

Cato Institute locked in fight with Kochs over independence

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By Eric Lichtblau, The New York Times

WASHINGTON -- From its perch in a spacious new headquarters blocks from the White House, the Cato Institute has built on its reputation as a venerable libertarian research center unafraid to cross party lines.

But now, a rift with one of its founding members -- billionaire conservative Charles Koch -- is threatening the institute's identity and independence, its leaders say, and is exposing fault lines over Mr. Koch's aggressive and well-financed brand of Republican politics.

The rift has its roots, Cato officials said, in a long-simmering feud over efforts by Mr. Koch and his brother, David, to install their own people on the 16-member institute board and establish a more direct pipeline between Cato and the family's GOP political outlets, including groups that Democrats complain have mounted a multimillion-dollar assault on President Barack Obama.

Tensions reached a new level with a lawsuit the Kochs filed last week against Cato.

"We can't be perceived as a mouthpiece of special interests," Cato board chairman Robert A. Levy said in an interview. "The Cato Institute as we know it would be destroyed."

At a tense November meeting at Dulles Airport outside Washington, David Koch and two family emissaries laid out what they described as the "intellectual ammunition" they envisioned Cato could provide by supplying its research and scholars to Koch-financed political advocacy groups, according to Mr. Levy.

The one Koch-financed group cited by name was Americans for Prosperity, which played a major role in the Republicans' 2010 House takeover and is now preparing for the November election. The group, structured as a nonprofit, does not have to disclose its donors. It has backed tea party groups, organized rallies and paid for negative ads,

drawing criticism from campaign finance watchdogs and Democrats over secret money flowing to political causes.

Charles Koch, chief executive of Koch Industries, a chemical and refining company in Kansas, said he had no intention of taking over the institute. "We support Cato and its work," he said in a statement. "We are not acting in a partisan manner, we seek no 'takeover,' and this is not a hostile action."

But Mr. Levy said he balked at tightening ties between Cato and Koch advocacy groups, expressing concern that the brothers might try to select Cato's research topics and studies' timing. Any perception of political influence could compromise Cato's nonprofit status and stain its credibility, he said in an interview.

Over the years, Cato has successfully injected libertarian views into Washington policy and political debates, and given them mainstream respectability.

While Cato leaders said the dispute has been years in the making, it broke into the open after the Koch brothers filed their federal lawsuit last week in Kansas. The suit, first reported by Politico, seeks to establish control of the four-person "shareholder group" that governs Cato. Charles and David Koch hold two of the four "shareholder" seats, but the suit seeks to establish control of a third seat, vacated by another founder's death.

"This is an effort by the Kochs to turn the Cato Institute into some sort of auxiliary for the GOP," said Cato president Edward H. Crane, who co-founded the institute with Charles Koch. "What he is doing now is detrimental to Cato, it's detrimental to Koch Industries, it's detrimental to the libertarian movement."

The spat's public nature and the big names involved -- Cato is one of the nation's most widely cited research organizations, while the Koch brothers are perhaps the conservative movement's biggest benefactors -- have caused considerable buzz in Washington and on the Internet.

While its focus on libertarianism and individual liberties has often aligned the institute with conservatives on issues such as gun rights and financial regulation, it also has staked out a stances closely tied to liberals. It generally supports same-sex marriage and guest immigrant-worker programs, while opposing the Patriot Act's sweeping counterterrorism powers, aggressive use of U.S. military intervention and criminalization of drugs.

Mr. Levy, the board chairman, said the dispute was already chipping away at the center's reputation for independence as it seeks to raise money. Unlike many nonprofit research institutions, Cato does not have an endowment but continually raises money for its operations, with a budget last year of about \$23 million. It is now amid a major capital drive.

Since Cato was formed, the Kochs have donated about \$30 million, officials said, but the bulk came in its first decade; by last year, the Kochs gave no money at all.

