



# *David Koch Issues Letter in CATO Fight*

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By Martin Gould

The war of words surrounding the management of the Cato Institute erupted again on Thursday when billionaire businessman and Cato co-owner David Koch issued a nine-page statement blaming the think tank's President Ed Crane for the standoff.

"We view Ed's strategy as 'Rule or Ruin,' " wrote Koch, who was also speaking on behalf of his brother, Charles. "He will either be allowed to rule Cato in the way he wants for as long as he wants, or he will try to ruin it.

"Some directors have even suggested that Cato 'belongs' to Ed. Having a board in thrall of the CEO has been the downfall of many nonprofits."

The brothers have filed a lawsuit to resolve a dispute on the running of Cato, the Washington Post reports. In his statement, David Koch, a principal owner of Koch Industries, accused Cato Chairman Bob Levy and Crane of "unjustly challenging our intentions, and helping organize a public smear campaign."

The Cato Institute is the nation's leading libertarian think tank, founded in 1977, with a long history of championing individual liberty. Much of its success has been credited to Crane's leadership of Cato over several decades.

Until last year, Cato had four equity partners: Charles Koch, David Koch, longtime President Crane, and Chairman Emeritus William Niskanen.

When Niskanen died this past October, the Koch brothers maintain that the shareholder agreement clearly indicates there should now be only three shareholders, Politico reported. But Crane maintains that Niskanen's one-quarter stake should go to his widow.

The Koch brothers in their lawsuit demand that Niskanen's widow relinquish his quarter interest and give the Koch brothers a super-majority. The suit was filed in Kansas, where Koch Industries is based.

Typically, non-profits don't have shareholders, but a quirk in Kansas law, where the organization was first set up, allows for it.

Levy and Crane believe the Koch brothers want to take control of Cato to model it after Americans

for Prosperity (AFP), a political advocacy group founded with support from the Koch brothers that has been called “one of the most powerful conservative organizations in electoral politics.”

Levy has written: “The Kochs want Cato’s work to be more closely coordinated with Koch-allied groups such as Americans for Prosperity, a 501(c)(4) grassroots activist organization committed to free markets and limited government. Cato would become the source of intellectual ammunition for AFP – through position papers, a media presence, and speakers on hot-button issues. That might strike some libertarians as puzzling. After all, AFP already has a sister 501(c)(3) organization, the AFP Foundation.”

He also stated: “The action the Kochs have taken will pointlessly and grievously injure the movement for individual liberty that they have previously done so much to advance.”

In his statement, David Koch says that neither he nor his brother had insisted that Cato should become involved in partisan activity as Levy suggested.

“This is a complete misrepresentation. In explaining how certain organizations are more effective at actually affecting policy, I did state that the Republican Party, however flawed, represented the best chance of stopping the current rush to socialism. This in no way implied that Cato should be partisan or part of an effort to elect Republicans. My comments were taken completely out of context.

“I never asserted that Cato should be directed by, or at the whim of, any other organization, or that they should aspire to advocate the way AFP does.”

Koch ended his statement: “Cato needs to not only talk about the principles of a free society, it must practice them. Cato must have sound management and a board independent of management.

“Our hope is that the commitment to advancing a free society will become Cato’s overriding agenda and that its current issues can be resolved. We will not sit idly by while management takes Cato down a path that will ultimately lead to its failure.”

Cato’s latest tax return shows expenditures of about \$23 million from revenue of \$40 million, the Kansas City Star reported. The Koch brothers are said to be worth a combined \$66 billion. During the past 35 years the Kochs have donated around \$30 million to Cato, but those donations declined dramatically in recent years.

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