

Roll Call

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Cato Scholars Fight Against Koch Control of Institute

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Scholars at the Cato Institute are waging an aggressive and methodical campaign to persuade Washington, D.C.'s conservative leaders to support them in their feud with Charles Koch, the billionaire conservative who helped found the institution.

On Wednesday, Michael Cannon, director of health policy studies at Cato, appeared before a gathering of influential conservatives to make a plea for the libertarian think tank.

He described Koch's attempt to seize control of the nonprofit as an "existential threat" to the institution and distributed a memo directing Cato's "friends" to a website headlined "Save Cato," according to sources who attended the weekly private meeting hosted by anti-tax lobbyist Grover Norquist.

"This misguided attempt at corporate control of an independent, nonpartisan think tank is bad for the Cato Institute and bad for the libertarian movement," read the memo, posted later on Cato's blog. "We hope that everyone will come to see that, soon, before any more damage is done."

Cannon stopped short of threatening mutiny, but other senior employees have said they would abandon the highly respected think tank if Charles Koch and his brother, David, do not drop their lawsuit seeking to dramatically increase their control over the organization.

Cannon declined to discuss the Norquist meeting, but he did sound an alarm in an interview with Roll Call.

"Cato's credibility would leave, and credibility is everything to a scholar," Cannon said. "It will feed the left-wing narrative — what we call Koch derangement syndrome — that the Kochs control the entire conservative movement."

Jerry Taylor, a senior fellow who has worked at Cato for 21 years, told Roll Call he would quit if the Kochs get their way.

"The Cato Institute will have a lot more crickets in it than there used to be," Taylor said in an interview Thursday. "Most of us have agreed that it is worth standing on principle because the stakes are too great."

Earlier in the week, Julian Sanchez, another researcher, posted a pre-emptive resignation letter on his website.

The outrage inside the building has become increasingly public in the last few days as staffers at all levels flood the blogosphere in support of Cato's independence.

Libertarians by definition recoil at the notion of oversight from a single powerful source. But crossing the Koch brothers, two of the nation's biggest conservative political donors, is risky, especially for young employees who want to find jobs elsewhere in conservative politics.

"After all this, if the Koch apparatus seizes control, their careers are over," Taylor said, referring to the employees who spoke out against the Koch move.

The Kochs are asking a Kansas court to enforce an old agreement that would give the brothers control of the four-person shareholder group that governs the institute as well as the authority to appoint a majority of a separate 16-member board.

The Koch brothers and Cato Institute President Edward Crane currently hold three of those seats. The fourth was vacated when another co-founder died in October. The Kochs argue that the shares should revert to the remaining three founders instead of to the fourth founder's wife.

Cato scholars fear that the brothers intend to fold the nonprofit into their empire of explicitly Republican groups because the Kochs have been backers of Americans for Prosperity and FreedomWorks. Both organizations played an active and crucial role in 2010 by helping Republicans secure control of the House and gain seats in the Senate. The liberal watchdog group Common Cause called Friday for an IRS investigation of the Kochs' efforts "to use Cato's corporate structure and tax-exempt status to serve their own political and economic interests."

Cannon said he was working on a book to be published by Cato with another health care expert, who backed out when the lawsuit was filed because he did not "want his work to be dismissed."

As controversial as the Koch brand has become in Washington, D.C., convincing Cato sympathizers to publicly voice their support may be difficult given the Kochs' reach. Conservative organizations including Americans for Prosperity, the Club for Growth and FreedomWorks did not respond to Roll Call's requests for comment. Even Norquist, who rarely passes up an interview opportunity, declined to weigh in.

"There is a nice correlation between people who remain silent and those who receive Koch money," said Jim Harper, director of information policy studies at Cato.

Privately, conservative power brokers in Washington admit they are alarmed by the institute's decision to take this family feud public, a concern heightened by Cannon's pitch at the Wednesday meeting.

Some may even be rooting for the Koch takeover. Republicans do not have an action-oriented research organization to match the might of the Center for American Progress,

which was established during George W. Bush's administration as an outpost for Democrats.

"A lot of people in the Republican establishment look at places like Cato and [the American Enterprise Institute] ... and think that [they're] just too sleepy," said an official at another conservative think tank.

Indeed, Cato scholars — as isolationist in practice as they are in policy — have long prided themselves on staying above the political fray.

"We're afraid that a Vichy Cato would look like CAP," Taylor said. "That's a relatively new model and not one that is well-represented on the right." Koch officials deny any political motivation.

"We view recent events as evidence that Cato's leadership has turned its back on these core principles," Charles Koch said in a statement released Thursday night. "Some have speculated that we would micro-manage the enterprise. Others have suggested we would turn Cato into a partisan Republican organization. These rumors are absolutely false."

When Wes Edwards, deputy general counsel of Koch Companies Public Sector LLC, was asked about the think tank's recent actions and the scholars' resignation threats, he said, "We think it is unfortunate."

"Cato officers could have avoided this and they chose not to. ... We did not seek to make this public," he said.