



Behind the Cato-Koch Kerfuffle

By [David Weigel](#) | Posted Thursday, March 1, 2012

In the beginning, there was Charles Koch. Ed Crane, fed up with the nascent Libertarian Party, was approached by Koch for ideas about where to take the movement. Crane's idea: A new think tank, based in San Francisco, named after Cato's Letters. (This, according to the great libertarian historian Brian Doherty, was Murray Rothbard's idea.) The Cato Institute was founded in 1977. Eight years later, as it relocated to Washington, a new agreement was drawn up that split the ownership of the think tank four ways: Crane, Koch, George Pearson, and William Niskanen. Each had 16 shares of the Cato Institute, \$1 per share. But in 1991, as his brother David joined Cato and grabbed his own 16 shares, Charles Koch walked away.

"I have strong ideas," Koch told Doherty a few years ago. "I want to see things go in a certain direction, and Crane has strong ideas. I concluded, why argue with Ed? Rather than try to modify his strategy, just go do my own thing, and wish him well."

That was what happened. Koch took his money to other foundations. Crane kept building Cato. Contact was severed; in a 2010 interview, Crane told me that he never quite understood why Koch bolted.

Fast forward to 2011. Pearson, a Koch ally, has given back his shares. Niskanen dies, and his wife inherits his Cato shares -- 16 of them, worth \$1 each. Crane, all of a sudden, is potentially a minority owner. That takes us to [Allen McDuffee's scoop](#) that Charles and David Koch are suing, claiming that Niskanen's widow has no right to her shares, per the 1985 agreement.

Plaintiffs respectfully request that the Court declare that (1) Defendant Washburn as personal representative is presently obligated to offer the Niskanen Shares to the Corporation; (2) that the Corporation has an obligation to its shareholders either to accept those shares for repurchase from Defendant Washburn as personal representative or, pursuant to the requirements of Section 3 of the Shareholders' Agreement, recognize that the right to purchase the Niskanen Shares conferred by Section 3 upon the remaining shareholders is "deemed to be granted to the [other] shareholders of the Corporation," including Plaintiffs Charles Koch and David Koch, in the event the Corporation does not repurchase the Niskanen Shares.

And so, with libertarianism at its modern apex, the Kochs are trying to wrestle the movement's leading think tank away from the guy who built it up. (Literally. They just completed a renovation.) How would it change? In the past, Charles Koch and his allies have criticized Cato for lacking real, provable results. Since then, David has found tremendous success with Americans for Prosperity, which in the Tea Party era evolved into one of the most powerful conservative organizations in electoral politics. (It has spent seven figures so far this year on TV ads against Barack Obama.) Draw your conclusions.