

The Daily Capitalist

unconventional economics wisdom

The Cato Coup

By Jeff Harding, on March 9th, 2012

There is a huge buzz going around the libertarian Internet about Charles Koch's lawsuit to take control of the Cato Institute and kick Ed Crane off the board. The controversy is, according to the Koch brothers, about Cato's lack of enthusiasm for supporting political candidates. Ed Crane, a founder and its president, says because of its tax status it cannot support political candidates, and that Cato's goal should remain one of influencing political ideas. What makes it interesting is that there is a history going back to its founding that contrast the mission of Cato and the Mises Institute.

This is a messy affair. For the record I met Ed Crane once, but he doesn't know me at all. I have never met Charles or David Koch. As we all know [Koch Industries](#) is a very successful company thanks to the efforts of Charles and David. It has made Charles and David billionaires many times over. Cato is probably the most successful libertarian think tank. According to a [Politico article](#):

Cato has 120 full-time staff, plus roughly 100 visiting or adjunct scholars. The operating budget in the most recent annual report was \$23 million, and the group has a capital fund for expansion that stands at \$46 million.

Very impressive. While the Koch's have donated millions of dollars to Cato, [according to insiders](#),

[T]he Kochs and their entities have given Cato about 8 percent of the dollars we've raised since the founding of the Institute and only about 4 percent over the past decade (and not one penny last year).

Cato was founded in 1974 as the Charles Koch Foundation by Charles Koch, Ed Crane, and Murray Rothbard. The name was later changed to the Cato Institute, a name suggested by Rothbard. Rothbard was eventually forced out by Crane and Koch, veering away from Rothbard's idea of creating a libertarian think tank to instead concentrate on influencing Congress. The idea was cemented when they moved to Washington, D.C.

Some people have said that this is just desserts for Crane [because](#).

"There has never been any single law or regulation that is known as the "CATO Rule", or the CATO law to deregulate industry X."

Whatever. I personally think that Cato has been a valuable institution. In fact I think all these libertarian think tanks are great, each doing their own fine work toward furthering freedom and free markets. I think infighting is counter-productive to the overall goal. Like any movement, there are differences in theory and practice in their search for "purity" of ideas. Mostly I believe it has more to do with the reality of chasing limited funds for libertarian organizations that creates envy. Thus the importance of the billionaire Koch brothers (collectively estimated to be worth about \$35 million).

It would be speculative of me to say what the true intent of the Koch's would be regarding Cato. I did read their e-mail to people concerned about their motives. I have developed a keen sense of smell over the years and the email does give off the scent of obfuscation. But, again that is mere speculation on my part.

I don't know what is going to happen with Cato, but for the sake of the movement I hope it ends well for Cato as it exists now.

It seems that the Koch brothers have spread their wealth around widely among the libertarian groups. There are few that they haven't supported over the years and there are people in the movement who are reluctant to criticize them. That's fair. I think they have done a lot of good.

But I am not reluctant to criticize them. I don't like their chosen one for president (Romney). As formerly die-hard libertarian, the move to the mainstream of the GOP seems very wrong. There is no question that Romney is headed in the wrong direction. His economics, foreign policy, and social welfare ideas are wrong and just very slightly to the right of mainstream Democratic policies (as, it seems, is most of the Republican Party). Perhaps Romney will be able to stop Obamacare, but my guess is that he will offer something only slightly less onerous but that puts us well on the path to some form of national health care. Perhaps they think they will have some influence on him because of their financial support. If so, they should get rid of his chief economic adviser, Greg Mankiw, a W. Bush retread.

I think that turn to the GOP is wrong-headed. Nothing much will change with Romney. They would be better off supporting Ron Paul and help him spread ideas advocating freedom and free markets.

The Kochs could have changed the world in the last 40 years with their money and libertarian ideas, but they haven't yet. That is not to say that Cato, Reason, Mises, and others haven't been valuable, but the U.S. and most of the world is more statist now than it was when they started their quest for change. It is discouraging that when the most cataclysmic economic event happened since the Great Depression, which was well explained and predicted by Austrian theory economist, we have no seat at the policy table.

Murray Rothbard, Mises, and Hayek were right. You can change society only by changing its ideas. And ideas are usually generated by intellectuals, and most of them are located in academia. To change the world, we have to change academia. And I think I know how to do that. It just takes time and patience. I hope we have the time.