earths—which have been dubbed by some as the “new oil.” Recent government reports state that the U.S. is now the world’s top producer of oil and natural gas. The nation has largely ended its foreign oil dependency. What is stunning is the relatively short period of time between the oil embargos of the 1970s, to the new era of energy independence and dominance beginning in the 2010s—a span of only 30-odd years.

Similarly, the chronology of rare earth development is also stunning—but it is *not* a U.S. achievement—instead that distinction belongs entirely to China.

For example, the Chinese rare earth timeline began almost 70 years ago, soon after the People’s Republic of China was established in 1949. A year later, China’s famous Baotou Iron and Steel Company started production, eventually becoming an icon of the Chinese mineral industry.

Within a few years of the formation of Baotou, China began rare earth concentrate production at Bayan Obo, marking the start of today’s dominant rare earth industry. China’s specific costs related to rare earth production were minimal, because much of it was a by-product of the iron ore operation. During the 1950s and 1960s, the production and research of rare earths attracted the attention of the Chinese Communist Party (CCP) leadership, as early commitments to building a rare earth industry were paying off for China.

China Insists on Home-Field Advantage

The beginning of the 21st century saw a string of continued successes for the Chinese rare earth industry, including the 2001 opening of their *fourth* National Laboratory of Engineering Research Center for Rare Earths. Their new facility, dedicated primarily to metallurgy, complements the other three established Chinese national rare earth labs. The following year, 2003, the remainder of the Magnequench rare earth oxide facility in Indiana was packed up and relocated to China.

Two years later, Apple began the manufacture of iPhones in China. Also in 2005, China attempted to acquire the sole U.S. rare earth miner Molycorp via a bid to buy out its parent company, Unocal. The effort failed for undisclosed reasons and Unocal was instead bought out by Texaco Chevron. However, the Chinese leadership was still very much interested in one of the world’s richest deposits of rare earths—Molycorp’s Southern California mining operation—even if U.S. miners were not.



Credit: Plazak. License: <https://bit.ly/2DZQ2JF>

The 2017 purchase of the Mountain Pass rare earth mine was greeted by many with considerable alarm. The Coalition for a Prosperous America requested the federal government block the final sale because Mountain Pass was the only commercial rare earth mine in the country.

Following the failed attempt on Molycorp, China in 2007 cut off rare earth exports to W.R. Grace, an American chemical conglomerate based in Columbia, Maryland. W.R. Grace is a leading global supplier of catalysts for refining gasoline, manufacturing plastics, and specialty materials and chemicals for a wide-range of industrial applications. However, to gain access to the raw materials needed in its catalyst and technology divisions, W.R. Grace was forced to move parts of these operations to China.¹⁹ Later in 2007, Chinese leaders initiated rationing of rare earth exports to other global technology companies like W.R. Grace, sending a further signal that only Chinese-based companies had an assured supply of rare earths.

Within a year of these events, China began acquiring interests in foreign rare earth mines and undeveloped rare earth deposits, increasing their global supply monopoly. From that position of strength, China in 2010 flexed its political muscle against Japan through a rare earth embargo that temporarily crippled Japan’s electronics industry.

From 2010 to 2015, with the Chinese controlling the rare earth supplies and thus market prices, the investment bubble burst. Hundreds of rare earth exploration companies declared bankruptcy. America’s last commercial rare earth miner, Molycorp, finally collapsed into insolvency. Molycorp re-opened the Mountain Pass rare earth mine in 2008 and invested approximately \$1.6 billion to expand the light rare earths facility. But by 2015, the company was forced into bankruptcy.

In 2016 the Mountain Pass mine closed because it couldn't compete with the low prices of rare earth oxides in China, partly due to Molycorp's limited processing technology. In July 2017, investors under the name of MP Materials (headquartered in Las Vegas, Nevada) acquired the Mountain Pass property for a mere \$20 million dollars. The Shenghe Rare Earth Company, Limited, of China holds a non-voting minority interest in MP Materials—for now.^{20 21 22}

The 2017 purchase of the Mountain Pass rare earth mine was greeted by many with considerable alarm. The Coalition for a Prosperous America requested the federal government block the final sale because Mountain Pass was the only commercial rare earth mine in the country. To no avail.

The U.S. appears to have painted itself into a critical minerals corner, highlighted by a pending rare earth supply fiasco. Escape from the Chinese grip on the rare earth industry for the time being is not at all likely.²³ Most large manufacturers that absolutely needed rare earth materials to survive—GM, Ford, Siemens, and GE among them—followed W.R. Grace's example and already have rare earth operations in China. Another wave of companies joined these international conglomerates in China in 2015; industries touted as the key to America's future—those involved in renewable energy and battery technology.²⁴

What's Really at Stake

The connection between rare earth elements, technology metals, and corresponding supply chains and the U.S. high-tech manufacturing sector, renewable energy, and military readiness is very well-established at present. They all require rare earths in large quantities. For the world's largest economy, largest energy renewables market, and most powerful military—the stakes cannot be higher.

Yet, the U.S. has not invested enough money or attention to guarantee an adequate supply of rare earth elements.

Despite the crisis of confidence occurring in the rare earth trade space outside of China, during the decade between 2008 and 2018 the U.S. government spent less than \$25 million on solving what the Government Accountability Office referred to as a "bedrock national security issue."²⁵ Japan, having already been directly affected by a rare earth embargo, spent more than \$1.5 billion, but was still just as dependent on China for rare earths as it was in 2010.

Since 2002, the key U.S. technology and defense sectors have been 100 percent reliant on China for *all* imported rare earth materials.²⁶ Simply stated, for almost two decades the



Simply stated, for almost two decades the American "critical minerals credit card" has been maxed out with high-interest accruing yearly to China!

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Because of American dependence on imported rare earths and the Chinese supply chain, the United States' technology companies will need to continue moving to China—compromising the intellectual property of cutting-edge technology—fulfilling China's well-earned reputation for violating intellectual property. Another significant reason that companies are moving is cost: foreign companies using Chinese rare earths to manufacture items in China for export are *not* hit with quotas or charged export or value-added taxes.²⁷

Perhaps the best example of the impact of China's dominant position in rare earths has to do with the most ubiquitous of all manufactured products today—the smartphone. It certainly appears that Apple was forced to manufacture its iPhone and other electronic products in China in order to maintain access to a steady supply of rare earths.

As a consequence, China copies and reproduces Apple's products on an industrial scale. China, in the fourth quarter of 2015, sold more of its iPhone knock-offs worldwide than Apple sold iPhones. By September 2017, Apple had experienced declining sales for six months in a row in China, the world's largest mobile-phone market. Chinese phone makers are making headway in and out of China, and they account for roughly half of the global market.²⁸

This trend could continue because there is no other supply chain to challenge or stop it. China's growing expertise in manufacturing their own brand of high-quality products (near-perfect copies of the market leaders' brands, after all) and lower costs could eventually displace Apple and others on a global basis.²⁹ How much is mega-brand loyalty worth? We may soon find out.

As companies are forced to move to China to gain access to rare earths in order to manufacture their products, this continual threat to intellectual property greatly diminishes American leadership positions in strategic industries. U.S. companies—Intematix, GE (Healthcare/MRI Division), Ford (Starter Motor Division), and Battery 1,2,3—have all added manufacturing capacity in China, and so has Japan's

Showa Denko, Santoku, and scores of other global electronics companies.

China is also the world's leading producer of all renewable energy products, largely due to their control over rare earths. They dominate the solar panel and wind turbine markets. China leads the world in next-generation nuclear technology, with more experimental reactor programs than the rest of the world combined. They have publicly stated and demonstrated that they intend to lead the world in the design, production, and distribution of both carbon-free forms of energy—nuclear and renewables.^{30 31}

Similarly, most of the world's green and automotive technologies use China's rare earth-dependent "component capture" strategies. This means China also manufactures most or all of the products closely associated with rare earths, providing it with the world's most fully integrated rare earth component supply chain monopoly.³²

The Congressional Research Service in 2013 published a well-received report on rare earths and their relationship to U.S. national defense. The report addressed the effect of Chinese rare earth materials policies as they affect U.S. companies this way:

The Chinese government has announced a number of initiatives over the past few years to further regulate the mining, processing, and exporting of rare earth elements, such as consolidating production among a few large state-owned enterprises and cracking down on illegal rare earth mining and exporting. The Chinese government contends that its goals are to better rationalize and manage its rare earth resources in order to slow their depletion, ensure adequate supplies and stable prices for domestic producers, obtain a more favorable return for exports, and reduce pollution. Critics of China's rare earth policies contend that they are largely aimed at inducing foreign high-technology and green technology firms to move their production facilities to China in order to ensure their access to rare earth elements, and to provide preferential treatment to Chinese high-tech and green energy companies in order to boost their global competitiveness. Such critics contend that China's restrictions of rare earth elements violate its obligations under the World Trade Organization (WTO).³³

Regarding national security and military readiness, the defense industry's fear of rare earth supply disruption, and the desire to maintain and grow their businesses and other product lines through Chinese contracts, has given China

tangible control over their financial fortunes. Most of the U.S.'s advanced weapon systems procurement (see Rare Earth Dual-Use Technology on page 22) depends *entirely* on China for advanced metallurgical materials. To punctuate that fact, a March 28, 2017, Senate Energy and Natural Resource Committee hearing on U.S. critical minerals supply concluded that the U.S. is not making headway and has actually increased its dependence on rare earths and other critical minerals from the previous year (2016).³⁴

The best-known GAO report on the subject of national security risks and rare earth materials described it this way:

