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Koch Bros. Sue For Control Of Cato Institute

by Jessica Pieklo
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How do the mega-rich begin to implode? Usually through a shareholder lawsuit.

Charles and David Koch, billionaire activists launched a legal battle over control of the Cato Institute, one of the nation's best-know libertarian think tanks. The Cato Institute was founded in 1974 as the Charles Koch Foundation and until last year had four shareholders: Charles Koch; David Koch; Edward H. Crane III, Cato's president; and William A. Niskanen, who died in October.

The Koch brothers believe the shareholder agreement is clear that there should only be three shareholders now, while Crane thinks Niskanen's 25-percent control should go to his widow, Kathryn Washburn.

Why does any of this matter? Well, an equal 25% split among Cato's four shareholders meant that the Koch brothers could not act unanimously in the decision-making process–they had to at least get one other shareholder on board. This is a routine structure in these kinds of closely-held corporate structures. It ensures longevity of mission and a steadiness of business purpose since control is effectively diluted across the entire Board of Directors.

But with only three shareholders, there's nothing stopping the Koch Brothers from effectively squeezing Crane out of all decisions and taking full control over Cato. That's why this matters.

Up to this point Cato had been able to stay an arms-length away from the Koch brothers more recent overt politicking through Americans For Prosperity. But should the Koch's take full control over the non-profit think tank then Cato loses that veil of independence which frankly helped bolster its credibility in public policy circles.

The question this lawsuit raises is what else is motivating the Koch's to make this power play now?