

Madoff in the White House? How Trump's Conflicts of Interest Could Become Ours

Posted by Joan Russow

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By [Nomi Prins](#)

http://www.tomdispatch.com/post/176192/tomgram%3A_nomi_prins%2C_trump%27s_future_pigggy_bank%2C_our_country/

Imagine for a moment that it's January 2009. Bernie Madoff, America's poster-child fraudster, has yet to be caught. The 2007-2008 financial crisis never happened. The markets didn't tank to reveal the emptiness beneath his schemes. We still don't know what's lurking in his tax returns because he's never released them, but we know that he's a billionaire, at least on paper. We also know, of course, that he just won the presidency by featuring the slogan -- on hats, t-shirts, everywhere -- "Make America Rich Again!" On a frosty morning in late January, before his colleagues, his country, God, and the world, Madoff takes the oath of office. He swears on a Bible to uphold the constitution. The next day, everything comes crashing down. The banks. The markets. His fortune.

Madoff is a businessman, not a politician. He's run and won as an anti-establishment maverick. Now, he's faced with a choice: save the United States or his own posterior. During the campaign, he promised that he could separate the two, that his kids could run his empire, while he did the people's business. But no one wants to talk to his progeny. They want him. They want the man in the suit who owes them money. Okay, so that never happened, though over two decades Madoff did build a [\\$65 billion](#) Ponzi scheme. In December 2008, he became the most vilified man in America -- at the very moment when Washington and Wall Street needed a distraction from the crippling financial crisis. He's now serving a 150-year sentence for multiple felonies.

Of course, Donald Trump is not Bernie Madoff, who was 70 when he took up residence in the Big House. Trump at 70 is eyeing the White House. Other glaring differences separate them, though certain overriding similarities can't be ignored. Let's look at those differences first.

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Trump vs. Madoff, The Scorecard

1. Trump is much richer than Madoff ever was, though we have no idea by how much. Forbes puts his wealth at [\\$4.5 billion](#) . Trump says it's [\\$10 billion](#) . (Compared to just [under a billion](#) for Madoff.)

2. Madoff took advantage of individuals. Trump extracted tax breaks from [entire cities](#) .

3. Madoff broke the law and got caught. He's in jail. As a felon, he can't even vote in this election. Trump may have [broken the law](#) , and has [bragged](#) about paying people off, but now deflects everything and is running for president.

4. Trump [forced poor people](#) from their homes and onto the street. Madoff ripped off customers who were [predominantly financially](#) well off to begin with.

5. In 2007, while Madoff was enjoying himself at Mar-a-Lago Country Club, Trump's premier Palm Beach hotel, The Donald racked up \$120,000 in unpaid fines to that city. In exchange for a [\\$100,000 donation](#) to a veterans' charity, the city agreed to forget about it. That check came from the Donald J. Trump charitable foundation (that is, from other people's donated money), not from The Donald himself. This seems to have been typical. According to the [Washington Post](#)

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more than a [quarter of a million dollars](#) from his charity went toward solving his own business woes, a violation of "self-dealing" laws. Madoff actually [did donate](#) money to charity. Okay, technically, it wasn't his money either, but at least he had the decency to pretend it came from his own pocket.

6. Madoff never ran for president.

Moving In on Pennsylvania Avenue

If those are the differences, think about the similarities. Both men manipulated people over decades, were less than forthcoming about the numbers behind their methods, and had long-term plans for their own success at the expense of others. But where Madoff merely scammed his generally well-off clients, Donald Trump, if elected, could possibly scam us all.

Imagine this: if he wins in November, he's going to be right on Pennsylvania Avenue twice, once as the people's representative and once representing himself -- and can there be any question which of the two will be more important to him? Indeed, Trump first targeted Pennsylvania Avenue just after abandoning his [unofficial bid](#) for the presidency in 2012 to focus on his fortune.

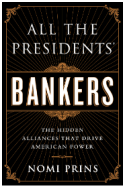
As he [said](#) at the time, "Ultimately... business is my greatest passion and I am not ready to leave the private sector." He then managed to corral the political real-estate deal of the century, outbidding a group of hotel chains to secure 60-year rights from the government to the Old Post Office building at 1100 Pennsylvania Avenue. That's just southeast of the White House. He then pledged more than \$200 million toward its renovation, [assuring](#) its future customers -- hardly a cross section of average Americans -- that "the hotel is going to be incredible, super luxury."