The Department of Defense (DOD) depends on rare earth materials (rare earths) to provide functionality in weapon systems components. Many steps in the rare earths supply chain, such as mining and refining the ore, are primarily conducted outside the United States, which may pose risks to continued availability of these materials to DOD. For example, in our prior work conducted in 2010, we found that much of the rare earths processing is performed in China, giving it a dominant position that could affect worldwide supply and prices. U.S. industry previously performed all steps in the rare earths supply chain and produced the majority of the global supply but no longer has the capability.³⁵

This dependency could provide China with some influence, and possibly control, over the outcome of any future conflict with the U.S., according to the Government Accountability Office. However, the Defense Department has done little to address the rare earth supply chain issue for over 20 years—since the sale of Magnequench to China in 1995, and the initial closure of the Mountain Pass rare earth mine in 1998. The DOD's Defense Logistics Agency maintains very few rare earth elements on hand. The Defense Logistics Agency in 2016 did award a contract for purchases of yttrium and dysprosium, but for the amounts of rare earth materials needed by defense contractors, stockpiling is not the answer.³⁶

Bottom line, there is little our military can do with stockpiles of minerals, especially rare earths, without a reliable processing and manufacturing supply chain to make the needed critical items. The meager stockpiles of rare earth materials maintained by Defense Logistics Agency would still need to be shipped to China for processing into metals for use. However, an American firm holds six U.S. patents for a new rare earth processing technology to produce a pure form of rare earth concentrate with thorium removed.³⁷ This could be one step in giving America a fighting chance to compete again in the rare earth trade space.

Rare Earth Monopoly—The Business Side

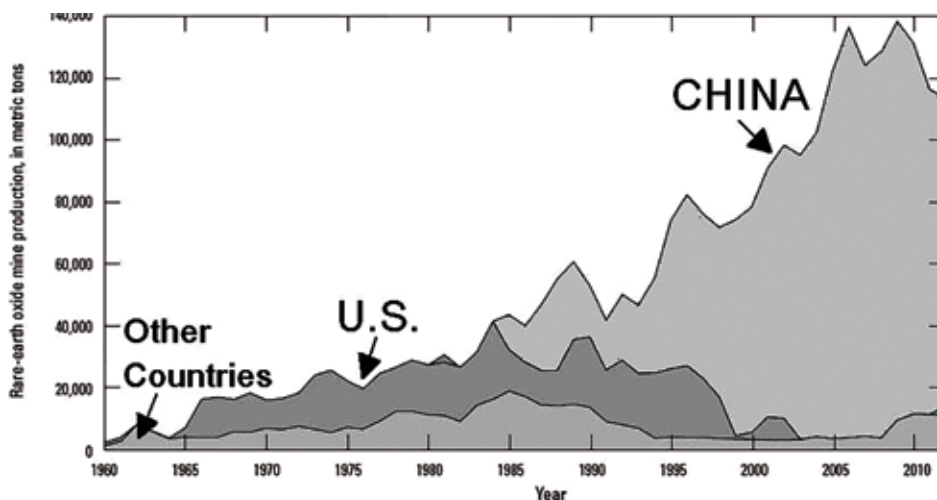
China's monopoly of the global rare earth market should be no surprise—they are the pioneers of rare earth innovation and are the authors of rare earth development history as previously discussed. Today, China is by far the world's leading researcher, producer, and exporter of rare earth minerals and metals.

According to production figures for rare earths in China obtained by the U.S. Geological Survey (USGS), officially-licensed Chinese mines churned out roughly 105,000 tons of rare earths, or approximately 85 percent of world output in 2016. However, in addition to government licensed mines, China has a huge thriving artisanal and illegal or black-market mining industry that has been largely overlooked by reporting agencies and organizations both domestic and worldwide.

Official Chinese government rare earth production for 2016 is reported as 105,000 tons. However, knowledgeable experts have recently estimated that black-market rare earth production in China was 150 percent higher during the same period, or roughly 157,000 tons. In other words, the *total* rare earth production of China is on the order of 260,000 tons—not surprisingly approaching or even surpassing 95 percent of global output.³⁸

In response, China's central government ordered hundreds of rare earth mining and processing facilities consolidated under just six major companies, presumably with the goal of maintaining concentrated oversight and control.

World Mine Production of Rare Earths from 1960–2012



Source: U.S. Geological Survey

The higher production figures suggest that Western estimates consistently underreport Chinese rare earth production on the order of 150 percent annually. This solidifies the importance of Chinese illegal production as an unknown quantity or “wild card” that handily contributes to price fluctuations on the world market. Fluctuations, or even price fixing, serve as a tool for China to further undercut U.S. or others’ investment in rare earth development by keeping the price low enough to deter new players in the marketplace, helping the Chinese maintain their global rare earth monopoly.³⁹

As further evidence, the output of illegal production for 2017 appears to be even higher than 2016. And in 2018, the Chinese Ministry of Industry *increased* China’s rare earth production quota (the allowable amount of rare earth mining output) by a whopping 40 percent over 2017 to at least be comparable to black market production.

The Chinese government has a system to handle supposed “illegal” rare earth production. When discovered, if the mine operators are willing to pay taxes, penalties, and conform to new “environmental standards”, these “artisanal” or “mom and pop” mines are allowed to continue production.⁴⁰ Despite China’s enormous rare earth mining output, it is still not enough to satisfy demand.

Not only is the world utilization of rare earths climbing, but China’s domestic requirements for rare earths are exploding along with their ever-increasing middle class consumers and their demand for cleaner energy. China’s population currently consumes nearly 70 percent of the world’s rare earth output, much of which is converted in their manufacturing facilities into LED lighting, iPhones, and PCs which are then purchased by consumers around the world.

China in 2018 imported an all-time high quantity of rare earth elements produced elsewhere. Their rare earth imports are up 167 percent year over year, while simultaneously minimizing their rare earth mine depletion. The 2018 Chinese rare earth import volumes are ten times higher than 2015 figures, suggesting that government crackdown on “illegal” domestic production may be at least partially responsible for the surge in recent rare earth imports into China.⁴¹

Today, China is simultaneously the world’s largest exporter and importer of rare earths. For now their position as



Chinese illegal rare earth production—as an unknown quantity or “wild card”—handily contributes to price fluctuations on the world market.

the world’s rare earth leader is extremely enviable, but a tipping point may have been reached, at least regarding their domestic production and resources. For example, China has 30 percent of the world’s rare earths reserves and probably no more, and may need to begin cutting, rather than increasing national mining quotas, despite their domestic rare earth demand.⁴²

But the Chinese appear to have a backup plan to obtain additional rare earth supplies. Using their global reach of resources, the Chinese are tapping into major rare earth deposits and mining projects elsewhere, such as in Greenland, Canada, Australia, and Burundi (neighboring the war-torn African countries of Rwanda and the Congo).^{43 44} All of these projects will have China as a major customer, as minerals and metals mined almost anywhere outside China find their way back there for processing, because China’s leaders spent the past 60 years designing the world’s most sophisticated rare earth supply chain network.

The key to China’s real monopoly power stems from their ability to couple rare earth reserves and mining output worldwide, with the uniquely Chinese rare earth value-added supply chain that churns out metals, alloys, and a long list of technology products beginning with the all-important high-strength rare earth magnet.⁴⁵

From the beginning of its rare earth industry until now, China steadily has increased its dominance to perhaps as high as 95 percent of the market. Their global control means they are in a position to leverage the combination of over-production and price manipulation to bankrupt global rare earth competitors, if and when they choose to do so for political, economic, or military advantage.

Unfortunately, Western scientific and technical efforts have, thus far, failed to develop new reliable, cost-effective rare earth substitutes—thereby maintaining China’s monopoly. American universities have slowly stopped offering course studies and advanced degrees in materials science, metallurgy, mineral industry, and mining engineering, forcing bright minds to seek internships and jobs off-shore rather than contributing to the U.S. economy.

Even academic and scientific conferences are now dominated by China’s restrictive media and educational policies,

instead of open forums to discuss issues of importance to the entire world, this despite the Department of Energy’s push to create the Critical Minerals Institute in 2013 at various National Labs around the country.

An important lesson to our elected officials may be that it was the Western nation’s penchant for regulations that inadvertently helped establish the foundation for China’s nearly perfect rare earth monopoly.

Re-Visiting Regulations Gone Awry

Forty years ago, the U.S. was the world leader in the production of rare earth oxides and critical metallurgical materials derived from rare earth metals. Then, the International Atomic Energy Agency and the Nuclear Regulatory Commission agreed to apply the label of “source material” (i.e., radioactive source material) to all mine tailings (waste rock) that contained concentrations of radioactive thorium or uranium above .05 percent content. The regulations define any processed or refined material with thorium and/or uranium concentration above .05 percent as source material.⁴⁶

They could be enforced because virtually all countries were members of International Atomic Energy Agency, especially mining countries. Specific to the U.S., the Nuclear Regulatory Commission further upgraded U.S. safeguards on nuclear material, mirroring the International Atomic Energy Agency regulations. The Nuclear Regulatory Commission’s language includes *all* U.S. mine tailings and material processing, not just tailings from uranium mining.⁴⁷

Historical Context for 1980 IAEA and NRC Regulations

Because rare earth production is typically associated with thorium and even uranium content from the same ore materials, the new regulations meant that rare earths, especially heavy rare earths, would no longer be processed from mine tailings that exceeded the .05 percent source material concentration limit. The regulations would also prohibit rare earths processing from phosphate tailings because of their thorium content, when in excess of .05 percent.

