

Mother Jones

Koch vs. Koch: The Brutal Battle That Tore Apart America's Most Powerful Family

Before the brothers went to war against Obama, they almost destroyed each other.

By Daniel Schulman

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Morris eased the pickup truck to the side of the road. The wide, busy thoroughfares of 1950s Wichita, Kansas, were just five miles southwest, but here on the largely undeveloped outskirts of the city, near the Koch family's 160-acre property, the landscape consisted of little more than flat, sun-bleached fields, etched here and there by dusty rural byways. The retired Marine, rangy and middle-aged, climbed out of the truck holding two sets of scuffed leather boxing gloves.

"Okay, boys," he barked, "get outside and duke it out." David and Bill, the teenage Koch twins, were at each other's throats once again. Impossible to tell who or what had started it. But it seldom took much. The roots of the strife typically traced to some kind of competition—a game of hoops, a round of water polo in the family pool, a footrace. They were pathologically competitive, and David, a gifted athlete, often won. Everything seemed to come easier for him. Bill was just 19 minutes younger than his fraternal twin, but this solidified his role as the baby of the family. With a hair-trigger temper, he threw the tantrums to match.

David was more even-keeled than Bill, but he knew how to push his brother's buttons. Once they got into it, neither backed down. Arguments between the twins, who shared a small room, their beds within pinching range, transcended routine sibling rivalry. Morris kept their boxing gloves close at hand to keep them from seriously injuring each other when their tiffs escalated into full-scale brawls. The brothers' industrialist father had officially hired the ex-soldier to look after the grounds and livestock on the family's compound. But his responsibilities also included chauffeuring the twins to movies and school events, and refereeing the fights that broke out unpredictably on these outings.

Morris laced up one brother, then the other. The boys, both lean and tall, squared off, and when Morris stepped clear, they traded a barrage of punches. A few minutes later, Morris reclaimed the gloves and the brothers piled breathlessly into the cab. He slipped back behind the wheel and pulled out onto the road.

Pugilism was an enduring theme in the family. The patriarch, Fred Koch—a college boxer known for his fierce determination—spent the better part of his professional life warring against

the dark forces of communism and the big oil companies that had tried to run him out of the refining business. As adults, Fred's four sons paired off in a brutal legal campaign over the business empire he bequeathed to them, a battle that "would make *Dallas* and *Dynasty* look like a playpen," as Bill once said.

Fred was the kind of father, one relative recalled, who taught his boys to swim by throwing them into the pool and walking away.

The roles the brothers would play in that drama were established from boyhood. Fred and Mary Koch's oldest son, Frederick, a lover of theater and literature, left Wichita for boarding school after 7th grade and barely looked back. Charles, the rebellious No. 2, was molded from an early age as Fred's successor. After eight years at MIT and a consulting firm, Charles returned to Wichita to learn the intricacies of the family business. Together, he and David would build their father's Midwestern company, which [as of 1967 had \\$250 million](#) in yearly sales and 650 employees, into a corporate Goliath with \$115 billion in annual revenues and a presence in 60 countries. Under their leadership, Koch Industries grew into the second-largest private corporation in the United States (only the Minneapolis-based agribusiness giant Cargill is bigger).

Bill, meanwhile, would become best known for his flamboyant escapades: as a collector of fine wines who embarked on a litigious [crusade against counterfeit vino](#), as a playboy with a history of messy romantic entanglements, and as a yachtsman who won the America's Cup in 1992, an experience he likened, unforgettably, to the sensation of ["10,000 orgasms."](#) Koch Industries made its money the old-fashioned way—oil, chemicals, cattle, timber—and [in its dizzying rise](#), David and Charles amassed fortunes estimated at \$41 billion apiece, tying them for sixth place among the wealthiest people on the planet. (Bill ranks 377th on *Forbes'* list of the world's billionaires.) The company's products would come to touch everyone's lives, from the gas in our tanks and the steak on our forks to the paper towels in our pantries. But it preferred to operate quietly—[in David's words](#), to be "the biggest company you've never heard of."

