

## *David Koch Blasts Ed Crane, Bob Levy, and the Save Cato Campaign (UPDATED)*

*Matt Welch* | March 22, 2012

---

The bitter legal dispute and public feud between the Koch brothers and the (Koch-cofounded) Cato Institute, which I've written previously about [here](#), [here](#), and [here](#), entered a new phase of public recriminations today with the release of a [withering statement from David Koch](#), a Cato shareholder and board member (in addition to being a member of The Reason Foundation's [Board of Trustees](#)). Excerpt: I had hoped that the furor surrounding all this would die down; however, it appears that [Cato Board Chair] Bob Levy and [Cato President] Ed Crane will not let that happen. Bob's recent response to [Charles Koch's] statement is so inaccurate and distorted I cannot let it go unanswered. I am disappointed that Bob would resort to tactics such as making unfounded personal attacks on fellow board members, unjustly challenging our intentions, and helping organize a public smear campaign. [...]

For most of its existence, Cato has been controlled (as Bob's talking points describe it) in whole or large part, by the Kochs. In fact, between 1991 and 2008, Cato had five shareholders – Charles; Ed; Bill Niskanen; a long-time Koch Industries employee (then still employed by Koch); and me. During those 17 years, Koch-affiliated individuals had the ability to elect the majority of the board and the ability to acquire the stock of Ed and Bill, but we did not, and there was never any outcry over a "negative impact" during that time.

Koch denies the accusation that he and his brother wish to make Cato more Republican, offering for the first time his version of a much-discussed conversation of five months ago:

The second key area where Bob has been misleading is his media statements regarding prior conversations with me concerning our vision for Cato. Last November I told Bob about my frustrations regarding the current direction of Cato. I told him that Ed's treatment of current board members was inappropriate and unacceptable – that any CEO acting that way should be compelled to stop or be fired. When Bob responded that the board cannot control Ed, I stated that he should be replaced as soon as possible – preferably within six to eight weeks. I further stated that I would withhold my contributions

until I was convinced that Cato would honor its commitments and begin to treat others, including board members, with dignity and respect.

I also told Bob that Cato could become much more effective in translating esoteric concepts into concrete deliverables to move the public policy debate at this critical juncture in our nation's history. I said Cato should be supportive of other organizations that are advocating public policies consistent with a free society. As an example, I mentioned a group with which I am involved – Americans for Prosperity. I believe AFP has done a good job of turning concepts into concrete deliverables, but it is just one example of such an organization. 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.

Neither Charles nor I ever said we wanted Cato to be partisan or affiliated with any political party. 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.

Koch also accuses Ed Crane of being a key source in [the most influential piece of anti-Koch journalism](#): During the past decade, Charles and I gave more money to the Cato Institute – more than \$13 million – than we had given in any previous decade. Notwithstanding all the wonderful things said about us when soliciting that support, in 2010, Ed became a source for Jane Mayer of The New Yorker, providing negative background on an article that was highly critical of Charles and me. This one-sided and politically motivated piece was driven by Obama supporters at the Center for American Progress as an attempt to prevent us from effectively opposing the Administration's anti-libertarian agenda. [...]

(He is the individual quoted as the "top Cato official.") When confronted about this, Ed initially claimed he only spoke briefly and favorably about us. He later acknowledged that he had made the statement as quoted, but it was only for background. Subsequently, he claimed that he was misquoted. As Ed has shown, he will partner with anyone – including those that oppose Cato and what it stands for – to further his personal agenda at the expense of others working to advance a free society.

Toward the end, Koch offers his outline for a resolution:

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. A key aspect of sound management is incorporating a system to ensure that all programs are effective and continuously improved. If and

when such an independent and effective board is in place, we are quite willing to work to convert Cato to a board-controlled structure.

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.

No public reaction from Cato yet (I'll add any to the bottom of this post), other than telling the [Washington Examiner](#) that Levy stands by everything in his original statement. The Save Cato Facebook page is [here](#).

**UPDATE:** Former *Reasoner* David Weigel [interviews Ed Crane](#). Excerpt:

**Slate:** I wanted to get your response to this umpteenth he-said, he-said letter. The argument in here is about how their ideas for the organization are being expressed -- they say you're not telling the truth about what they're trying to do.

**Crane:** You've seen the names of the people they've nominated for our board. They're all conservative, Koch Industries supplicants. My god, if they're not trying to take over for Koch's purposes -- it's so transparent, it's obvious. Charles likes to create his own reality, build a bubble around him, but they're pretty hamfisted about the way they're going about this. David Koch was a friend of mine until Charles said, not anymore. [...]

**Slate:** One thing that the letter mentions, specifically, is that you criticized the Kochs when you talked to Jane Mayer for her *New Yorker* story about them.

**Crane:** Jane knows I'm pissed at her. I told her that off the record. I told her at the top of the interview. First off she says, I'm doing a story on the libertarian impact on the Tea Party movement. I was suspicious of that to begin with. Within five minutes, it's clear that she wants to do a hatchet job on the Kochs. She's a better journalist than that. You don't need to lie to people. I said, look, I'll tell you things about the Kochs. Ninety percent of this was positive. I admire them as businessmen, I agree with their philanthropy. The most critical thing I said -- she asked, I heard they had a fallout over "market-based management." I said, Well, we had some disagreements on that. I think it's a case of "the emperor has no clothes." Everybody tells him how brilliant this book *The Science of Success* is, and in my mind it's one of the worst books ever written. The fact-checker calls me up, and I say, yes, I said that, but it was off the record. Go back to the tape and check it. He says, She said the tape recorder didn't work. Well, in those circumstances, when you think the tape recorder is working so the reporter is not taking extensive notes, you infer that things are off the record. I was not happy about that. [...]

**Slate:** You say you'd leave if it ended the Kochs' move. What exactly would need to happen before you left?

**Crane:** We end the shareholder agreement and we have a majority on the board of directors who are not part of the Koch group.