As a result of the Nuclear Regulatory Commission and International Atomic Energy Agency regulations, virtually all heavy rare earth production now unexpectedly met the technical definition of a “source material,” causing these resources to be withdrawn from the domestic supply chain.⁴⁹

In July 1980, the International Atomic Energy Agency and the Nuclear Regulatory Commission implemented agreements that prohibit the handling and transport of radioactive source material generated during mining.⁴⁸

The release of radioactivity had to have been on the mind of the International Atomic Energy Agency and Nuclear Regulatory Commission authors as they drafted the regulations. Three major nuclear incidents involving either the core meltdown or release of radioactivity from nuclear power plants occurred in the three years leading up to the signing of the agreement:

1977	Jaslovske Bohunice	Czechoslovakia	Damage to fuel, outside release
1979	Three Mile Island	U.S.	Damage to reactor, minor outside release
1980	Saint Laurent des Eaux	France	Fuel meltdown, no radioactive release

Joining the sweeping environmental activism of the decade, Hollywood debuted the movie *The China Syndrome* in 1979, which portrayed a domestic nuclear reactor disaster including a core meltdown and presumed release of radioactivity. Incredibly, the movie was released just 12 days before Pennsylvania's Three Mile Island incident, which turned out to be the most significant accident in U.S. commercial nuclear power plant history. The high risk portrayed vividly in the movie stoked Americans' fear of anything related to nuclear power. To this day, the collective memory of Three Mile Island's legacy is based on the fiction of what *could* happen, not the facts of what *did* happen.

But there was no outcry over the regulatory change; compliance began worldwide. In the U.S., for example, byproduct producers and domestic supply chain consumers of these materials, such as phosphate deposits, never informed federal regulators or Congress of the looming problem, because of concerns over the potential legal, environmental, and health liabilities associated with decades of unregulated thorium disposal.

To conform to the new regulations, mining operators took the path of least resistance and buried the tailings along with

their rare earth content. Some miners devised various processes to dilute or blend thorium-bearing rare earths below threshold and background radiation levels.⁵⁰

For the most part, costly burial of rare earth resources continues today, such as at Florida phosphate mines, even though rare earth materials are recoverable. Light rare earths, like those found in the Mountain Pass deposit, contain low levels of thorium below the threshold and were unaffected by regulations. However, the outcry over the 300,000-gallon spill of a thorium-enriched solution across the adjacent desert floor contributed to the mine's demise and initial closure in the late 1990s.⁵¹

Meanwhile, the situation in China was more promising for the explosion of their rare earth industry because:

- China was not a member of the International Atomic Energy Agency in 1980, and therefore not bound by the new source material regulations implemented for the rest of the world.
- The International Atomic Energy Agency source material regulations *do not apply* to a certain class of rare earth deposits which are most prevalent in China. Most Chinese rare earth production is a byproduct of iron ore mining; because it contains low thorium levels (less than .25 percent by weight thorium and/or uranium), it is exempted from the regulations.

Ironically, China did become an International Atomic Energy Agency member in 1984—a point at which politically they had everything to gain and nothing to lose on the world stage since their industry was already grandfathered in. In retrospect, geologic serendipity and the International Atomic Energy Agency regulations handed China a dual rare earth monopoly by exempting their domestic rare earth mining program *and* their metallurgical processing of finished products.⁵²

The result was that all rare earth resource mining and supply chain production quickly shifted to China. However, at that time, concern among business leaders outside of the mining industry was at a minimum because rare earth technology, metallurgy, and the importance of magnet applications for electronics were still in their infancy. Looking back on this situation from today's vantage point, it is clear that only a handful of experts in the U.S. fully grasped the groundbreaking potential for rare earth materials in the 1980's, but it was too late—China was already in control.⁵³

China's rare earth monopoly would probably never have been established without the needless misapplication of Western-minded, environmentally sensitive regulations.

At present, no new stand-alone mine could be expected to produce rare earths at a lower cost than China.^{54 55} The one possible exception might be the Bear Lodge in northeast Wyoming. When that mine comes online, the combination of high-grade ore deposit and patented processing techniques would probably be competitive with Chinese rare earth ore production.⁵⁶

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China's rare earth monopoly would probably never have been established without the needless misapplication of Western-minded, environmentally sensitive regulations.

In the end, China's rare earth monopoly is not simply a resource issue, where they have most of the world's rare earth ore deposits and other countries do not. On the contrary, many operating mines in the U.S. and worldwide which produce basic commodities, such as phosphates, titanium, zircon and iron ore, annually dispose of enormous quantities of tailings that contain major quantities of recoverable rare earths, as explained above. This proven recoverable resource is estimated to represent the equivalent of approximately 65 percent or more of global rare earth demand.⁵⁷

Therefore, opening new mines to obtain these rare earths is not necessary if the rare earth content of selected existing mine tailings can be processed before disposal.

To harness this rare earth resource gift, creative solutions are desperately needed and some are now being developed. The first step in the arduous process of breaking the Chinese monopoly will be to somehow roll back or sidestep the 40-year-old Nuclear Regulatory Commission regulations and mitigate their harmful unintended consequences.⁵⁸

American Rare Earth Ingenuity

Domestic mining is not a short-term solution for obtaining rare earth materials, because mines can take years to become operational due to excessive permitting and time-consuming infrastructure construction. U.S. rare earth miners often have tried to compete in the mining arena and been bankrupted in the past by China, even though they have abundant rare earth reserves in the form of mineral deposits, and as byproducts from other minerals.

U.S. Rare Earth Deposits



Source: Department of Energy

The processing and manufacturing supply chain to turn those mineral ores into useable parts is the main problem in the United States. It's also the fulcrum of China's successful rare earth monopoly.

Thus, a pressing question for the new administration and Congressional representatives shaping budget priorities and offering regulatory oversight is how best to address our rare earth over-reliance on China, a strategic competitor, and ensure that the U.S. will have a secure supply of rare earth ore and processed rare earth metals and materials. Building a domestic U.S. rare earth industry—from mine to marketplace—to meet the nation's technology manufacturing requirements will *still* encounter the inevitable mercantilist Chinese manipulation of rare earth pricing and the global supply chain.

It can be built . . . but it will require American ingenuity!⁵⁹

There are four significant problems to overcome:

- Direct mining of rare earths would unfairly face and compete with state-sponsored monopoly pricing from China, so any mine's economic viability or long-term sustainability is highly questionable.
- Congress and successive Administrations have failed to establish a public-private sector mechanism for utilizing our abundant legacy resources, rather treating them as toxic waste with expensive and inherent liabilities.
- Even if U.S. legacy resources were tapped, there is no fully integrated value chain outside of China with the capacity and capability to convert these resources into usable oxides and metals.

Like direct mining, the economic viability of a domestic, market-based manufacturing value chain is unrealistic, considering China controls global pricing and supply of all

finished rare-earth materials, and would not have any motivation to cease its successful monopoly.

The above issues reflect what western economists would refer to as a “market failure.” There are many reasons for market failures, including competing against state-sponsored monopolies. They are typically managed through the creation of shared risk, production, and distribution platforms called “cooperatives.”⁶⁰

One suggested solution would be to form a U.S.-based, privately funded and managed rare earth “cooperative”. The “co-op” would be comprised of technology companies that require rare earths to manufacture magnets, electronics, alloys and rare earth metals—and would focus strictly on turning rare earth ores into oxides and metals. The proven advantage to this kind of co-op is that it would enable end-users—the technology manufacturers—to act together, without violating antitrust law, to procure finished products that currently are unavailable domestically.⁶¹

Cooperatives have long been an American solution to market failures. For example, new-generation cooperatives (NGC), developed in the 1990s in California, the Midwest, and elsewhere are tailored specifically for use by modern capital-intensive industries that add value to primary products, such as those involved in the production of ethanol from corn, or juice products from citrus crops. Energy distribution also fits into the co-op model very well.

A properly constructed rare earth co-op could redirect the flow of capital, jobs, and the newest processing and refining technology related to the rare earth industry away from China and toward a reliable domestic solution—a highly desirable goal for this totally import-dependent group of minerals. In so doing, a rare earth co-op would be historic, and would represent a slice of American ingenuity and will-power that could not be stopped by Chinese manipulation.

In the final analysis, China can hardly be blamed for its clever use of global mineral resources. Decades of unsustainable U.S. mineral resource policies contributed mightily to its success and to our nation’s present state of wild over-reliance of many critical minerals. If a rare earth cooperative proves as successful as other American co-ops, not only would it alleviate rare earth supply problems, but it could represent a template for domestic production of other import-dependent critical minerals in the foreseeable future.

The Trump administration has pledged its commitment to embark on a massive infrastructure rebuilding program. Minerals and metals are the backbone of the nation’s infrastructure. With our national security at stake, bold and

resourceful action to create a domestic rare earth supply chain using co-ops might be the best plan where none now exists. ■

Read previous articles from the Green Watch series online at CapitalResearch.org/category/green-watch/.

