Slate

Cato at Peace

Ed Crane steps down to end the Koch brothers' attempted coup at Cato, and libertarians cheer.

By David Weigel | Posted Monday, June 25, 2012, at 7:37 PM ET

Shortly before 3 p.m. today, the men and women of the Cato Institute strolled into the renovated Friedrich von Hayek Auditorium to confirm their good news. Five days earlier, the *Washington Post* broke news of a settlement between David Koch, Charles Koch, and America's largest, longest-lived libertarian think tank. Ed Crane, 68, Cato's president since its 1977 genesis in San Francisco, would step down. His replacement would be John Allison, 64, a banker who'd endowed college courses on the work of Ayn Rand.

Bob Levy, chairman of the Cato board, took the stage first and explained the deal—a new board of directors (minus Crane and Charles Koch) and the end of the "shareholder" system that started the whole conflict. The avuncular Crane spoke next, introducing the staff to Allison. After meeting the new boss, the Cato-ites got to field questions about a treaty that had been hashed out over two months—from two in-person meetings in the Kochs' home base of Wichita, Kan., to some increasingly fruitful conference calls, all apparently moderated by Allison. There would be 16 board members, 11 of them unaffiliated with the Kochs.

"I didn't see today as Ed's swan song," says Levy. "He's going to stay on for a while as CEO, and after that, he's going to remain a very important consultant on fundraising and other issues." What about all of that public Jell-O wrestling with two of the planet's richest men? "We've gotten past that." David Koch had stopped donating to Cato, but "if everybody behaves in a way that was contemplated, he'll be a supporter in the future as he was in the past."

Three months ago, Crane told me that he was ready to leave his empire—"I'll step down if it ends this thing"—if the warring families agreed to two conditions. "We end the shareholder agreement, and we have a majority on the board of directors who are not part of the Koch group." That's exactly what he got. If it's a win for Cato's current team, it's also a story about how the Koch family's new, 'roided-up political activism has divided the small world of professional libertarians. (Disclosure: I worked at *Reason* magazine, which got Koch funding, for two-and-a-half years.)

The great war for Cato had lasted just nine months. It started on Oct. 26, 2011, with the death of William Niskanen. He'd joined the think tank 26 years earlier, after stints in the Ford and the Reagan administrations. Crane's Cato was on an endless quest to make libertarians respectable—suits and ties 'round the clock—and Niskanen helped. He got four of the 16 total shares in Cato, putting him on the same footing as Crane, Charles Koch, and George Pearson, Charles' political consigliere.

The Cato shareholder agreement was succinct. "Cease to be a shareholder," and the shares were up for grabs. Niskanen's widow tried to claim ownership. The Kochs didn't buy it. They proposed a new crop of board members, with closer ties to their interests. Later in 2011 they met with Bob Levy, the chairman of Cato's board, and described a think tank that could (in Levy's words) "provide intellectual ammunition that we can then use at Americans for Prosperity and our allied organizations." And they wanted Ed Crane out.

Levy and Crane were effectively done talking about this. On Feb. 24, 2012, David and Charles Koch sent an email to Cato board members acknowledging some backbiting and suggesting that “this dispute be tabled until 2013”—and that, by the way, they were right. Levy hit reply-all on a point-by-point demolition of their arguments. “One way of avoiding so-called disparaging remarks,” wrote Levy, “is to stop doing damaging things such as attempting to pack the Cato board with Koch-affiliated directors.”

Five days later, the Kochs filed suit in Kansas, asking for control of the Niskanen shares.

The next four months were spent on slow-motion press leaks, lengthy emails, and public negotiation about what would be best for libertarians. You could sum up the Cato case with two bullet points. One: The Kochs wanted to hollow out a think tank and turn it into a political hack shop. Two: Nobody in the media would take the Koch-ified Cato seriously ever again. “Who the hell is going to take a think tank seriously that's controlled by billionaire oil guys?” asked Crane.

Pro-Koch libertarians looked at this and saw a sell-out, pandering to the worst kinds of vindictive liberals. The Kochs’ organizations put out their own spin at the optimistically named ForABetterCato.com, but the high-grade anti-Crane oppo appeared at Breitbart.com. In March and April, the site published a three-part investigation titled “The Crane Chronicles,” a greatest hits of libertarian gossip. Who did conservatives really want to side with? The Kochs, captains of industry, or the guy who’d become a source for Jane Mayer? The Tea Party funders who were under attack by Rachel Maddow, or the guy who screamed and raved at the Koch’s board appointees? The series ended with anonymous (and unspecific) allegations about Crane’s “dismissive and degrading attitude toward women,” a perennial happy hour topic for D.C. libertarians, not something the community wanted to air out in public.

But the chatter stopped in May. That was when Allison et al started crafting their compromise. The Kochs had a strong case about those shares, and they could afford the legal bills. If they lost—and the Cato-ites I talked to certainly think that’s the case—it had a lot to do with their new infamy as the people pooling donations for the defeat of Barack Obama. Maybe it was better for them to keep up ties to helpful libertarian organizations but not dominate them—not paint targets on them for future Jane Mayers to jab their pencils into.

There’s a passage in Charles Koch’s management book, *The Science of Success*, that might explain the apparent cave. “Each vindictive triumph,” wrote Koch, “adds to feelings of grandeur and the compulsion to destroy anyone who challenges this warped self-image. The elation does not last, so the quest for revenge is renewed and carried out with utter disregard for truth and the person’s own best interests.”

Ed Crane had read *The Science of Success* at least once. “In my mind,” he told me in March, “it's one of the worst books ever written.”