

Cato Chairman Bob Levy's Response to David Koch's March 22 Statement

On March 1, after filing suit against the Cato Institute, Cato president Ed Crane, and Kathryn Washburn, the widow of longtime Cato chairman Bill Niskanen, Charles G. Koch insisted that he and his brother David were “not acting in a partisan manner, we seek no ‘takeover’ and this is not a hostile action.”

In a statement released today, David Koch denies the charge of partisanship and tries to muddy the waters on “takeover.” But given Charles and David Kochs’ continued personalization of this dispute, it seems that “hostile” has by now been clearly established.

I’ll refrain from responding point-by-point right now to the many inaccuracies and distortions in David’s letter. But two demonstrably false statements David makes in the letter demand an immediate reply.

“Rule,” “Ruin,”... or *Offer to Step Down*?

David asserts that Ed Crane’s strategy for resisting this takeover attempt is “Rule or Ruin”—“he will either be allowed to rule Cato in the way he wants for as long as he wants, or he will try to ruin it.” That claim is glaringly inconsistent with a fact well known to both David and Charles, that in a bid to save the Institute and its mission, Ed Crane offered to retire in an expedited fashion in exchange for undoing the shareholder arrangement. That offer to step down was not enough for David and Charles Koch: they wanted removal of our CEO *and* complete control of the Institute.

The “Decision to Force the Issue”

David writes, “Simply put, Ed wanted to fight this issue at this time. We did not.” If so, then why did the Kochs file a lawsuit (accompanied by a “Politico Exclusive”) that exposed this dispute to intense media scrutiny?

Yet again, the Kochs fail to provide any explanation for why they had to file suit on the eve of the March 1 shareholders’ meeting. As I put it in my March 12 statement: “the shareholders meeting did not precipitate anything. It simply satisfied a legal requirement and, in the end, allowed the Kochs to add four directors to Cato’s board. Cato and the Kochs could have continued their attempt to negotiate a settlement, reserving the right to take legal action should the negotiations prove fruitless.” Instead they went to court—and to the press.

In his letter, David accuses Cato of pursuing a “scorched earth” PR strategy and a “public smear campaign.” It’s an unusual “smear campaign,” accompanied as it is by regular expressions of praise and gratitude for the Kochs from Cato directors, management and employees. Their real complaint appears to be that Cato has publicly offered its side of the story instead of coming along quietly.

However, the Cato Institute welcomes the affirmation by David Koch that he and Charles Koch are open to alternative corporate structures. That has been our goal; and we are open to discussions along those lines at any time.