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THE KOCHS VS. CATO

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The arch-conservative billionaire Koch Brothers have sued the Cato Institute, a libertarian think tank in Washington—often mistakenly seen as merely a tentacle, if not mouthpiece, for the Kochtopus—for control of Cato. Slate's Jacob Weisberg wryly tweeted: "Brothers sue to regain ownership of CATO. Like the Iran-Iraq War, but better."

The lawsuit, filed in Kansas, certainly adds a new layer of rancor, and, if it goes forward, promises a glimpse inside the secretive machinations of the Kochs. But the friction between Charles Koch and the Cato Institute isn't new—there's a long backstory here. In fact, Charles Koch, whom many regard as the brains behind the Kochs' powerful political and industrial empires, first broke with Cato some two decades ago, while still retaining a stake in the think tank, for reasons that have never been made public.

Cato was co-founded by Edward Crane and Charles Koch, in the nineteen-seventies, with Koch's money; the lawsuit notes that the original corporate name was the Charles Koch Foundation, Inc. Crane once recounted to me, "Charles said what would it take to keep me in the libertarian movement. He was very impressed. I said, My bank account is empty. He said, How much do you need? I'd been impressed with Brookings and A.E.I., and told him it would be good to have a libertarian think tank. Charles said, I'll give it to you." Koch steered millions to the think tank.

But it was not a match for the ages. On January 13, 1992, the Washington *Times* reported,

Word is dribbling out of the CATO Institute that Charles Koch, the oil billionaire whose bucks have helped keep CATO's thinkers in the tank, has dropped off the board of directors. The situation was announced to staffers last Tuesday by Ed Crane. He told the troops that funding would not be curtailed. Through various pipelines, Mr. Koch is said to control about 60 percent of CATO's budget. Mr. Crane did apparently conclude his briefing on a less than upbeat note, explaining that he really didn't know what Mr. Koch's resignation meant and that it could indicate some hard times ahead.

As I wrote in my *New Yorker* piece about the Kochs, "Though David remains on the board at Cato, Charles Koch has fallen out with Crane. Associates suggested to me that Crane had been insufficiently respectful of Charles's management philosophy, which he distilled into a book called "The Science of Success,' and trademarked under the name Market-Based Management, or M.B.M.… A top Cato Institute official told me that Charles 'thinks he's a genius. He's the emperor, and he's convinced he's wearing clothes.' "

Brian Doherty, in his 2007 history of the libertarian movement, "Radicals for Capitalism," writes, "As for what happened between Cato's Ed Crane and his longtime biggest supporter, Crane himself insists 'I don't know what happened. I'll go to my grave not understanding what happened.' "

Doherty also interviewed Charles Koch, whom he portrays as being rather blithe about the breakup: "For his part, Charles Koch decided at a certain point that 'my involvement [with Cato] was counterproductive. I have strong ideas, I want to see things go in certain direction [sic], and

Crane has strong ideas. I concluded, why argue with Ed? Rather than try to modify his strategy, just go do my own thing and wish him well. I had to get out to let them reach their potential, and I think it worked out to their benefit.' "

What's interesting, though, is why now, all these years later, after saying that Cato's independence from him had been for the best, Charles Koch appears to be making a very serious play to reassert his control.

Though Charles had drastically curtailed his funding of Cato, court papers filed in connection with the suit say that he held onto his twenty-five per cent of the think tank's shares. His brother David, meanwhile, who has continued to be a major funder as well as a board member at Cato, owns an additional twenty-five per cent share. Until the death of William Niskanen, a former Cato Institute chairman, last October, this left the Koch Brothers tied for control of Cato with Niskanen and Crane, who together held the other half of the shares. But the Kochs are now suing Cato, Crane, and another Cato executive, arguing that Niskanen's shares can't be transferred to his widow. If the court sides with them, they will effectively have won control of the think tank.

The Kochs may favor 'laissez-faire' economics, but no one ever accused them of a laissez-faire approach to their own holdings.

So far, neither the Kochs, nor anyone at Cato, have responded to requests for comment.

Update: Crane released a bristling statement on the suit:

Charles G. Koch has filed a lawsuit as part of an effort to gain control of the Cato Institute, which he co-founded with me in 1977. While Mr. Koch and entities controlled by him have supported the Cato Institute financially since that time, Mr. Koch and his affiliates have exercised no significant influence over the direction or management of the Cato Institute, or the work done here.

Mr. Koch's actions in Kansas court yesterday represent an effort by him to transform Cato from an independent, nonpartisan research organization into a political entity that might better support his partisan agenda. We view Mr. Koch's actions as an attempt at a hostile takeover, and intend to fight it vehemently in order to continue as an independent research organization, advocating for Individual liberty, limited government, free markets and peace.

Update, Friday morning: Charles Koch, who very rarely speaks in public, is now firing back at his old friend Ed Crane. According to the A.P., he issued a pointed statement evidently aimed directly at Crane, insinuating that it is he who is threatening the Cato Institute's libertarian mission, not the Kochs:

"We support Cato and its work," Charles Koch said. "We are not acting in a partisan manner, we seek no 'takeover,' and this is not a hostile action. All we seek is adherence to the shareholders' agreement… We want to ensure that Cato stays true to its fundamental principles of individual liberty, free markets, and peace into the future, and that it not be subject to the personal preferences of individual officers or directors."