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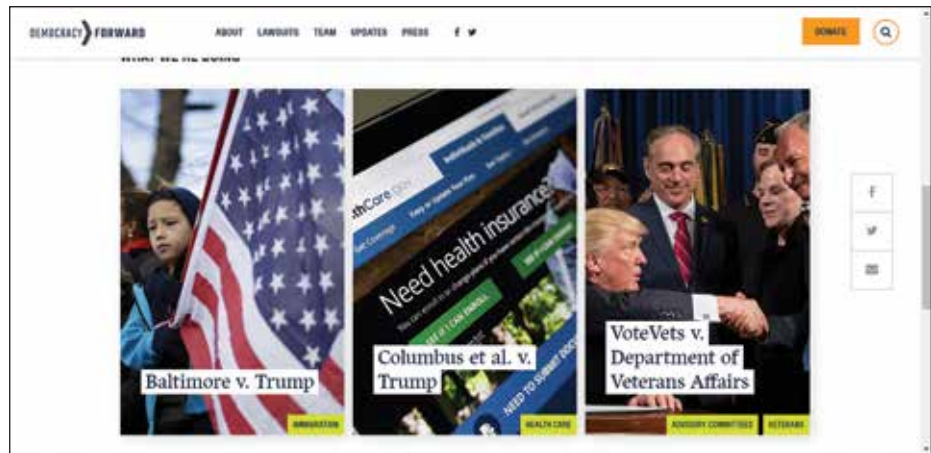
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MARIONETTES AND MAZES: EXPOSING THE NEW VENTURE FUND'S "POP-UP" NETWORK

By Hayden Ludwig

Summary: The election of President Donald Trump triggered the creation of numerous new activist groups on the Left. But while virtually every one of them claims to be “grassroots,” many aren’t real organizations at all. Meet the professional Left’s “pop-up” protesters—websites designed to look like spontaneously generated citizen activism against the policies of the Trump administration and the Republican Party. Quietly pulling the strings behind these fake groups is the New Venture Fund, a mega-funder created and managed by a for-profit philanthropy consulting company, Arabella Advisors, and led by a wealthy and influential ex-Clinton administration staffer, Eric Kessler.



Restore Public Trust, American Oversight, and Democracy Forward are the culmination of a plan outlined by Clinton operative David Brock in January 2017 to “defeat Trump either through impeachment or at the ballot box in 2020.” The New Venture Fund runs Restore Public Trust and American Oversight.

Credit: Democracy Forward/screenshots. License: <https://bit.ly/307nGxv>

It’s a good time to be a left-wing activist. The Trump administration’s victories have inspired and mobilized the professional Left, which has churned out new agitation groups by the dozen to protest virtually everything President Trump says and does.

But take a closer look and you’ll find that many of these activist groups aren’t really groups at all. They’re more like masks: sophisticated websites made to cast the illusion that they’re more than just a small digital space owned by a much larger entity. Behind the mask is the New Venture Fund, a \$363 million mega-funder and incubation nonprofit that specializes in generating attack websites on behalf of its special interest clients.

But even the New Venture Fund is just a tool for creating and controlling these “pop-up” activist groups. At its helm is Arabella Advisors, an influential philanthropy consulting firm in Washington, D.C., catering to groups like the Rockefeller Family Fund, the Ford Foundation, and George Soros’s Open Society Foundations. The firm belongs to Eric Kessler—Arabella’s senior managing director and string-puller-in-chief—an ex-environmental activist and Clinton administration staffer who now operates in the highest echelon of Democratic Party politics.

Together with its “sister” advocacy arm the Sixteen Thirty Fund, a leading “dark money” funder also operated by Arabella Advisors, the New Venture Fund controls a menagerie of fake “pop-up” groups targeting everything from President Trump’s judicial nominees to pushing abortion-on-demand policies in the federal government.

Networks and Penumbras

In order to grasp the New Venture Fund’s impressive reach and value to the institutional Left, it’s worth establishing the role played by Arabella Advisors in expanding left-wing political infrastructure. Arabella Advisors prizes the image of itself as “the only provider of a true end-to-end platform of philanthropic services” in the United States. The company specializes in “philanthropy and impact investing” services, or what it calls “strategic philanthropy.”

Arabella’s version of “strategic philanthropy” usually takes the form of guiding grants to left-wing causes, a service that

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evidently pays well. The company has grown rapidly since its creation in 2005 and today represents clients with collective assets totaling more than \$100 billion. Arabella is also the largest philanthropy consultancy in America, catering to more than half of the 50 largest grantmaking foundations in the country.

But Arabella's true value is in what it calls its "deep partnerships" with the New Venture Fund and its three sister nonprofits. "Deep partnerships" is a euphemism; the firm's relationship to these four nonprofits couldn't be more hierarchical. Key Arabella officers control the boards of directors of this network of nonprofits, including founder Eric Kessler, firm principal Bruce Boyd, advocacy director Scott Nielsen, general counsel Andrew Schulz, chief financial officer Wilbur Priester, and former managing director Lee Bodner.

But while Arabella Advisors doesn't hide its connection to its four Funds, the firm is curiously hesitant to explain just how "deep" its partnerships with the Funds run. Littering the groups' websites are myriad descriptions of the supposedly "independent" Funds managed under an "administrative agreement" with Arabella Advisors. According to the New Venture Fund, it "share[s] a commitment to evaluation and measuring impact" with Arabella Advisors. But it also shares something else with Arabella—an address.

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Arabella's "strategic philanthropy" usually takes the form of guiding grants to left-wing causes, a service that evidently pays well.

Each of New Venture Fund's sister nonprofits specializes in a different set of issue areas. The Hopewell Fund, for instance, was launched in 2015 with \$8.4 million in startup capital from the left-leaning Susan Thompson Buffett Foundation; it hosts groups like the pro-abortion Equity Forward, which attacked the Trump administration for revoking Obamacare rules compelling conservative religious groups to pay for birth control. Similarly, the Windward Fund focuses on environmentalist causes, thanks to huge grants from the Rockefeller, Kellogg, and Walton (of Wal-Mart fame) Foundations.

But the real stars of the Arabella network are the New Venture Fund and the Sixteen Thirty Fund. Both organizations



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Lee Bodner is president of the New Venture Fund, a position that earned him nearly \$237,000 (in salary) in 2016.

work hand-in-hand to maximize the effectiveness of their constituent "pop-up" campaigns. This tends to take the form of a New Venture Fund-sponsored fundraising arm and a Sixteen Thirty-sponsored "advocacy" and lobbying arm.

Under this model, these "pop-up" projects take full advantage of each Fund's respective tax status. The fundraising arm, for instance, offers donors tax-deductibility on their donations thanks to the New Venture Fund's 501(c)(3) non-profit designation. The "advocacy" arm, on the other hand, is allowed far more flexibility to lobby under the Sixteen Thirty Fund's 501(c)(4) designation.

It's a clever model of fiscal sponsorship that has endeared Arabella to major left-wing funders. Altogether, the four Arabella-run Funds represent a substantial force on the Left, earning more than a combined \$417 million in 2016. According to figures from *Forbes*, that would make the groups the 22nd largest public charity in America, were they a single nonprofit.

It also pays well. Between 2007 and 2016, the New Venture Fund shelled out \$50.5 million to Arabella Advisors in management fees—or 49 percent of the \$112.7 million it paid in total to contractors over that same period.

The New Venture Fund board of directors overlaps substantially with its three "sister" nonprofits and their governing firm, Arabella Advisors. All five bodies (including Arabella) are headed by Eric Kessler, who serves as board chair, president, or managing director for each of the organizations.

Lee Bodner is president of the New Venture Fund, a position that earned him nearly \$237,000 (in salary) in 2016. Bodner, a former managing director for Arabella Advisors, also serves as board chair of the Windward and Hopewell Funds. During his time at Arabella, Bodner played a leadership role in incubation projects housed within New Venture and its lobbying affiliate, the Sixteen Thirty Fund, particularly concerning environmentalist groups.

Arabella Advisors is also represented on New Venture Fund's board by its chief financial officer, Wilbur Priester, who serves as CFO and a board member for all four Arabella-run Funds. Similarly, Arabella general counsel Andrew Schulz serves as general counsel to New Venture Fund and its sister Funds.

Further illustrating the close relationship between the New Venture Fund and Arabella Advisors is the presence of two of the firm's managing directors, Bruce Boyd and Shelly Whelpton. Boyd is former executive director for the Illinois affiliate of the left-leaning Nature Conservancy; Whelpton is a founding board member of Running Start, a left-leaning nonprofit that trains women to run for public office.

Other New Venture Fund board members tie the group to major left-wing funders, including the Annie E. Casey Foundation, NARAL Pro-Choice America, Environmental Law and Policy Center, Hattaway Communications (a for-profit firm whose clients include numerous Sixteen Thirty Fund projects), and the left-leaning think tank Center for Global Development, co-founded by ex-Obama administration official Brian Deese (creator of the infamous Cash for Clunkers car buyback program).

Anti-Trump Guns for Hire

Arabella Advisors isn't the only group to offer fiscal sponsorship services through its nonprofits, of course. It wasn't even the first: that distinction likely belongs to the left-wing Tides Foundation, another mega-funder created in 1976 whose "incubated" projects include Norman Lear's People for the American Way and the Natural Resources Defense Council.

Some conservative nonprofits provide fiscal sponsorship services, too. The most prominent of these is DonorsTrust, which even advertises the liberty-minded groups it has sponsored. (In the spirit of full disclosure, CRC has received gifts from donors using DonorsTrusts' donor advised funds.)

Traditional "incubators" use their IRS tax-exemption as an umbrella for startups to fundraise and organize while they await their own tax-exemption from the IRS. But Arabella offers a unique take on fiscal sponsorship: the vast majority of the groups it creates are arguably never meant to leave the nest.

There are exceptions and a handful of independent nonprofits exist, which began as New Venture Fund projects. Still, it's this ephemerality that makes such "pop-up" projects so effective—why wait for the wheels of bureaucracy to turn when you can quickly create a website to spread your message?