But if Charles and David's industrial empire stayed under the radar, their political efforts would not remain so private. After spending decades quietly trying to mainstream their libertarian views and remake the political landscape, they burst into the headlines as they [took on the Obama administration](#) and forged a power center in the Republican Party.

Politicians, as one of Charles' advisers once put it, are stage actors working off a script produced by the nation's intellectual class. Some of the intellectual seeds planted by the Kochs and their comrades would germinate into one of the past decade's most influential political movements: Though the intensely private brothers downplay any connection, they helped to provide the key financing and organizational support that allowed the tea party to blossom into a formidable force—one that paralyzed Congress and ignited a civil war within the GOP. After backing a constellation of conservatives, from Wisconsin Gov. Scott Walker to South Carolina's Jim DeMint, Charles and David mounted their most audacious political effort to date in the [2012 presidential campaign](#), when their fundraising network unleashed an estimated \$400 million via a web of conservative advocacy groups.

Just as their father, a founding member of the John Birch Society, had once decried the country's descent toward communism during the Kennedy era, the brothers saw America veering toward socialism under President Obama. Charles, entering his late 70s, had not only failed to see American society transformed into his libertarian ideal; with this new administration, things seemed to be moving in the exact opposite direction. Now he and David, along with other allies, would wage what he described as the "[mother of all wars](#)" to defeat Obama and hand Republicans ironclad congressional majorities.

Yet for all the attention the Kochs—including the "other brothers," Frederick and Bill—have received, America knows little about who they really are. Charles and David have gained a reputation as cartoonish robber barons, powerful political puppeteers who with one hand choreographed the moves of Republican politicians and with the other commanded the tea party army. And like all caricatures, this one bears only a faint resemblance to reality.

As with America's other great dynasties, the Kochs' legacy (corporate, philanthropic, political, cultural) is far more expansive than most people realize, and it will be felt long into the future. Already, the four brothers have become some of the most influential, celebrated, and despised members of their generation. Understanding what shaped them, what drove them, and what set them upon one another requires traveling back to a time when the battles involved little more than a pair of boxing gloves.

Fred Koch came up in a place where sometimes all that separated prosperity from poverty was an unfortunate turn in the weather. Quanah, Texas, located just east of the panhandle and eight miles from the Oklahoma border, was a town of strivers, and Fred watched his father's rise from penniless Dutch immigrant to successful newspaper owner. By the time his four sons were born—Frederick in 1933, Charles in 1935, David and Bill in 1940—Fred's technical talent and unrelenting ambition had made him the co-owner of a multimillion-dollar oil engineering firm.

Fred told his sons he wanted them to experience "the glorious feeling of accomplishment." If he handed them everything, what would motivate them to make something of themselves? "He wanted to make sure, because we were a wealthy family, that we didn't grow up thinking that we could go through life not doing anything," Charles once recalled. Fred's mantra, drilled repeatedly into their minds, was that he had no intention of raising "country-club bums."

Though his children grew up among Renoirs and Thomas Hart Bentons on an estate across from the exclusive Wichita Country Club, Fred went out of his way to make sure they did not feel wealthy. "Their father was quite tight with his resources," recalled Jay Chapple, a childhood friend of the Koch twins. "Every family was getting a TV set that could possibly afford one, but Fred Sr. just said no." The brothers received no allowances, though they were paid for chores. "If we wanted to go to the movies, we'd have to go beg him for money," David once told an interviewer. In the local public school, where the Koch boys began their educations alongside the sons and daughters of blue-collar workers from the Cessna and Beech factories, it was their classmates who often seemed like the rich ones, he remembered: "I felt very much of a pauper compared to any of them."

Fred rarely displayed affection toward his sons, as if doing so might breed weakness in them. "Fred was just a very stiff, calculated businessman," Chapple said. "I don't mean this in a critical way, but his interest was not in the kids, other than the fact that he wanted them well educated." He was not the kind of dad who played catch; he was the type of father, one Koch relative recalled, who taught his children to swim by throwing them into the pool and walking away. "He ruled the boys with an iron fist."

