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More on Cato—Koch Bros want to "transform our Institute into an intellectual ammo-shop for American for Prosperity"

By Gaius Publius on [3/05/2012 09:15:00 AM](#)

The story of the Koch Bros "hostile takeover" of the Cato Institute has attracted some telling leaks.

In our [first post on this story](#), we noted (new emphasis supplied):

But why a lawsuit at all, you ask? Why does it matter? No one knows for sure, but here's one possibility, from yet [a third Post story](#), quoting Cato board chair Bob Levy (who may or may not be right):

Cato's board chairman, Bob Levy, said in an interview that the Koch brothers, who have the power to appoint half of the board, **have been choosing "Koch operatives"** for [board] members, with an eye to push Cato towards **support of the Republican Party**.

"None of the new directors, with the exception of one, has a reputation as a libertarian," Levy said. "There are a lot of murky areas between actively supporting candidates and what Cato does now, which is working on issues."

It turns out that Cato insiders think Levy *is* right. We now have more about those "new directors." Via Jonathan Adler (note, not journalist Jonathan Alter) at the Volokhov Conspiracy, [we get new insider info](#) from Jerry Taylor, a noted [Cato Senior Fellow](#).

Keep in mind, as you read the following, [that Cato has four co-equal owners](#) — Charles Koch (co-founder), David Koch, Edward Crane (co-founder & Cato president), and the widow of a man who just died (whose ownership of Cato shares is now disputed by the Kochs). If you subtract the widow from the ownership-voting, the Kochs have a 2/3 controlling interest in Cato.

Also keep in mind that owners are not the same as board members — owners appoint board members. As of last month, Charles Koch, a Cato founder, did not sit on the board.

Now the news — first from Adler's introduction (my emphasis and some reparagraphing throughout):

My friend Jerry Taylor, a [senior fellow at the Cato Institute](#), offered me his perspective on the Koch-Cato dispute. Jerry's obviously sympathetic to Cato President Ed Crane, but he also offers a fair amount of detail about recent events, including **recent changes to the Cato Institute's Board of Directors** — changes that occurred **last Thursday** and I have yet to see reported in the press.

And this from Jerry Taylor, the Cato fellow, as quoted by Adler:

Last year, [the Koch brothers] used their shares to place **two of their operatives** — Kevin Gentry and Nancy Pfothauer [[her](#)] — on our board against the wishes of every single board member save for David Koch.

Last Thursday, they used their shares to force **another four new board members** on us (the most that their shares would allow at any given meeting); **Charles Koch**, **Ted Olson** (hired council for Koch Industries), **Preston Marshall** (the largest shareholder of Koch Industries save for Charles and David), and **Andrew Napolitano** (a frequent speaker at Koch-sponsored events). Those four — who had not previously been involved with Cato either financially or organizationally — were likewise opposed by every member of our board save for Gentry, Pfothauer, and David Koch.

To make room for these Koch operatives, we were forced to remove four long-time, active board members, two of whom were our biggest donors. At this moment, the Kochs now control seven of our 16 board seats, two short of outright control.

It's a coup. Let's pause here; read that list of the latest new board members again. It includes:

- The second Koch brother (no surprise)
- A big-money Koch investor ([any relation?](#))
- A [frequent speaker](#) at Koch events
- "Ted Olson" (This [Ted Olson](#)? Both are lawyers.)

Why is this happening? Back to Cato's Jerry Taylor:

Why are they forcing out Cato board members, all strong, principled libertarians who have been heavily involved with Cato — financially and organizationally — for years?

The answer was given in early November of last year when David Koch, Richard Fink (he of many Koch hats), and Kevin Gentry met with Cato board chairman Bob Levy. They told Bob that they intended to use their board

majority to remove Ed Crane from Cato and **transform our Institute into an intellectual ammo-shop for American for Prosperity** and other allied (presumably, Koch-controlled) organizations.

I would call that confirmation of what we speculated earlier:

[T]he Billionaire Coup has reached a stage where it's no longer a semi-loose alliance between the Movement Conservative Project and the Republican Party, with friendly allied interests like "libertarianism" hanging in the satellite circles.

It means that one of the prime forces in the Billionaire Coup is starting to combine its diverse organs into a larger singularity, one where there's little discernible difference between something called a "libertarian think tank" and something called the "Republican party."

Looks like the satellite — the "client state" in our earlier article — is putting up a fuss. (Good luck with that.)

I would even add that the **mother-ship won't be the Republican Party, but Americans For Prosperity** — that's the organ through which the Koch Bros seem to be operating these days. The Republican Party looks more and more like just another O&O, a wholly-controlled subsidiary staffed with retainers.

(Any Jimmy Olsen out there want to look into control of the Koch Bros' Mercatus Center, nominally at George Mason University? Might just be the same story there.)

Great piece by Adler, with a lot more information in it. If this fascinates you as it does me, please do head on over. He's become a go-to guy for this stuff.

GP