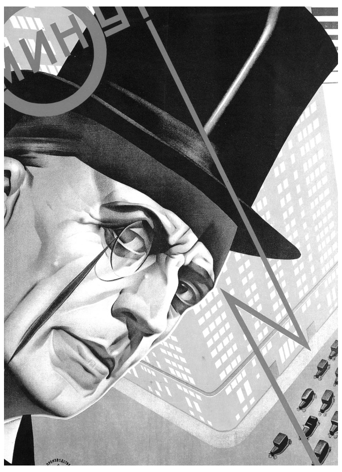
The Donald in Wonderland



Down the Rabbit Hole With Trump

Once upon a time, there was a little-known energy company called **Enron**. In its 16-year life, it went from being dubbed America's most innovative company by *Fortune Magazine* to being the poster child of American corporate deceit. Using a classic recipe for book-cooking, **Enron** ended up in bankruptcy with jail time for those involved. Its shareholders lost $74 billion in the four years leading up to its bankruptcy in 2001.

A decade ago, the flameout of **Lehman Brothers**, the global financial firm, proved far more devastating, contributing as it did to a series of events that ignited a global financial meltdown. Americans lost an estimated $12.8 trillion in the havoc.

Despite the differing scales of those disasters, there was a common thread: both companies used financial tricks to make themselves appear so much healthier than they actually were. They both faked the numbers, thanks to off-the-books or offshore mechanisms and eluded investigations... until they collapsed.

Now, here's a question for you as we head for the November midterm elections, sure to be seen as a referendum on the president: Could Donald Trump be a one-man version of either Enron or Lehman Brothers, someone who cooked "the books" until, well, he imploded?

Since we've never seen his tax returns, right now we really don't know. What we do know is that he's been dodging bullets ever since the Justice Department accused him of violating the Fair Housing Act in his operation of 39 buildings in New York City in 1973. Unlike famed 1920s mob boss Al Capone, he may never get done in by something as simple as tax evasion, but time will tell.

Rest assured of one thing though: he won't go down easily, even if he is already the subject of multiple investigations and a plethora of legal slings and arrows. Of course, his methods should be familiar. As President Calvin Coolidge so famously put it, "the business of America is business." And the business of business is to circumvent or avoid the heat... until, of course, it can't.

So far, Treasury Secretary and former Trump national campaign finance chairman Steven Mnuchin has remained out of the legal fray that's sweeping away some of his fellow campaign associates. Certainly, he and his wife have grandiose tastes. And, yes, his claim that his hedge fund, Dune Capital Management, used offshore tax havens only for his clients, not to help him evade taxes himself, represents a stretch of the imagination. Other than that, however, there seems little else to investigate -- for now. Still, as Treasury secretary he does oversee a federal agency that means the world to Donald Trump, the Internal Revenue Service, which just happens to be located across a courtyard from the Trump International Hotel on Washington's Pennsylvania Avenue.

As it happens, the IRS in the Trump era still doesn't have a commissioner, only an acting head. What it may have, *National Enquirer*-style, is genuine presidential secrets in the form of Donald Trump's elusive tax returns. Last fall, outgoing IRS Commissioner John Koskinen said that there were plans to relocate them to a shiny new safe where they would evidently remain.

In 2016, Trump became the first candidate since President Richard Nixon not to disclose his tax returns. During the campaign, he insisted that those returns were undergoing an IRS audit and that he would not release them until it was completed. (No one at the IRS has ever confirmed that being audited in any way prohibits the release of tax information.) The president's pledge to do so remains unfulfilled and last year counselor to the president Kellyanne Conway noted that the White House was "not going to release his tax returns," adding -- undoubtedly thinking about his base -- "people didn't care."

On April 17, 2018, the White House announced that the president would defer even filing his 2017 tax returns until this October. As every president since Nixon has undergone a mandatory audit while in office, count on American taxpayers hearing the same excuse for the rest of his term, even if Congress were to decide to invoke a 1924 IRS provision to view them.