Fred traveled frequently on business, but when he was home, the household took on an air of Victorian formality. After work, Fred often retreated to his wood-paneled library, its shelves filled with tomes on politics and economics, emerging promptly at 6:30 p.m., still in coat and tie, for dinner in the formal dining room. "He just controlled the atmosphere," Chapple recalled. "There was no horseplay at the table."

Every dictatorship has its dissident, and Frederick played this part early on. While the three younger boys took after their father, he gravitated toward his mother's interests. Mary Robinson Koch helped to nourish Frederick's artistic side, and when he grew up they often took in plays and attended performing arts festivals. Frederick was a student of literature and a lover of drama who liked to sing and act. He wasn't athletic, displayed no interest in business, and loathed the work-camp-like environment fostered by his father, with whom he shared little beyond a love of opera.

By the late 1950s, when Frederick was in his 20s, many in the family's circle of friends assumed that he was gay. "You know, those things, especially in an environment like Wichita, were almost whispered," says someone who spent time with the family and their friends during that era. (Frederick told me he is not gay.)

In the 1960s, mention of Frederick even vanished from one of his father's bios: "He and Mrs. Koch have three sons," it read. "Charles, William, and David."

Fred's disappointment in his eldest son caused him to double down on Charles, piling him with chores and responsibilities by the age of nine. "I think Fred Koch went through this kind of thing that 'I must have been too affectionate; I must have been too loving, too kind to Freddie, and that's why he turned out to be so effeminate,'" said John Damgard, who went to high school with David and remains close with David and Charles. "So he was really, really tough on Charles."

"I think Mary did a lot to protect the twins," Damgard added, but Charles grew up with the impression that he was being picked on. As an 11-year-old boy, pleading for his parents to reconsider, he was shipped off to the first of several boarding schools, this one in Arizona.

As Charles admits, there was little about his teenage self that suggested he was destined for greatness. He was smart, but with the type of unharnessed intellect that tends to land young men in trouble. He got into fights, stayed out late drinking and sowing wild oats. David [has called his older brother](#) a "bad boy who turned good." When it came time for high school, his exasperated parents sent him to Culver Military Academy in northern Indiana, an elite military school that had a reputation for taking in wild boys and spitting out upright, disciplined men (notable alumni include the late New York Yankees owner George Steinbrenner, actor Hal Holbrook, and Crown

Prince Alexander II of Yugoslavia). Charles considered it a prison sentence, and during his junior year he was expelled after drinking beer on a train ride to school after spring break.

Asked later how old Fred took the news, the best Charles could say was, "I'm still alive." Fred banished Charles to live with family in Texas, where he spent the remainder of the school year working in a grain elevator until, after some begging, he was reinstated at Culver.

When Charles became Fred Koch's work-in-progress, he also became a lightning rod for his youngest brother's jealousy. Bill was in some respects the most cerebral of the brothers, but he was also the most socially awkward and emotionally combustible. In his baby book, Mary had scrawled notations including "easily irritable," "angry," and "jealous." As a young boy, Bill resorted to desperate gambits for attention. Once, according to Charles, when Mary warned her son to take a hog's nose ring out of his mouth, Bill proceeded to gulp it down instead, necessitating a trip to the hospital.

Bill's volatile emotions made it difficult for him to concentrate in school, and his worried parents eventually sent him to a psychologist, who advised that the only way to help Bill was to remove the source of his smoldering resentment—Charles. "We had to get Charles away [to boarding school] because of the terrible jealousy that was consuming Billy," Mary [told the *New York Times*' Leslie Wayne](#) in 1986.

"Everything goes back to their childhood," one relative reflected. "Everything goes back to the love they didn't get."

