

# Under Penalty of Catapult

Based on a concept by Skip Oliva

## ***Boaz Interview Raises More Questions About Cato Control***

with one comment

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David Boaz, the Cato Institute's executive vice president, spoke with conservative broadcasters Mark Newgent and Andrew Langer yesterday. The [interview](#) (starting around the 24:30 mark) was largely a rehash of Cato talking points, but Boaz did raise one issue worth briefly discussing. When asked why Cato adopted a shareholder structure in the first place, Boaz said, "Charles Koch wanted tight control" over Cato. But then Boaz went on about how Koch essentially neglected Cato's management for 35 years, during which time Boaz described the board of directors as "self-replacing" until Koch and his brother reasserted their ownership rights a couple years ago.

What Boaz didn't say is that the shareholder structure really allowed Ed Crane—the only remaining shareholder from 1977 along with Charles Koch—to maintain tight control over Cato. Given Koch's absentee ownership, it was Crane who was almost certainly picking the directors for most of the past 35 years. Boaz may say the board elected its own successors, which is the norm for nonprofit corporations, but legally, only the shareholders can elect directors. And if Koch declined to exercise his voting rights, then logically it was Crane, together with the late Bill Niskanen, who was really picking Cato's board. In that sense, the board was no more "independent" than it is now that the Kochs are actively participating in director elections.

There's also the mystery of David Koch's addition as a shareholder in 1991. If, as Boaz characterizes the history, Charles Koch allowed Crane to run Cato free of interference since 1977, why then was a fifth shareholder added? Crane and Niskanen, who held 50% of the shares from 1985–1991, presumably had to consent to this. If the shareholder agreement was dormant, why reopen it at all? For that matter, why was a new agreement signed in 1985, when Niskanen was added as the fourth shareholder? This part of the story has never been explained by either side.