Normally, Trump merely [licenses](#) his gilded name to the constellation of hotels that bear it. Not so in D.C. There was too much at stake for him in our nation's capital. When the hotel opened ahead of schedule and just in time to [aid](#) his publicity drive in this year's election, rooms were said to start at \$750 to \$850 per night and escalate to [\\$18,000](#) for a "presidential suite." It costs about [\\$33,000](#) for election night in the elite Trump Townhouse section of the hotel [billed](#) as the "largest presidential suite in Washington." My scan of prices on [booking.com](#) revealed some "bargains." For a mere \$489 (not including tax), I could have been writing this piece in the comfort of my own hotel room, slightly bigger than Madoff's cell. Trump knew exactly what he was doing when he opened his business on Pennsylvania Avenue.

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Now, imagine another chill morning, this time in January 2017. Foreign dignitaries are hopping into black Lincoln Town Cars emblazoned with the Trump logo and lined up by that Trump hotel. President Donald J. Trump, a businessman and by his own account the best dealmaker in the history of deal-making, is pledging to uphold the Constitution. He smiles and gestures with those not-too-small hands of his at his family, a.k.a. his business associates, a.k.a. his advisers. They beam. They wave. They've got this.

Consider what Trump wrote about [Ronald Reagan](#) in *The Art of the Deal*: "He is so smooth and so effective a performer that he completely won over the American people. Only now, nearly seven years later, are people beginning to question whether there's anything beneath that smile."

Trump could hardly be described as smooth. More like nails on a chalkboard combined with *Dr. Strangelove* -level crass. But one thing is guaranteed: he brings into the Oval Office with him a set of conflicts of interest that would make Madoff's head spin and potentially make the Iran-Contra affair look like a bad episode of *Celebrity Apprentice*.

Conflicts of Interest Galore

When Hank Paulson, former CEO and chairman of Goldman Sachs, was appointed treasury secretary by George W. Bush in 2006, he had to sell his 4.58 million shares of stock in that company. Executive branch conflict-of-interest [laws](#) require appointed senior government officials to divest themselves of investments that could be affected by or benefit from decisions they might make in public office. (Let us note, however, that even without the stock Paulson would prove to be a walking conflict of interest. From his public post, he would help Goldman Sachs survive the financial crisis with federal funds, and look where that [got us](#)

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However, the president and vice president don't even have to abide by those formal laws of divestment. Trump has indeed promised to focus on the country and not his business and branding empire by, among other things, placing the [Trump Organization](#) in a blind trust. But don't count on it. Why would he? That would be like asking him to actually release his tax returns. In addition, Trump's businesses are the antithesis of the sort that easily lend themselves to inclusion in such a trust. As David Cay Johnston, author of [The Making of Donald Trump](#), told me in an email, "The ethics rules don't apply to the president. But a blind trust is absurd as this is not simply an issue of stocks and bonds."

[According to](#) his tax lawyers at Morgan Lewis, the blue-chip global law firm, his 2002-2008 returns were under audit by the Internal Revenue Service precisely because he runs "large and complex businesses." During the primary, he [said](#), "I have three children now who are grown and could run [the business]." This July, when asked by the *New York Times* whether he would actually step away from his business dealings while president, he [equivocated](#), "I'll let you know how I feel about it after it happens."

As with most things Trumpian, we are left with nothing but his word and a belief that someone as impossibly rich as him might not mind losing some ground in his business empire because of decisions, foreign and domestic, that he might make in moments of crisis or otherwise. We are also supposed to believe that he always makes the best deals. What if the two aren't compatible?

And what if possible illegal activities follow Trump directly into the Oval Office? Examining the possible conflicts of interest of a Trump administration and his track record when it comes to siphoning the money of others to his personal uses makes him look like a prospective -- to use a term of his -- [disaster](#).

The first and most obvious potential area where conflict of interest is likely play a crucial role: the many decisions a President Trump would have to make on foreign affairs. Kurt Eichenwald vividly [explored](#) this issue at *Newsweek* recently and concluded that it would be a singular reality of any future Trump presidency. After all, many of his businesses exist in countries with

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which the U.S. has, shall we say, squirrely relationships.

As Vin Weber, partner at Mercury Consulting in Washington, told me: "Even though he says he won't be influenced and has only basically addressed the issue of whether his businesses would distract him time-wise, other countries may feel they have leverage on him and therefore on the U.S." That's obviously a problem. As a way to achieve ends of their own, foreign leaders could easily fashion their future policies in terms of threats of damage to the Trump empire. It would make no difference whether Ivanka or anyone else was in charge of daily operations. Trump would be dealing with countries that could impact his brand in significant ways.