Bill recalled a *Lord of the Flies*-like childhood, in which his parents were frequently away—Fred to travel, Mary to attend social events—leaving him and his brothers in the care of the household help "to grow up amongst ourselves." He remembered Charles as a mischievous bully who perched astride the family storm cellar during backyard games of King of the Hill and flung his brothers down to the ground whenever they tried to scramble to the top. Still, Bill idolized his older brother, though Charles made it painfully clear that he preferred David's company.

Bill and David were twins, but David and Charles were natural compatriots. David was self-confident and athletic, with a mild temperament and a contagious, honking laugh. "Charles and David were so much alike, they were always really good friends. And Bill probably felt a little left out," said their cousin Carol Margaret Allen. "Charles always had quite a following of girls, and so did David. And Bill—I think he would have liked to have had more girls following him. He was not as gregarious and outgoing." Awkward and uncoordinated, Bill spent his childhood trying to keep up with his brothers. His self-esteem plummeted. "For a long time," he later reflected, "I didn't think I was worth shit."

When it came time for the twins to attend prep school, they had their pick of prestigious institutions. David chose Deerfield Academy, a boarding school in northwestern Massachusetts that groomed East Coast Brahmins for the Ivy League. He credited the school, where he would distinguish himself on the basketball and cross-country teams, with transforming him "from an unsophisticated country boy into a fairly polished, well-informed graduate." But Bill opted for

Culver Military Academy, Charles' alma mater. This alarmed Mary, who later confided to an interviewer that her son had become unhinged in his fixation on Charles.

"This was not a lovey-dovey family," mused a member of the extended family. "This was a family where the father was consumed by his own ambitions. The mother was trapped by her generation and wealth and surrounded by alpha males. And the boys had each other, but they were so busy in pursuit of their father's approval that they never noticed what they could do for each other."

"Everything," the relative added, "goes back to their childhood. Everything goes back to the love they didn't get."

On Christmas Day 1979, the four brothers, now aged 39 to 46, gathered in the dining room of their childhood home, the long table set with lace placemats and gold-rimmed crystal wine glasses. Also at the table were Charles' wife, Liz, and Joan Granlund, the former model who'd become Bill's secretary and girlfriend.

As was the family custom, Mary was hosting the Christmas dinner. Fred, who had died of a heart attack 12 years before, peered down from an oil painting on a nearby wall. But over the course of the evening, the festive mood evaporated, largely thanks to Bill.

Ever since joining Koch Industries in 1974, Bill had felt like the third and lesser wheel to David and Charles. He brooded over his role within the company, as well as over how Mary, who had just turned 72, planned to distribute her estate.

"I'm not going to fight you over any property," Charles said, "but just leave Mama alone."

Seated across from his mother, Bill began to vent. Growing up, he had perceived Mary as cool and distant. Now he blamed her for laying the foundation for his emotional turmoil. She had not loved him; she had treated him unfairly. According to Charles, Bill also pressed her on the disposition of the family's art collection. Their father had given Charles some paintings before his death; Bill insisted Mary even things out by leaving more of the collection to him.

Charles tried to calm his brother down: "I'm not going to fight you over any property, but just leave Mama alone." Bill laid into Charles, too, whom he faulted for running their father's company like a dictator. Fred may have selected Charles as his successor, but Koch Industries belonged to all of them.

Mary struggled to hold back tears. The discord, occurring on one of the few occasions when the Kochs still gathered as a family, finally overcame her. Sobbing, she pushed back from the table and hurried from the room.

It was the last Christmas the Kochs spent together.

The family business, which Charles had named Koch Industries in his father's honor, had [grown at a staggering rate](#) with Charles at the helm. One of his first major deals was the acquisition of Great Northern Oil Company, owner of a Minnesota-based refinery that had ready access to a steady supply of Canadian crude. Fred had purchased a 35 percent stake in 1959; to gain a majority for the buyout, Charles had joined forces with his father's old friend, Texas oilman J. Howard Marshall II, who swapped his 16 percent share in Great Northern for Koch Industries stock. The refinery became a company cash cow, fueling Charles' expansion into natural gas and petrochemicals and pipelines. Koch had grown into a large company, but its success lay in the fact that it could still operate like a small one: Where its rivals lumbered along, it could make deals and strategic decisions without a laborious board approval process, moving decisively and swiftly.