Because the New Venture Fund's projects can appear one day and disappear the next, they tend to be run as short-term, high-intensity media campaigns targeting the news cycle. This was perhaps most obvious during the Left's effort

to derail the confirmation of Supreme Court Justice Brett Kavanaugh in October 2018, when a crowd of activists—led by a mysterious group called Demand Justice—waved glossy pre-printed signs that read "Stop Kavanaugh." At a glance, Demand Justice was an activist group

like any other. But closer inspection of its website, however, showed that the group was really a front for the Sixteen Thirty Fund. (Lobbying filings posted by the FEC later confirmed this.)

The New Venture Fund's projects are created in support of these lobbying front groups. The (ironically named) Fix the Court, for instance, could be considered Demand Justice's unofficial research arm, though the two groups don't advertise their relationship *vis a vis* Arabella Advisors. But when asked during a 2016 C-SPAN interview how much of his group's money comes from the New Venture Fund, Fix the Court executive director Gabe Roth said: "All of it."

Both groups ran parallel campaigns attacking federal district court Judge Thomas Farr, Justice Brett Kavanaugh, and Judge Naomi Rao. Perhaps nothing better illustrates the fake "grassroots" activism at play against the Justices than when Demand Justice cited Fix the Court as "a nonpartisan watchdog group" for its Freedom of Information Act request demanding over one million pages of documents from Kavanaugh's days in the Department of Justice and Office of Independent Counsel Ken Starr.

While the Sixteen Thirty Fund's projects are generally created to lobby, the New Venture Fund's projects often take a subtler approach to advocacy. In December 2018, the



Arabella offers a unique take on fiscal sponsorship: the vast majority of the groups it creates are arguably never meant to leave the nest.



Credit: lowkell/screenshot. License: <https://bit.ly/2HacFE1>.

Citing CRC’s original discoveries, Strassel identified three innocuously named nonprofits targeting Trump: Democracy Forward, Restore Public Trust, and American Oversight. (Above: Sen. Jennifer Wexton Speaks to Virginia Democracy Forward)

Wall Street Journal’s Kimberly Strassel reported on the so-called “Ethics Resistance” barraging President Trump with Freedom of Information Act requests and lawsuits intended to derail his administration—if not set him up for impeachment by House Democrats.

Citing CRC’s original discoveries, Strassel identified three innocuously named nonprofits targeting Trump: Democracy Forward, Restore Public Trust, and American Oversight. Of the three, two sport direct connections to the New Venture Fund—such as Restore Public Trust, a supposedly “non-partisan public interest group” created last November. The New Venture Fund is also represented on American Oversight’s board of directors by Kyle Herring, who also serves on the New Venture Fund’s board.

These groups—and consequently, the New Venture Fund—are enmeshed in top tiers of the professional Left and the Democratic Party. Democracy Forward’s board of directors, for instance, includes Hillary Clinton campaign chair John Podesta and Perkins Coie lawyer Marc Elias, the Democratic Party lawyer who spearheaded the Democrats’ new national redistricting effort. American Oversight’s board includes Melanie Sloan, former executive director of the leftist attack group Citizens for Responsibility and Ethics in Washington (CREW), and Caroline Fredrickson, former legislative director for the abortion-on-demand group NARAL Pro-Choice America.

Together, Restore Public Trust, American Oversight, and Democracy Forward are the culmination of a plan outlined by Clinton operative David Brock shortly after Trump took office in January 2017. According to a private memo written by Brock’s groups and obtained by the *Washington Free Beacon*, this network is dedicated to “defeat[ing] Trump either through impeachment or at the ballot box in 2020.”

Left-Wing Heavyweight

The New Venture Fund claims it’s hosted some 280 projects since its inception in 2006. It’s worth noting that while the New Venture Fund and its sister affiliates maintain these campaigns, the funds originate with paying clients. Arabella Advisors, in other words, provides customers with ready-made platforms for their advocacy campaign of choice—just cut the check and Arabella takes care of the rest.

The New Venture Fund’s clients are generally large foundations and donor-advised fund providers (whose funds generally originate with wealthy individual donors). According to data from the website Foundation Search, for instance, New Venture has received grants from the W.K. Kellogg Foundation totaling \$32 million since 2011, \$35 million from the Moore Foundation since 2012, \$32 million from the Susan Thompson Buffett Foundation since 2012, nearly \$19 million from the Wyss Foundation since 2010, and a staggering \$150 million from the Gates Foundation since 2011.

Because Arabella Advisors is a private for-profit company and the New Venture Fund accepts millions of dollars in donations each year, it’s virtually impossible to identify which clients paid for which campaign and how much they spent. But judging by the New Venture Fund’s enormous size—the group earned over \$363 million in 2016, according to its latest IRS filings—the size and scope of these campaigns is anything but modest. These run the gamut of issues, but all share Arabella’s approach to political activism: slick websites, targeted appeals, and very little donor disclosure.

Pop-Up Mercenaries

Some of New Venture Fund’s projects are even hierarchies within hierarchies, like the Civic Engagement Fund. The Fund is a “nonprofit civic incubator” housed within an incubator. In reality, it’s no such thing—whatever projects the Fund “sponsors” are as much projects of the New Venture Fund as the Civic Engagement Fund is itself—but it stands as an example of the layers Arabella Advisors has built in order to distance itself from many of its creations.

Abortion

All Above All is a New Venture Fund project which advocates for Congress to overturn the Hyde Amendment, a legislative provision passed in 1976 that forbids the use of federal funds to pay for abortions except in extreme circumstances. In 2017, the group and its Sixteen Thirty Fund-sponsored lobbying arm backed the Equal Access to Abortion Coverage in Health Insurance (“EACH Woman”) bill, which would have “ensur[ed] abortion coverage and care through the federal government” in Medicaid and Medicare while simultaneously barring state legislatures from restricting abortion coverage in private health plans.

The New Venture Fund also sponsors the Women’s Equality Center, which forms strategic messaging for abortion campaigns. The Center, in turn, nominally manages Keep Birth Control Copay Free (both part of the New Venture Fund), which lobbies the government to force private health insurers to provide copay-free birth control coverage.

Gun Control

Hope and Heal Fund is an New Venture-sponsored gun control group based in California. It’s led by Brian Malte, a longtime senior national policy director for the gun-grabbing Brady Campaign to Prevent Gun Violence. Like other New Venture projects, Hope and Heal Fund’s actual funders are hard to identify. According to the left-leaning website Inside Philanthropy, though, it was launched in October 2017 with \$2 million from eight liberal foundations, including the Akonadi Foundation, the California Endowment, Blue Shield of California Foundation, and California Wellness Foundation. The group’s steering committee is made up of representatives from these foundations.

Net Neutrality

One of the New Venture Fund’s more shadowy projects is the Media Democracy Fund, a group created in conjunction with the Media Democracy Action Fund, its Sixteen Thirty Fund-sponsored lobbying arm. The Media Democracy Fund was initially developed by the Proteus Fund, a pass-through funder, a fact detailed by Arabella in a 2015 piece (left unmentioned was the Action Fund’s ties to the Sixteen

Thirty Fund). The Media Democracy Fund was instrumental in the technocratic Left’s 2015 push to enact net neutrality regulations in the Obama administration’s Federal Communications Commission (FCC).



The Civic Engagement Fund is a “nonprofit civic incubator” housed within an incubator—an example of the layers Arabella Advisors has built in order to distance itself from many of its creations.

Net neutrality went a long way towards handing control of the internet over to the federal government, the dream of net neutrality advocate Robert McChesney, a radical and former editor of the socialist magazine *Monthly Review*. McChesney believes that the American media is too “profit-driven . . . any serious effort to reform the media system,” he wrote in 2008, “would have to

necessarily be part of a revolutionary program to overthrow the capitalist political economy.” And McChesney was well-placed to drive that far-left message home with his George Soros-funded advocacy group, Free Press. The Obama administration cited it a whopping 46 times in its arguments for adopting net neutrality.

President Trump undid net neutrality rules in 2017, but groups aligned with Free Press continue to push for its re-adoption. One of them, Demand Progress, has received at least \$90,000 from The Media Democracy Fund through its “Open Internet Defense Fund.” And is it any coincidence that The Media Democracy Fund’s founders include a former Free Press outreach director and Proteus Fund officer?

Funding “Science”

Yet another New Venture Fund project is the Science Philanthropy Alliance, a coalition of funders pushing grants for “basic science” in response to federal budget cuts in research and development. And while there’s nothing necessarily suspicious about that goal, the same can’t be said for the Alliance itself.

If Science Philanthropy Alliance was created to direct philanthropy toward scientific research, why is it housed at the New Venture Fund—a group whose “philanthropy” looks a lot more like George Soros’s than it does, say, the Wounded Warrior Project? (Science Philanthropy Alliance’s status as a project of the New Venture Fund isn’t prominently displayed on its website—it’s only quietly mentioned at the bottom of a job listing.)

A glance at the New Venture Fund’s 2016 IRS filing (Form 990), might reveal why. According to that document, New

Eric Kessler



Credit: Change FoodScreenshots. License: <https://bit.ly/2LMJW67>.

The New Venture Fund board of directors overlaps substantially with its three “sister” nonprofits and their governing firm, Arabella Advisors. All five bodies (including Arabella) are headed by Eric Kessler, who serves as board chair, president, or managing director for each of the organizations.

