

BUSINESS BOOKS

Review

'Good Profit' by Charles Koch

Ed Crooks

For Bernie Sanders, the socialist senator who is seeking the Democratic presidential nomination, Charles Koch is a mystery.

Having built a personal fortune worth about \$43bn, according to Forbes magazine, 79-year-old Koch has more money than the average American would earn in 20,000 lifetimes.

Yet he is still active both at Koch Industries, the industrial conglomerate he built into one of the largest privately-held companies in America, and in US politics. He has pledged to mobilise \$300m for next year's presidential elections, to support Republican candidates aligned with his libertarian convictions.

Sanders has described Koch and his younger brother David as "greedy" billionaires, attempting to corrupt US democracy in pursuit of their personal interests. "I will never understand how a family like the Koch brothers, worth \$85bn, apparently think that's not enough money," he told a recent rally.

Koch's new book, *Good Profit*, offers a response to Sanders's puzzlement.

Wary readers expecting a rich

man's indulgence will not be entirely disappointed. The book is a ragbag of reminiscence, economics, score-settling and management theory. Yet it is invaluable as a window on the thinking of a hugely important US figure who is uneasy in the public eye.

The title is a rebuke to critics who see Koch as interested only in his own advantage. He is indeed dedicated to pursuing profit, he says, but only "good profit", earned by meeting customers' needs while minimising use of resources. Such profits are "a measure that tells me people value my contribution".

Citing Friedrich Hayek and Joseph Schumpeter, he argues that when companies seek profits in a properly functioning market economy, without "corporate welfare" to protect the inefficient, business and society both benefit.

His "Market-Based Management" system draws on those same insights at the level of the individual organisation, and an exposition forms the meat of the book. In essence, it is a framework for encouraging effort and creativity by devolving authority and rewarding entrepreneurship and "prudent" risk-taking.

Some of its precepts are thought-provoking, but others seem abstract or platitudinous. If people need telling that "leaders should always ask 'what are the key drivers of value and cost'," they should probably not be running any business.

What the book does best, from the dedication to his wife of 43 years to the pink-shirted smiling picture on the dust jacket, is to paint a more rounded portrait of Koch. He illustrates points with anecdotes from his family life and jokes from Monty Python, and writes at length on Koch Industries' record on safety and the environment.

The most telling passage, though, is about his love of his work. "Neither accumulating material goods nor amassing a big pile of money has ever been an incentive for me to work," he writes. "My motivation to work hard has always been my need to lead a life of meaning . . . I want to do my best to make a difference in the world."

From his very different perspective, it is a sentiment that Sanders would understand.

The writer is the FT's US industry and energy editor