Perhaps too swiftly for Bill. He'd risen from salesman to head the company's mining subsidiary, Koch Carbon, and like Charles had a reputation for being highly analytical. But in meticulously studying every facet of an issue, he could be prone to waffling. He sought the opinions of high-priced consultants, commissioned studies, and snowed in managers with reports and memoranda. He asked endless questions, many of them astute, but to what end? At Koch, it was results that mattered. Profits. And the division Bill ran, according to Charles, was not faring so well.

Bill nevertheless pressed for more and more responsibility. [William Hanna](#), the executive to whom Bill reported, noted: "It was important for Bill to be important."

"You're embarking on a program that will destroy the company," Charles seethed. "You won't get your self-respect by attacking me."

By 1980, Bill was openly dismissive of his brother, referring to him as "Prince Charles." Over dinner one night at Boston's Algonquin Club with his brother David and George Ablah—a family friend with whom the Kochs had recently joined in a \$195 million real estate deal—Bill commented that Koch Industries had a reputation for screwing over its business partners. David was outraged. "You've got to retract that statement," he said.

Bill's criticisms—intemperate as they could sometimes be—were not merely rooted in sibling rivalry. He and other shareholders had developed some legitimate worries about the company's direction. Koch Industries had run afoul of agencies ranging from the Department of Energy to the Internal Revenue Service, and it even faced a criminal indictment for conspiring to rig a federal lottery for oil and gas leases.

Bill had also grown troubled by the increasing amounts of company money Charles diverted to his "libertarian revolution causes"—causes Bill considered loony. "No shareholders had any influence over how the company was being run, and large contributions and corporate assets were being used to further the political philosophy of one man," Bill said later.

Charles' philosophy had been deeply influenced by their father, whose experiences helping to modernize the USSR's oil industry in the early 1930s turned him into a rabid anti-communist who saw signs of Soviet subversion everywhere. A staunch conservative and Barry Goldwater backer, Fred was among the John Birch Society's national leaders; Charles joined in due time,

and by the '60s was among a group of influential Birchers who grew enamored with a colorful anti-government guru named Robert LeFevre, creator of a libertarian mecca called the Freedom School in Colorado's Rampart mountain range. From here, Charles fell in with the fledgling libertarian movement, a volatile stew of anarchists, devotees of the "Austrian school" of economics, and other radical thinkers who could agree on little besides an abiding disdain for government.

By late 1979, as tensions with Bill were escalating, Charles had become the libertarian movement's primary sugar daddy. He had cofounded the Cato Institute as an incubator for libertarian ideas, bankrolled the magazine *Libertarian Review*, and backed the movement's youth outreach arm, Students for a Libertarian Society. He had also convinced David to run as the Libertarian Party's vice presidential candidate in the 1980 election (Bill had declined). David was able to pour unlimited funds into his own campaign, circumventing federal restrictions on political contributions.

Their father had loathed publicity, scrupulously guarding the family's privacy. But, to Bill's dismay, Charles and David's activism was beginning to draw attention to the company and the family. Worse, at the very moment that the Energy Department was investigating Koch Industries for violating price controls on oil, David and his Libertarian Party running mate, Ed Clark, were on the campaign trail openly antagonizing the agency by calling for its eradication.

Beyond politics, Bill and other Koch shareholders also had concerns about liquidity. Bill was one of the richest men in America, worth hundreds of millions of dollars. But only on paper. He had needed to borrow money to buy a mansion near Boston. Nearly all of his net worth was locked up in a closely held private company. The market value of Koch stock, unlike that of publicly traded companies, was opaque. If any of Koch's shareholders wanted to cash in their holdings, they would likely be forced to do so at an extreme discount.