Arabella Advisors founder Eric Kessler comes from a wealthy Chicago family whose fortune originated with the 1998 sale of Fel-Pro, their auto-parts manufacturer and “fifth-generation family-owned business,” for a reported \$750 million. He’s a board member of the Family Alliance Foundation, his family’s grantmaking nonprofit, which largely funds medical causes. The foundation also funds the World Resources Institute, an environmentalist nonprofit created with startup capital from the MacArthur Foundation that has hailed an extreme carbon tax proposal as “good starting point” for “cut[ting] emissions in line with the goals of the Paris agreement.”

Kessler himself co-owns three ritzy restaurants in the District of Columbia, one of which, Graffiato, closed in July 2018, following a sexual harassment settlement against co-owner and chef Mike Isabella. He’s also active on many boards, including the Chefs Action Network, the Washington Regional Association of Grantmakers, and the James Beard Foundation, which promotes liberal education and healthcare policies under the guise of “good food for good.” ■

Venture’s highest-paid employee was Science Philanthropy Alliance president Marc Kasten, a former physics and chemistry professor who earned a massive \$531,250 in salary; its third-highest was Science Philanthropy Alliance executive director Valerie Conn (\$296,179). The Left’s CEO pay concerns aside, consider Science Philanthropy Alliance’s membership: among other wealthy funders, it lists left-wing heavyweights like the Rockefeller, Moore, and Packard Foundations as well as the Open Philanthropy Project (hosted by the sex scandal-ridden Silicon Valley Community Foundation) and the Chan-Zuckerberg Initiative, a philanthropy-minded limited liability company created in 2015 by Facebook executive Mark Zuckerberg and his wife, Priscilla Chan (both major donors to leftist causes).

Whatever Science Philanthropy Alliance’s philanthropic intentions, the group is run through the same channels and funded by the same players as numerous activist groups, which should immediately bring it under suspicion.

Campaign for Accountability

Perhaps one of the most hypocritical groups incubated by New Venture Fund is the Campaign for Accountability. Campaign for Accountability was created in 2015 as a project of New Venture; in 2016, it was transferred to the Hopewell Fund, and later became an independent 501(c)(3) nonprofit. Campaign for Accountability’s noble mission is “expos[ing] misconduct and malfeasance in public life,” and one of the group’s broadest initiatives targeted tech giant Google for its entanglements with Washington, D.C., politicians. The Campaign’s so-called Google Transparency Project might be lauded for pulling back the curtains on a company which—aside from its influence over Big Government and ability to powerfully manipulate Internet search results—has viciously targeted employees who don’t conform to the radical ideological “echo chamber” the company has created.



The Campaign for Accountability has historically targeted Republican Party politicians for supposed ethics violations.

But dig a little deeper and the Campaign for Accountability appears less and less accountable. For one thing, the group has historically targeted Republican Party politicians for supposed ethics violations, and it’s been represented in lawsuits by none other than American Oversight—the anti-

Trump “watchdog” whose board of directors includes a New Venture Fund board member, Kyle Herrig. Campaign for Accountability co-founder and former executive director Anne Weismann was chief counsel for a decade for Citizens for Responsibility and Ethics in Washington (CREW), the David Brock-affiliated Democratic agitation group. And current executive director Dan Stevens is an alumnus of the leftist think tank New America Foundation, whose board of directors includes George Soros’s son, Jonathan.

But most disturbing is the revelation that the tech firm Oracle financed Campaign for Accountability’s Transparency Project while the company is locked in a \$9 billion intellectual property lawsuit with Google (the amount donated to the Campaign is unknown). As Oracle vice president Ken Glueck put it in 2016, “Oracle is absolutely a contributor (one of many) to the [Google] Transparency Project. This is important information for the public to know.”

It wouldn’t be fair to lay Campaign for Accountability’s transparency hypocrisy at New Venture’s foot, of course, since the group is independent of the Fund. It’s one of the few New Venture Fund projects to come into its own as a fully-fledged nonprofit. But this kind of mercenary behavior is part and parcel with many of the New Venture Fund’s projects, and perhaps it should be expected: the fund itself *exists* to foster such campaigns for clients, after all.

Wrapping Up

The New Venture Fund’s high-level connections aren’t surprising given its enormous value to the professional Left. After all, between the pop-up groups created by the New Venture and Sixteen Thirty Funds, the Left’s political infrastructure is expanded dramatically, lending the appear-

Sixteen Thirty Fund

The New Venture Fund may be a major funder for the Left, but it doesn’t work alone; the group is just the largest part of a non-profit network controlled by the philanthropy consultancy Arabella Advisors. New Venture Fund works closely with its “dark money” advocacy affiliate, the Sixteen Thirty Fund, to provide clients with “pop-up” campaign groups targeting issues ranging from Obamacare to attacking the Trump administration. (The term “dark money,” while poorly defined, refers to 501(c)(4) nonprofits like the Sixteen Thirty Fund whose donors are virtually impossible to identify, and may include foundations and individual donors alike.)

The funds operate in tandem to provide fundraising and lobbying arms for its projects, such as Demand Justice, which targets Trump administration judicial nominees such as U.S. Supreme Court Justice Brett Kavanaugh. Both the New Venture and Sixteen Thirty Funds are controlled by Arabella Advisors and Eric Kessler, which advertise their “suite of independent nonprofit organizations that provide fiscal sponsorship and project incubation” for client needs. ■

ance of ubiquity to what are narrowly conceived and closely managed issue campaigns.

Directing this huge effort is Arabella Advisors itself, the “philanthropic” string-puller the Left doesn’t want you to see. Arabella is a master puppeteer, busily manipulating the image cast by its tentacle-like projects in order to advance a political agenda it couldn’t otherwise sell, like the mysterious—and ultimately phony—Wizard of Oz.

And just like the Great Oz, Arabella has a command for those who dig too deeply: “*Pay no attention to that man behind the curtain!*”

Read previous articles from the Organization Trends series online at [CapitalResearch.org/category/foundation-watch/](https://www.CapitalResearch.org/category/foundation-watch/).

A project of Capital Research Center



CLIMATE DOLLARS

HOW ONE FLAWED STUDY FOOLED THE MEDIA AND
POISONED THE DEBATE ON CLIMATE CHANGE

In a widely cited 2014 study, sociologist Robert Brulle purportedly exposed a “climate change counter-movement” of center-right groups “distort[ing] the public’s understanding of climate change.” He calculated that from 2003 to 2010, these nonprofits recorded revenues averaging “just over \$900 million” annually—a number that led to media claims that, “Conservative groups spend \$1bn a year to fight action on climate change.”

A Capital Research Center study cuts Mr. Brulle’s calculations down to size: Not only is Brulle’s assessment off by 93 percent, the resources of environmentalist groups and government agencies overwhelmingly dwarf those of skeptics. To learn more about the climate debate, visit www.ClimateDollars.org.

DECEPTION & MISDIRECTION



THE WHITEHOUSE ENEMIES LIST

By Ken Braun

Summary: Americans are accustomed to politicians saying one thing and doing another. But arguments about the funding behind think tanks and advocacy organizations are perhaps the most one-sided of the recurring debates on Capitol Hill. Few are as outspoken on the issue as Rhode Island Senator Sheldon Whitehouse. The wrinkle? Senator Whitehouse has a prolific portfolio of stocks that oddly aligns with industries he oversees.

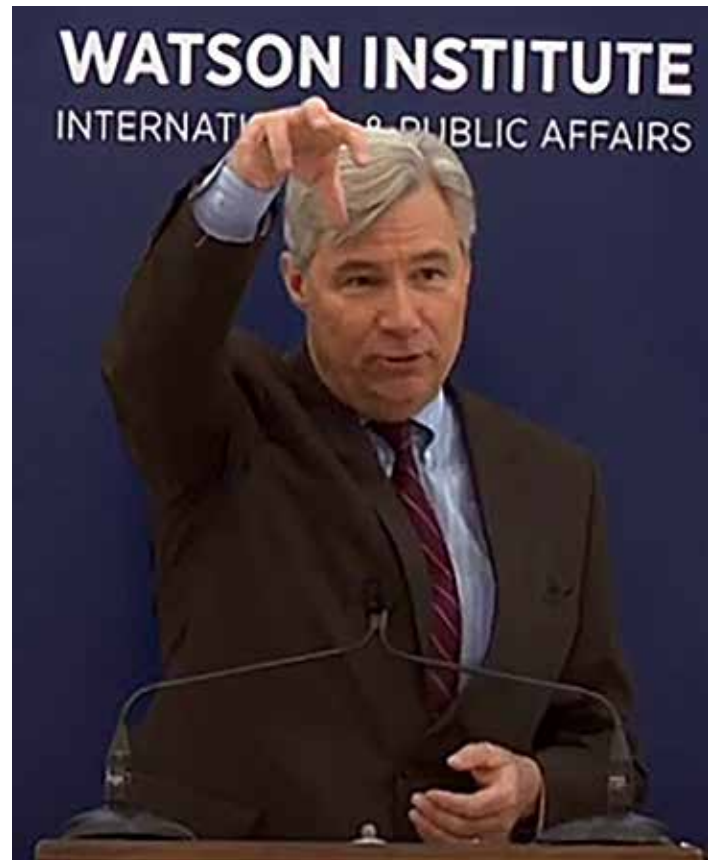
Part One: Dealing with Our Political Enemies

U.S. Sen. Sheldon Whitehouse (D-RI) is a supporter of socialist New York Congresswoman Alexandria Ocasio-Cortez's Green New Deal. A radical environmental/economic fantasy that proposes to tear up and rebuild the U.S. economy over a ten-year period, the Green New Deal price tag, according to a former director of the Congressional Budget Office, will check in at between \$51 *trillion* and \$93 *trillion*. The high-side estimate roughly equals the combined annual economic output of . . . Earth.