Yet the financial disclosures that The Donald did make during election campaign 2016 indicate that there are more than 500 companies in over two dozen countries, mostly with few to no employees or real offices, that feature him as their "president." Let's face it, someone like Trump would only create a business universe of such Wall Street-esque complexity if he wanted to hide something. He was likely trying to evade taxes, shield himself and his family from financial accountability, or hide the dubious health of parts of his business empire. Now, let's consider what we know of Donald Trump's financial adventures, taxes and all. It's quite a story and, even though it already feels like forever, it's only beginning to be told.

Atop the non-White House branch of the Trump dynasty is the Trump Organization. To comply with federal conflict-of-interest requirements, The Donald officially turned over that company's reins to his sons, Eric and Donald Jr. For all the obvious reasons, he was supposed to distance himself from his global business while running the country.

Only that didn't happen and not just because every diplomat and lobbyist in town started to frequent his money-making new hotel on Pennsylvania Avenue. Now, the Manhattan district attorney's office is considering pressing criminal charges against the Trump Organization and two of its senior officials because the president's lawyer, Michael Cohen, paid off an adult film actress and a former *Playboy* model to keep their carnal knowledge to themselves before the election.

Though Cohen effectively gave Stormy Daniels $130,000 and Karen McDougal $150,000 to keep them quiet, the Trump Organization then paid Cohen even more, $420,000, funds it didn't categorize as a reimbursement for expenses, but as a "retainer." In its internal paperwork, it then termed that sum as "legal expenses."

The D.A.'s office is evidently focusing its investigation on how the Trump Organization classified that payment of $420,000, in part for the funds Cohen raised from the equity in his home to calm the Stormy (so to speak). Most people take out home equity loans to build a garage or pay down some debt. Not Cohen.

AndaAs Lanny Davis, Cohen's lawyer, put it, *"If those payments were a crime for Michael Cohen, then why wouldn't they be a crime for Donald Trump?"*

The bigger question is: What else is there? Those two payoffs may, after all, just represent the beginning of the woes facing both the Trump Organization and the Trump Foundation, which has been the umbrella outfit for businesses that have incurred charges of lobbying violations (not disclosing payment to a local newspaper to promote favorable casino legislation) and gaming law violations. His organization has also been accused of misleading investors, engaging in currency transaction reporting crimes, and improperly accounting for money used to buy betting chips, among a myriad of other transgressions. To speculate on overarching corporate fraud would not exactly be a stretch.

Unlike his casinos, the Trump Organization has not (yet) gone bankrupt, nor -- were it to do so -- is it in a class with Enron or Lehman Brothers. Yet it does have something in common with both of them: piles of money secreted in places designed to hide its origins, uses, and possibly end-users. The question some authority may pursue someday is: If Donald Trump was willing to be a part of a scheme to hide money paid to former lovers, wouldn't he do the same for his businesses?

Questions about Trump's charity, the Donald J. Trump Foundation, have abounded since campaign 2016. They prompted New York Attorney General Barbara Underwood to file a lawsuit on June 14th against the foundation, also naming its board of directors, including his sons and his daughter Ivanka. It cites "a pattern of persistent illegal conduct... occurring over more than a decade, that includes extensive unlawful political coordination with the Trump presidential campaign, repeated and willful self-dealing transactions to benefit Mr. Trump's personal and business interests, and violations of basic legal obligations for non-profit foundations."

The main issue in question: Did the Trump Foundation use any of its funds to benefit The Donald or any of his businesses directly? Underwood thinks so. As she pointed out, it *"was little more than a checkbook for payments from Mr. Trump or his businesses to nonprofits, regardless of their purpose or legality."* Otherwise it seems to have employed no one and, according to the lawsuit, its board of directors has not met since 1999.

Because Trump ran all of his enterprises, he was also personally responsible for signing their tax returns. His charitable foundation was no exception. Were he found to have knowingly provided false information on its tax returns, he could someday face perjury charges.