Koch shares did pay a dividend (about 6 percent of the company's earnings), but Bill considered it stingy. Charles' growth-obsessed operating style called for plowing almost all earnings back into the company. This strategy expanded Koch Industries, but not the bank accounts of its shareholders—at least not immediately. Bill had interests he wanted to pursue: art, fine wine, yachting.

Bill began furtively meeting with Koch shareholders, some of whom shared his frustrations. The most obvious solution was taking the company public. Charles opposed this option. The last thing he wanted was more oversight from government bureaucrats.

On Thursday, July 3, 1980, an 11-page single-spaced letter landed on Charles' desk. His blood pressure rose as he read: This was not just another of Bill's regular, overheated missives. His brother was accusing him of keeping the board in the dark about key corporate matters, including its run-ins with regulators: "The directors and shareholders must look on helplessly as the corporation's good name is dragged through the mud."

Bill delved into the "extremely frustrating" liquidity issue, complaining that it was "absurd" that shareholders who were "extremely wealthy on paper" had almost no ability to utilize their assets.

"What is the purpose of having wealth if you cannot do anything with it, especially when under our present tax laws on death they will undoubtedly end up in the hands of government and politicians?" If these problems were not solved, he warned, "the company will probably have to be sold or taken public." Though the letter was addressed solely to Charles, Bill had circulated it to some of the shareholders. It was a declaration of war.

Six days later, on July 9, 1980, Charles took his customary place at the head of the long, polished wooden table in Koch Industries' conference room. A large world map hung behind him. As usual, David sat to Charles' left, and Sterling Varner, the company's president, to his right.

Charles was known for his inscrutable impassiveness. But that afternoon, as the directors gathered for a board meeting, he was visibly angry. He had added a last-minute item to the agenda: "W.I.K. Has Leveled Serious Charges."

During the contentious, hours-long meeting, the CEO went point by point through Bill's memo. He accused his brother of angling for his job or Varner's, and threatened to terminate Bill from the company, should he continue to cause unrest. Board members persuaded him to back down. But that fall, Charles dispatched emissaries to test the waters on whether Bill might consider selling his Koch shares. Bill declined. He had quietly lined up a coalition among Koch's small circle of shareholders who agreed that the company's board should expand from seven to nine members and take a more active role in overseeing management.

Most important, Bill had convinced Frederick to back his cause. Though partially disinherited by their father, a slight whose sting never went away, he still owned 14.2 percent of the company. (His brothers held 20.7 percent apiece.)

"Charles' 'homosexual blackmail' did not succeed," Frederick told me, "for the simple reason that I am not homosexual."

Frederick had his own tensions with Charles. After their father's death, Charles had tried to buy him out of Koch Industries, and Bill alleged that Charles later resorted to more devious means—[what he described as a homosexual blackmail attempt](#)—to force his brother to sell his shares, a charge Charles has forcefully denied. ("Charles' 'homosexual blackmail' did not succeed," Frederick told me, "for the simple reason that I am not homosexual.") Like Bill, Frederick was frustrated by his lack of control over his wealth. He had ambitions as a collector of art and antiques, and as a patron of the theater.

On the Tuesday before Thanksgiving in 1980, as dusk spilled across the plains surrounding Koch Industries' Wichita headquarters, Bill stepped into Charles' office. The brothers had scheduled a meeting to discuss liquidity, but Bill had other matters on his mind. He and other stockholders wanted a special shareholders meeting to, among other things, discuss Bill's role in the company.

Charles was stunned. "You're embarking on a program that's going to destroy the company," he seethed. "You won't get your self-respect from attacking me."

"Charles, let's talk about what we want to do here."

"Billy," Charles countered, "you're the type of person, if the bullet is ricocheting around the room and I say, 'Duck!' you want to debate the merits of the bullet."

"Well, Charles, if you're not going to call the meeting, then I'll call it," Bill finally said. He walked out, leaving his shell-shocked brother to fume and fret.

"One piece of advice my father gave me was that if you want someone to hate you, make him a lot of money," Charles reflected later. "I didn't understand it at the time. I understand it now."