Sen. Whitehouse disputes the characterization that this is a “radical” proposal, telling *Salon* in February that the true radicals are the “misbehaving” Republicans deluded by their “fossil fuel funding.”

This is one of many examples where there's an ironic (less charitably, we might say “hypocritical”) twist in the character of one of the nation's most influential left-wing politicians. Whether he's trying to turn a climate policy disagreement into a federal racketeering lawsuit, or sheepishly dodging responsibility when his money and his mouth seem to be running in different directions, Whitehouse can be relied upon to replace accountability with accusations, and to wield his power and privilege in the service of gaining more of both.

Whitehouse has been berating the energy industry since 2007 and is arguably the Senate's most accomplished practitioner of climate panic. In a 2008 news release he denounced the oil industry for its “obscene” profits and doing “little to invest in the alternative energy technolo-



Credit: Watson Institute. License: <https://goo.gl/bu3u9Z>.

Whether he's trying to turn a climate policy disagreement into a federal racketeering lawsuit, or sheepishly dodging responsibility when his money and his mouth seem to be running in different directions, Sen. Sheldon Whitehouse can be relied upon to replace accountability with accusations, and to wield his power and privilege in the service of gaining more of both.

gies that will help end our dependence on fossil fuels.” In an October 2009 floor speech pitching a “clean energy” proposal he warned his colleagues not to “sit idle” and be “beguiled by the money and spin of polluting industries.”

*Ken Braun is CRC's senior investigative researcher and authors profiles for [InfluenceWatch.org](https://www.influencewatch.org) and the *Capital Research magazine*.*

But as he was talking, Whitehouse owned between \$250,000 and \$800,000 in ten different oil and gas industry stocks. This is according to his 2008 financial disclosure forms, as reported by the Center for Responsive Politics (the forms record a range of value for each investment, not a specific value). Giant oil and gas exploration and servicing firms, such as Devon Energy and Schlumberger Ltd, were two of his largest energy industry holdings.

For 2009, Center for Responsive Politics reported his energy industry stock holdings at between \$145,000 and \$475,000.

So, while denouncing the energy company profits and preaching to the Senate about avoiding the beguiling money of the so-called “polluting industries,” his personal financial stake in “beguiling pollution” reportedly fell somewhere between “more than the value of most people’s homes” and “more than the total net worth of most Americans.”

This state of affairs seemed to hold until at least 2014, when he reported selling his stake in Schlumberger. Perhaps not coincidentally, this was the same year GoLocalProv, a news service in Providence, Rhode Island, began looking into whether Whitehouse’s investments squared with this ideology. In December 2014 they posted a report showing Whitehouse owned between \$15,000 and \$50,000 in Duke Energy (a large, coal-burning electric utility) as recently as the end of 2012.

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Noting Whitehouse had (at that point) delivered “80 floor speeches about the adverse impact of global warming,” GoLocalProv speculated about the “conflict” between the politician’s “economic interests” and his “environmental pronouncements.”

Whitehouse usually escapes such media scrutiny. His complicated history with energy investments wasn’t mentioned in a March 2019 report in *Roll Call*, which gave critical examination to three Republican U.S. House members on a newly-formed “Select Committee on the Climate Crisis” because of their “personal investment in fossil fuel companies.” One of the three, Congressman Gary Palmer



Credit: Mark Dillman. License: <https://goo.gl/1Ukqzd>.

U.S. Sen. Sheldon Whitehouse is a supporter of New York Congresswoman Alexandria Ocasio-Cortez’s Green New Deal, a radical environmental and economic fantasy that, according to a former director of the Congressional Budget Office, will check in at between \$51 and \$93 trillion.

(R-Alabama), was questioned by the reporter due to his owning just \$1,000 to \$15,000 in each of three energy firms. This means Palmer’s total “personal investment” could be as small as the price of a cheap used car (\$3,000)—hardly enough to motivate the congressman to become a cartoonish climate villain.

A Whitehouse staffer wouldn’t fess up to the specific details regarding what the boss owned and when, but tried to explain that it had been taken care of, saying “the Senator divested his investments from fossil fuels during the past couple of years” and “feels strongly about his work on environmental issues.”

Maybe critics should go easy on him: His heart’s in the right place, even if his wallet is still trying to catch up.

But where Whitehouse has been very generously willing to excuse his own complicity, while literally being an owner of the fossil fuel industry, he thinks the industry itself needs a knock on the door from the FBI.

Writing in the *Washington Post* in 2015, he proposed using the Racketeer Influenced and Corrupt Organizations Act (RICO) against energy companies that disagree with his climate policy agenda. A year later, during a March 2016 hearing of the U.S. Senate Judiciary Committee, he asked then-Attorney General Loretta Lynch what the Department of Justice thought of this.

The stunning reply from President Obama’s top cop: “This matter has been discussed. We have received informa-

tion about it and have referred it to the FBI to consider whether or not it meets the criteria for which we could take action on.”

Richard Nixon analogies should be used sparingly but are sometimes too on-point to ignore. An infamous 1971 White House memo, titled “Dealing with our Political Enemies,” summarized what became known as Nixon’s “enemies list”—a plot to inflict IRS audits and other federal harassments on people whose only offense was disagreeing with a powerful politician.

“This memorandum addresses the matter of how we can maximize the fact of our incumbency in dealing with persons known to be active in their opposition to our Administration,” wrote Nixon Administration lawyer John Dean. “Stated a bit more bluntly—how we can use the available federal machinery to screw our political enemies.”

Almost five decades later, Sheldon Whitehouse seems to be using the Nixon White House as a role model. And the next time he gets friendly climate cultists in the White House willing to listen to him, he won’t just be coming after the companies who keep the economy humming with low cost energy, but anyone who speaks up to defend the good work they’re doing.

He’s tried it already.

In July 2016, just a few months after Lynch assured him the FBI was taking him seriously, Whitehouse and 18 other Democratic senators (including former and current minority leaders Harry Reid of Nevada and Chuck Schumer of New York) spent two days on the floor of the Senate denouncing dozens of free enterprise policy organizations that disagree with Whitehouse’s environmental extremism. Special times were reserved for verbal lashings directed at the Competitive Enterprise Institute, the Heritage Foundation, the Cato Institute, the U.S. Chamber of Commerce, and many others Whitehouse has elsewhere referred to as part of a “corrupt monster.”

Few relevant friends of the free market were excluded from this attack. In a joint letter responding to the assault, some of the think tanks denounced the creation of the “enemies



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Credit: U.S. Federal Government. License: <https://goos.gll/y5mMhH>.

list” by Whitehouse and the others, calling the Senators “tyrants” who were using their offices to “to bully and single out groups to blame rather than ideas to debate.”

Part Two: Cashing in on “Dark Money”

Complimentary with his noxious strategy of saving the planet by purging it of free enterprise and using the power of government to silence the skeptics is Whitehouse’s other great political cause: denouncing so-called “dark money” in politics. Here, too, a close inspection reveals Whitehouse’s public principles seem to fare poorly when in contact with his personal interests.

If the phrase “dark money” means anything within the context of political spending, then it should apply to the Environmental Defense Action Fund—the advocacy arm of the Environmental Defense Fund. According to the Center for Responsive Politics, Environmental Defense

Fund’s political attack dog spent nearly \$4.8 million during the 2018 election biting Republican Congressional candidates and promoting Democrats. Nevada Sen. Jacky Rosen, a Democrat added to Whitehouse’s Senate caucus in 2019, owes her victory in some measure to the \$532,000 spent by the Environmental Defense Action Fund to attack her opponent—incumbent Republican Sen. Dean Heller. Center for Responsive Politics defines the Environmental Defense Action Fund as an “outside spending group” that “does NOT disclose its donors to the Federal Elections Commission or to the public.” It was the fifth-biggest non-profit election spender during the 2018 election cycle. Additionally, pro-Democratic non-profits with zero or nearly zero donor disclosure also occupied slots for biggest such spender on Center for Responsive Politics’ list (Majority Forward at \$41.7 million) and fourth-largest (Patriot Majority USA at almost \$5.7 million).

But for Whitehouse, hidden donors who sponsor climate alarmism and hostility to the free market are the good guys. In his Senate speeches he has repeatedly and generously cited Environmental Defense Fund as part of the “armies on our side” providing “constructive work” that he appreciates.

So when he rails on C-SPAN against “dark money” organizations with “phony fronts” and “phony names,” the names that drip like acid from his tongue are free enterprise champions such as the Competitive Enterprise Institute, the American Legislative Exchange Council, and the John Locke Foundation. Most of these targets don’t even have a political advocacy arm, let alone one with the multi-million-dollar “dark money” muscle of the Environmental Defense Fund.

But leaving aside the double standard regarding which so-called “dark money” organizations should be supported or shamed, it is deeply un-American to denounce anonymous political speech at all. It doesn’t matter whether the undisclosed donors are paying for the politically-correct causes Whitehouse adores or the economically-correct ones he loathes.

During the Civil Rights Era the state of Alabama tried to force the National Association for the Advancement of Colored People (NAACP) to disclose its donor list because state politicians opposed the civil rights organization’s support for the Montgomery Bus Boycott and other projects promoting racial equality. Correctly recognizing that revealing names would leave donors unprotected from public harassment (or even violence), the NAACP refused to turn over the lists. The U.S. Supreme Court ultimately upheld their right to anonymously defend liberty.

