

Charles Rowley's Blog

A Classical Liberal Political Economy Perspective

Koch versus Cato: unravelling the riddle

To understand the law suite launched by Charles and David Koch against Kathryn Washburn, Bill Niskanen's widow and current beneficiary of Niskanen's 16 shares in the Cato Institute, one must reference the 2012 presidential elections. For they are center-stage in the developing power grab by the Kochs for the world's premier libertarian think tank.

Through a largely Koch-funded political mouthpiece, *Americans for Prosperity*, the Koch Brothers are spear-heading a Tea Party-like challenge to President Barack Obama and to vulnerable Democrats in the United States Congress with the intention of shifting the American political market-place decisively to the social and religious right. There is nothing inherently wrong or unlawful in such an assault.

The crude and time-constrained approach adopted by AFP, however, is far distant from the long-term scholarly approach of the Cato Institute. The informed public knows AFP for what it is – and loves or detests it accordingly – and they understand that it is playing an overtly political game. Would it not be wonderful, for the Kochs and their allies, if a highly respected scholarly think-tank could be kidnapped and made to operate in conformity with the Stockholm Syndrome?

So this is how the story runs:

In 2011, Charles and David Koch used their shares in the Cato Institute to place two of their operatives – Kevin Gentry and Nancy Pfothenauer – onto Cato's Board of Directors. They did so against the wishes of every single board member other than David Koch.

On March 1, 2012, Charles and David Koch used those same shares to force an additional four new members onto the Cato Institute's Board of Directors – Charles Koch, Ted Olson (their newly-hired counsel), Preston Marshall (the largest shareholder in Koch industries after Charles and David Koch), and Andrew Napolitano (a frequent speaker at Koch-sponsored events). Those new members had not previously been involved in Cato, either financially or organizationally. They were opposed by every member of the Board of Directors save for David Koch, Kevin Gentry and Nancy Pfothenauer.

To make room for these Koch agents, the Cato Institute was compelled to remove four long-term, active board members, two of whom were the Institute's biggest donors. In consequence, the *Kochtopus* now controls seven of Cato's sixteen board seats, two short of outright control. The key question that arises is whether or not this move constitutes a fundamental attack on the nature of the Cato Institute. And the short answer is that, yes, it does.

In November 2011, David Koch, Richard Fink (a long-time Koch loyalist) and David Gentry met with Cato board chairman, Bob Levy. They advised Bob Levy that they intended to use their board majority to remove the Cato President, Ed. Crane, from Cato and to transform the Institute into an intellectual armory for *Americans for Prosperity* and other allied organizations. If those words are meaningful, the days of The Cato Institute as a serious scholarly think tank are numbered unless Ed Crane and his allies are successful in the coming lawsuit.

In closing this column, let me briefly glance at the backgrounds of a few of the new Koch-ordered board appointees. Kevin Gentry is a social conservative who is vice-chairman of the Virginia GOP. Nancy Pfotenhauer is a former spokeswoman for the 2008 McCain presidential campaign. Ted Olson is a Republican Party lawyer and former Solicitor General who has never identified himself as a libertarian. The one characteristic that they have in common is surely not that they are libertarians, but that they are loyal acolytes of Charles Koch, the *Kochtopus* who threatens to swallow up libertarian scholarship in order to regurgitate it as fodder for the social activist tail that seeks to wag the GOP dog in the 2012 elections.

Readers should not expect many free market think tanks to speak out against the Koch assault. Too many of them benefit financially from the pocket money doled out by Charles and David Koch through their various well-funded foundations. That pocket money comes at a significant cost. I can assure you that there is no such thing as a free Koch luncheon.