Forbes

Saving the Cato Institute's Culture of Liberty

By James A. Dorn
4/09/2012

When Charles Koch and Ed Crane set up the Cato Institute in 1977, their organizing concept was to be “skeptical of the efficacy of government intervention.” Cato moved from San Francisco to Washington in late 1981. In April 1985, William A. Niskanen left President Reagan’s Council of Economic Advisers to become Cato’s chairman. Like, Adam Smith, Bill favored “peace, easy taxes and a tolerable administration of justice.”

In Cato’s 30th Annual Report, Ed and Bill reiterated the core of Cato’s culture of liberty: “We have steadfastly adhered to our classical liberal/libertarian philosophy, maintaining a strictly nonpartisan approach. Our commitment is to the ideals of a free society, not to any political party.”

If Charles and David Koch win their suit against Cato to obtain control of Bill Niskanen’s shares that culture would dramatically change. In November 2011, shortly after Niskanen’s death, Robert Levy, Cato’s current chairman, met with David Koch and Rich Fink, executive vice president of Koch Industries and a key player in the suit. They told Bob they wanted Cato to supply intellectual firepower for Americans for Prosperity and other Koch-funded activist groups. Bob said Cato would not involve itself in partisan politics, and that our mission was to engage in the battle of ideas. Doing so would ruin Cato’s culture and independence.

If the Kochs were to win their suit against Cato, the composition of the board would shift toward Koch operatives, and Cato’s culture would shift toward partisan, activist politics. The Kochs have already used their 50 percent “ownership stake” to place several people on the board since Niskanen’s death who are not libertarians, have never contributed to Cato, and are closely associated with Koch Industries. (For a detailed discussion, see www.cato.org/SaveCato.)

The hallmark of Cato under the leadership of Ed Crane has been a persistent commitment to the principles of a liberal order—as enshrined in the Declaration of Independence and the Constitution. Since Charles Koch left the board in 1991, he has been a negligible factor in Cato's growth. Ed Crane, meanwhile, has been enormously successful—as measured by the voluntary contributions of thousands of individuals who share Cato's philosophy and want to increase economic and personal freedom (and responsibility) by limiting the size and scope of government.

In the last several years, the Kochs have contributed only 4 percent of the total funds raised; they made no contribution in the past two years. In just over one year, Ed Crane and his development team have raised nearly $50 million to expand Cato's facilities and staff. Yet the Kochs now want to take over Cato.

Cato's results cannot be measured by day-to-day policy changes or by profits. We promoted privatizing Social Security long before President George W. Bush called for "an ownership society." Our Center for Constitutional Studies under the direction of Roger Pilon began the debate over the role of the judiciary and the legitimate powers of government long before policymakers paid much attention. We promote ideas, not oil or politics.

Ed Crane has always emphasized that "the primary goal of public policy should be to enhance the ability of individuals to control their own lives, develop their own values, and goals, and realize their fullest potential." That task is best achieved through voluntary exchange and civil society, not partisan politics. At Cato, we believe that the primary function of government is to protect our rights to "life, liberty, and the pursuit of happiness." It is those ideas we seek to perpetuate.

When Cato moved to Washington, Milton Friedman said he was afraid we would be pressured to stray from our principles. He was very pleased that we stayed on course, and lent his name to the Milton Friedman Prize for Advancing Liberty, which Cato now awards every two years. That gesture shows the great respect he had for Ed and for Cato.

Both Charles and David Koch share Cato's philosophy of limited government and individual freedom. Yet their suit against Cato is a hostile act. On March 1, the Kochs used their combined shares to vote four key Cato board members out. If the Kochs were to legally acquire Bill Niskanen's shares, they would control Cato and appoint members of the board who would be beholden to them. Cato would lose its independence.

Niskanen's shares are now in his estate and his widow, Kathryn Washburn, has been elected to the board. The stage is set for the legal decision by the Kansas court where the Kochs brought suit. Bob Levy has argued that "the best way to ensure Cato's consistency with libertarian principles is to restore board, not shareholder, governance."

Wes Edwards, the deputy general counsel for Koch Companies Public Sector, has said that the Kochs' objective in bringing suit against Cato "is to create an independent, libertarian think tank that promotes [a] free society." The notion that a Koch takeover of Cato's board would foster independence is patently absurd.

For more than 35 years Ed Crane has devoted his life to safeguarding Cato's independence and promoting the culture of liberty. The fact that in the last year he and his dedicated development team have run a highly successful capital campaign, with no help from the Kochs, is a testament to our donors' confidence in Ed's vision for Cato's future as one of the world's leading market-liberal think tanks.

Making Cato a partisan organization to achieve electoral victories would ruin Cato's culture of liberty. Many long-time staffers, including me, would leave. Even if the Kochs win their ill-conceived legal battle, they will lose the war; they would inherit a building but not the spirit of Cato.

James A. Dorn is vice president for academic affairs at the Cato Institute and editor of the Cato Journal. He has worked at Cato for more than 30 years. In 1977, he was a summer fellow at the Institute for Humane Studies in Menlo Park, California, an organization for which Charles G. Koch serves as chairman of the board.