Kochs Put the Squeeze on Cato Institute

BY: NIKKI WILLOUGHBY

Charles and David Koch, whose money helped bankroll the Tea Party and who've put tens of millions of dollars into Republican campaigns across the country, have launched an aggressive campaign to take control of the nonprofit Cato Institute. The pair appear to be attempting to secure effective ownership of the well-respected, libertarian think tank in order to advance their political agenda.

Ownership? Nonprofit? Not words that go together. Unless, of course, you're a Koch.

Background

Charles Koch co-founded The Cato Institute (originally called The Charles Koch Foundation) more than 30 years ago with current Cato president Ed Crane. The men used a used a unique provision of Kansas law to structure the organization with shareholders: four people each own 25 percent of Cato, and there's now a dispute over whether they can buy and sell those stakes for cash.

The four shareholders don't receive dividends like typical, for-profit shareholders but they get something worth much more: power. Because Charles and David Koch are two of the four shareholders, they can choose half of Cato's Board of Directors; that's different from the typical nonprofit, in which new directors are elected by the membership or current board members.

Current Situation

When former Cato chairman William Niskanen died in October, his widow Kathryn Washburn inherited his stake in Cato. The Koch brothers contend that shares cannot be transferred to her without first being offered for purchase by the Cato board and the other shareholders. The Koch brothers want to expand their control of Cato. They currently own 25 percent each, or a total of half of Cato's stock, and they're suing the other two shareholders (plus the organization itself) to expand their slices of the pie.

Cato's scholars are highly-regarded as independent thinkers, so it's no surprise that the Institute's current leadership opposes the Koch's takeover attempt:

"This is an effort by the Kochs to turn the Cato Institute into some sort of auxiliary for the GOP," Edward H. Crane, who is president of Cato, told the Washington Post this week. "What (Charles Koch) is doing now is detrimental to Cato, it's detrimental to Koch Industries, it's detrimental to the libertarian movement." The article goes on to state that the Cato Institute's leaders say that the dispute is "threatening the institute's identity and independence" because of a "long-simmering feud over efforts by Mr. Koch and his brother David Koch to install their own people on the institute's 16-member board and to establish a more direct pipeline between Cato and the family's Republican political outlets."

Our Action

Common Cause and Cato occasionally disagree on public policy issues, but we totally agree that Cato ought to remain independent. If Cato can be bought and sold like a business, it ought not to enjoy the tax exemption that goes with its current status as a nonprofit. We've sent a letter to the IRS asking them to investigate whether the actions of the Kochs to take control of and manipulate the Cato Institute for political purposes expose a flaw in the Cato Institute's structure that jeopardizes its tax exempt status

Worth Noting

The Koch brothers, like all Americans, have every right to express their political ideas and support or oppose any candidates they choose. But they have no right to expect taxpayers to subsidize their partisanship by making it tax exempt. Charles Koch has said his aim is to "seek to elect board members and officers who will ensure that Cato becomes increasingly effective in advancing liberty while remaining dedicated to its core principles," but the Koch lawsuit was filed in opposition to a March 1 meeting to elect those board members.