Similarly, fearing retribution from King George III, Thomas Paine disguised his authorship of *Common Sense*. Alexander Hamilton, James Madison, and John Jay later used the pen name *Publius* to hide their roles in writing most of the *Federalist Papers*.

Protecting anonymous political speech is most critical when elected officials or other powerful forces are opposed to the message. It’s how we all can stand up to bullies like Sheldon Whitehouse.

But there is a form of “dark money” Americans should want denounced. It occurs when politicians appear to financially profit from the otherwise hidden (dark) information they pick up while they’re supposed to be working for the taxpayers.

Whitehouse’s name comes up a lot with this issue.

Craig Holman, a lobbyist for the left-wing advocacy organization Public Citizen, wrote about stock trading by senators

in an October 2017 *Washington Post* opinion column. He pointed out a disturbing correlation: those who are active investors in stocks also “have a high propensity for trading stocks in businesses they directly oversee from their committees,” making them “privy to information that could directly affect the value of stocks, posing a serious conflict of interest when trading in those markets.”

Whitehouse is one of the lawmakers whose personal investments seem to conveniently align with his responsibilities as a lawmaker, according to Holman, who called Whitehouse “one of the Senate’s more prolific players in the stock market.” Similarly, in January 2017, *Kaiser Health News* profiled six senators with both committee responsibilities regarding healthcare and investments in stocks related to their oversight responsibilities. *Kaiser Health News* revealed that of the six “Whitehouse and his family have the most health stocks . . . between \$402,000 and \$1.3 million in holdings in 2015.”

In his 2014 book *Throw Them All Out*, investigative reporter Peter Schweizer recounts a September 16, 2008, meeting about the looming financial crisis in which Federal Reserve Chairman Ben Bernanke and U.S. Treasury Secretary Henry Paulson told members of Congress that financial markets (which had

not yet collapsed) were in big trouble because cracks in the economy were much deeper than the public yet knew.

Within eight days of this meeting, according to an analysis from *Business Insider*, Whitehouse’s stock portfolio sold off between \$250,000 and \$600,000 of its assets. As markets crashed over the next month, *Business Insider* estimated this spared Whitehouse loses of between 15 and 35 percent (depending on the asset). The senator’s staff responded by crediting Whitehouse’s stock broker, saying Whitehouse wasn’t involved in managing his own money and had not taken advantage of “exclusive or secret information” to advise his broker to sell.

This broker’s mad skills at timing politics with investments would continue.

During the lame duck session of Congress, following the 2016 Presidential election, Whitehouse was a member of the Senate’s Committee on Health, Education, Labor and Pensions (HELP) while a bill to speed-up the drug approval process and pump more than \$6 billion into pharma research began winding its way through the Capitol. (He later left HELP to join the Senate Finance Committee.)

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For Whitehouse, hidden donors who sponsor climate alarmism and hostility to the free market are the good guys.

A May 2017 investigation from *Politico* revealed the stock portfolios of Whitehouse and his family purchased tens of thousands of dollars in stocks from at least three pharmaceutical firms as the bill was working its way through Congress. Reporting on the same incident, *Kaiser Health News* stated Whitehouse may have purchased upwards of \$60,000 in shares of just one of the firms: Gilead Sciences.

These purchases occurred ahead of the public announcements of important political advances for the bill that Whitehouse, as a lawmaker close to the process, could (and arguably should) have known about before a general investor would have. Specific examples cited by *Politico* included Whitehouse purchasing drug company shares ten days before the public introduction of a major bi-partisan agreement on the bill, and then more purchases two days before the U.S. House voted to approve the agreement.

Politico reported Whitehouse and his family accounts began selling off the pharma stocks in the days just after President Obama signed the 21st Century Cures Act into law on December 13, 2016.

“I don’t decide on, neither am I even informed of, trades that are made in my account,” Whitehouse said when probed about these coincidences. “I would find out when the filing goes out. I wouldn’t know anything about it at the time, and, frankly, I don’t know anything about it now.”

Part Three: The Whitehouse Agenda

It’s reasonable to wonder if there is a position on Whitehouse’s communications team dedicated to telling perplexed reporters that the boss’s mouth and his money really do belong to the same person.

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Whitehouse’s stockbroker has mad skills at making investments coincidentally in-step with the Senator’s work.

For example, the scrappy GoLocalProv was at it again in the summer of 2017, putting another problematic Whitehouse family investment in the news. This time they revealed his membership at what the news report called “one of the most exclusive and all-white beach clubs in America.”

To be fair, if the so-called “Bailey’s Beach Club” really did have a monochromatic membership list as late as 2017, it may not have been because there were outright racists



Credit: GoLocalProv. License: <https://goo.gl/C14owr>.

Whitehouse supposedly announced he had quit his membership in Bailey’s Beach Club—one of the most exclusive and all-white beach clubs in America—way back in 2006. And that’s where a misunderstanding seems to have arisen whereby “quit” turned out to be a euphemism for something like “transferred membership shares to my wife so we can still rub elbows with the other one-percenters.”

deliberately keeping it that way, and GoLocal didn’t say that was the case.

But still . . . there is the image of a bombastic left-wing white male named “Whitehouse” trying to represent a left-of-center state while holding a stake in a ritzy beach club fully-stocked with only rich white people. It’s the sort of optics that make life too easy for late-night TV comics and political campaign opponents.

As such, according to the report, Whitehouse had supposedly announced he had quit his membership way back during his 2006 Senate race. And that’s where a misunderstanding seems to have arisen whereby “quit” turned out to be a euphemism for something like “transferred membership shares to my wife so we can still rub elbows with the other one-percenters.”

GoLocalProv posted a current membership list from the club showing Mrs. Sheldon Whitehouse holding 25 ownership shares in an establishment where “some of the wealthiest and most influential” Americans own just five or ten shares. The Whitehouses weren’t just still members at the highly exclusive, all-white club, they were *big deal* members.

After Whitehouse and his staff repeatedly refused requests for comment, the news editor at GoLocalProv hunted down the lawmaker, pointed a video camera at him as he headed into an event, and began peppering him with questions. The clearly irritated senator was asked why he remains a member of the club after reportedly stepping down in 2006.

“I don’t recall when we consolidated that membership,” he replied, alluding to the transfer of shares to his wife. Then, after quickly dodging a couple of questions about whether he would promote more inclusive membership at the club, he ended the interview.

The U.S. Senate is sometimes referred to as the “world’s most exclusive club,” and is certainly more so than even Whitehouse’s uber-privileged beach club. A Democrat such as Bernie Sanders uses membership in the Senate “club” as a prestigious tool to advance his progressive ideology. Conversely, it is easiest to explain Whitehouse by running the motivation backwards, assuming ideology is a tool for attaining and enhancing privilege.

For a U.S. Senator from a deep-blue Democratic state, radical environmentalism, attacks on free enterprise and tirades against the energy industry are all tools that enhance standing and power. Whitehouse is now a member of both the Judiciary and Finance committees, two of the chamber’s most influential. As with the more-shares-than-most place on the Bailey’s Beach Club membership roll, his seat in the “world’s most exclusive club” isn’t on the back bench.

The true test of character, according to a quote widely attributed to former UCLA basketball coach John Wooden, is what you do when you’re not being watched.

Stating he was leaving the all-white beach club was Whitehouse’s loud way of cleaning up his progressive résumé while everyone was watching his bid for another exclusive club—the Senate. But then quietly transferring the beach club membership to his wife allows him to keep both benefits, minus any sacrifice for the cause. Score one for Whitehouse, and zero for easily-mollified progressives.

Likewise, while reportedly holding six-figure stock investments in the fossil fuel industry, he could send out a news release in 2008 loudly proclaiming his perfect score on the League of Conservation Voters’ National Environmental Scorecard. His votes when they were watching said every-

thing environmentalists wanted to hear, but his wallet in the shadows was invested in precisely what they loathe. Once again, Whitehouse was the winner both ways.

Similarly, from the conveniently-timed stock trades to selective application of his “dark money” attacks,

each demonstrates why it’s misleading to draw a simple profile of Whitehouse as a bombastic progressive in a powerful position. He’s not just a wealthier Bernie Sanders with more influential committee assignments.

If Whitehouse is 100 percent committed to any cause, then it’s the one he sees in the bathroom mirror. Is there a limit to what he’ll do when he has already demonstrated an eagerness to use the Senate and even the FBI to harass a list of enemies when federal harassment benefits this favorite cause?

At age 63, and with reportedly no desire to run for President, it’s reasonable to presume Whitehouse is aiming to stay in the Senate, growing his influence for many more years. Getting between him and his appetites, already a precarious risk, will become increasingly dangerous. His enemies should watch their backs. ■

Read previous articles from the Deception and Misdirection series online at CapitalResearch.org/category/deception-and-misdirection/.



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AMERICA UNDER SIEGE

ANTIFA

FREE SPEECH DIES UNDEFENDED

The communist movement known as Antifa (short for Anti-Fascist Action) has sparked violence across the nation. In the wake of their battling white supremacist in Charlottesville, Antifa has begun to gain mainstream popularity. But unbeknownst to much of the public, the vast majority of Antifa violence isn't targeted at genuine fascists, but mainstream conservatives and civilians. With help from those who have encountered Antifa, Trevor Loudon guides us through the history and ideas behind the Antifa movement, starting with Leon Trotsky and going all the way through the events in Berkeley, CA and Charlottesville, VA.

WATCH AT:

DangerousDocumentaries.com/film/America-Under-Siege-Antifa/



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