On August 31st, the foundation's lawyers fought back, filing papers of their own, calling the lawsuit, as the *New York Times* put it, *"a political attack motivated by the former attorney general's 'record of antipathy' against Mr. Trump."* They were referring to Eric Schneiderman, who had actually resigned the previous May -- consider this an irony under the circumstances -- after being accused of sexual assault by former girlfriends.

In 2013, Schneiderman filed a civil suit against Trump University, calling it a sham institution that engaged in repeated fraudulent behavior. In 2016, Trump finally settled that case in court, agreeing to a $25 million payment to its former students -- something that (though we don't, of course, have the tax returns to confirm this) probably also proved to be a tax write-off for him.

These days, the New York attorney general's office could essentially create a branch only for matters Trumpian. So far, it has brought more than 100 legal or administrative actions against the president and congressional Republicans since he took office.

Still, don't sell the foundation short. It did, in the end, find a way to work for the greater good -- of Donald Trump. He and his wife, Melania, for instance, used the "charity" to purchase a now infamous six-foot portrait of himself for $20,000 -- and true to form, according to the *Washington Post*, even that purchase could turn out to be a tax violation. Such "self-dealing" is considered illegal. Of course, we're talking about someone who "used $258,000 from the foundation to pay off legal settlements that involved his for-profit businesses." That seems like the definition of self-dealing.

The president swears that he has an uncanny ability to size someone up in a few seconds, based on attitude, confidence, and a handshake -- that, in other words, just as there's the art of the deal, so, too, there's the art of choosing those who will represent him, stand by him, and take bullets for him, his White House, and his business enterprises. And for a while, he did indeed seem to be a champion when it came to surrounding himself with people who had a special knack for hiding money, tax documents, and secret payoffs from public view.

On August 21st, his former campaign manager, Paul Manafort, was convicted in Virginia of "five counts of tax fraud, two counts of bank fraud, and one count of failure to disclose a foreign bank account." (On September 14th, he would make a deal with Robert Mueller and plead guilty to two counts of conspiracy.) On that same August day, Trump's personal lawyer, Michael Cohen, also pled guilty to eight different federal crimes in the Manhattan U.S. attorney's office, including -- yep -- tax evasion.

Three days later, prosecutors in the Cohen investigation granted immunity to the Trump Organization's chief financial officer, Allen Weisselberg. A loyal employee of the Trump family for more than four decades, he had also served as treasurer for the Donald J. Trump Foundation. If anyone other than the president and his children knows the financial and tax secrets of the Trump empire, it's him. And now, he may be ready to talk. Lurking in his future testimony could be yet another catalyst in a coming Trump tax debacle.

And don't forget David Pecker, CEO of American Media, the company that publishes the *National Enquirer*. Pecker bought and buried stories for The Donald for what seems like forever. He, too, now has an immunity deal in the federal investigation of Cohen (and so Trump), evidently in return for providing information on the president's hush-money deals to bury various exploits that he came to find unpalatable.

The question is this: Did Trump know of Cohen's hush-money payments? Cohen has certainly indicated that he did and Pecker seems to have told federal prosecutors a similar story. As Cohen said in court of Pecker, "I and the CEO of a media company, at the request of the candidate, worked together" to keep the public in the dark about such payments and Trump's involvement in them.

In the cases of Enron and Lehman Brothers, both companies unraveled after multiple shell games imploded. Enron's losses were being hidden in multiple offshore entities. In the case of Lehman Brothers, staggeringly over-valued assets were being pledged to borrow yet more money to buy similar assets. In both cases, rigged games were being played in the shadows, while vital information went undisclosed to the public -- until it was way too late.

Donald Trump's equivalent shell games still largely remain to be revealed. They may simply involve hiding money trails to evade taxes or to secretly buy political power and business influence. There is, as yet, no way of knowing. One thing is clear, however: the only way to begin to get answers is to see the president's tax returns, audited or not. Isn't it time to open that safe?

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