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Cato Institute and Koch Brothers Reach Agreement

By ERIC LICHTBLAU

A rift between the Cato Institute and two of its leaders, the billionaire brothers Charles and David Koch, ended Monday with an agreement to revamp the research group's leadership in a way that Cato officials said should maintain its political independence.

As part of the agreement, the Koch brothers will drop two lawsuits they had brought to gain greater control over the institute's board. In exchange, the Cato Institute said that its longtime chief executive, Ed Crane, who had been at odds with Charles G. Koch, would retire.

Since breaking into the open in March, the feud had captivated many academic and political onlookers in Washington because of the heavyweight names involved: the Cato Institute, widely cited by both Republicans and Democrats for its libertarian research, pitted against the Koch brothers, two of the country's biggest financiers of conservative politics.

Charles Koch helped found Cato in 1977, and his family has donated more than $30 million to it over the years. But he and Mr. Crane had a bitter falling-out over management and philosophical differences, and the Kochs had been angling for Mr. Crane's removal for years.

In March, the Kochs, who held two of the four founding "shareholder" seats on Cato's board, brought their lawsuits to gain control of the seat of another shareholder who died.

Cato's other leaders said the Kochs' gambit, if successful, would make it their "mouthpiece" and give the brothers control of the group's scholarship to advance a conservative political agenda.

Through groups like Americans for Prosperity, the Kochs have fought many of President Obama's key policies, including business regulation and health care reform. But some of Cato's libertarian positions supporting liberal causes like same-sex marriage and drug decriminalization have angered conservatives.

Under the agreement, Cato's unusual shareholder structure is to be dissolved, and it will be led instead by 12 directors, including David H. Koch and three others named by the Kochs.

"For a majority of Cato's directors," a joint statement by Cato and the Kochs said, "the agreement confirms Cato's independence and ensures that Cato is not viewed as controlled by the Kochs." It continued, "For Charles Koch and David Koch, the agreement helps ensure that Cato will be a principled organization that is effective in advancing a free society."

Mr. Crane is to be replaced as Cato's chief executive within six months by John Allison, an Ayn Rand admirer who led BB&T, a bank based in North Carolina.

Charles Koch predicted that Mr. Allison would take Cato to "new levels of effectiveness" in fighting what he called "the alarming increase in the size and scope of government."

After 35 years at Cato's helm, Mr. Crane said in a telephone interview that he held "no bitterness" over his ouster.

"It was probably time for me to go anyway," he said. "I think both sides got what they wanted. I'm happy. This was the tradeoff: Cato's independence for new leadership."