Trump's foreign business holdings (the ones publicly disclosed anyway) span areas that already involve scandal, as in the case of [India](#), or dicey national security issues, as would be true of Turkey, Saudi Arabia, and the United Arab Emirates. Foreign parties have helped Trump out of business jams in the past. Saudi Prince Alwaleed bin Talal, for instance, came to [Trump's aid](#) during his corporate bankruptcies in the 1990s. He even bought Trump's yacht and some bad hotel debt.

Another kind of major conflict of interest hits far closer to home. As president, Trump gets to appoint federal district court judges nationwide. The media has focused exclusively on the crucial Supreme Court seats he might get to fill. But if any of those federal judges turn out to have jurisdiction in areas touching on Trump's widespread business activities, imagine the opportunity for conflict of interest both in who might be appointed to the bench and how they might act. Keep in mind that, in addition to properties he owns or that bear his name, Trump is the sole proprietor of [268](#) of the 500 or more limited liability companies (LLCs) that he disclosed in his Federal Election Commission filings. These LLCs can be found all over the country, including in New York, Chicago, Las Vegas, and San Diego where, for instance, Trump University is already [in the dock](#).

Last month, San Diego federal court judge [Gonzalo Curiel](#), appointed by Obama, green-lighted that case to proceed to trial after Trump had lambasted him and [claimed](#) that he had an "absolute conflict" in presiding over it because of his "Mexican heritage." What would a Trump appointee have done in the same situation? Of Obama's 320 federal district court appointees, [262](#) were district court judges. Imagine the conflicts of interest to come in a Trump presidency where each lawsuit (and so many possible appointments) might represent one. And we're not

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talking about the unlikely here. Trump or his businesses have been involved in a reported [3,500](#) lawsuits over the last three decades. In 1,900 of them, he or his companies were the plaintiff; in about 1,300, the defendant. He's essentially guaranteed the title of most litigious leader in the modern world, possibly in history.

Trump's sole proprietorships -- companies where he alone is listed as the owner -- also [pop up](#) in tax havens like Panama, Cozumel, and Dubai, bringing up a third area of potential major conflict of interest for the country, but of enormous potential benefit to Trump. Those elusive tax returns of his undoubtedly would reveal hints about this. They might also show that he's not as rich as he says he is, and perhaps that he hasn't given as much to charity as he claims, but those are unlikely to be the real problems that have stopped him from releasing his taxes because neither of them is illegal.

What Trump may worry about is whether a thorough public analysis of those returns would illuminate dodgy behavior, ways in which he's been operating possible financial shell games. Shady deals can be easily hidden in shell companies and tax havens or in LLCs that no one can examine.

If he's president, none of this is likely to matter much. Remember, he would get to appoint the new IRS commissioner, the head of the Securities and Exchange Commission, and of course the Attorney General. We don't know how all of his little sole proprietorships interrelate and what they could be hiding. (It should be noted that a [sole proprietorship is](#) a business owned and run by one individual with no distinction between the business and its owner.) All we know is what his lawyers

[wrote him](#) regarding his 2002-2008 returns: "Because you operate these businesses almost exclusively through sole proprietorships and/or closely held partnerships, your personal federal income tax returns are inordinately large and complex for an individual."

He has not released proof from those lawyers that he even filed personal tax returns after 2008, or that such filings are actually under audit, though he says [his taxes since 2009 are](#). But even if he did file them and they are being audited, there's

[nothing](#) in federal law or IRS regulations to prohibit him from sharing what he's done -- except perhaps the fear of getting caught.

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Reportedly, he's already played fast and loose with donated money from the Donald J. Trump Foundation to cover some of his personal business shortcomings. As the *New York Times* [recently revealed](#), he used charity money on multiple occasions to settle personal legal issues. These were relatively small-scale matters, but -- as Madoff found out with his smaller clients -- small-scale can add up fast. In Florida, for instance, Trump paid a \$2,500 IRS penalty for a tax regulation violation after his nonprofit foundation [contributed](#) an improper donation of \$25,000 to a political action committee of Florida Attorney General Pam Bondi, who may have been contemplating whether or not to [investigate](#) fraud allegations against Trump University.

In fact, using money to wash away problems seems to have been a characteristic of the Trump way of life. For instance, he gave at least \$35,000 to Democrat Alan Hevesi for his campaign to become New York state comptroller. [According to](#) the Huffington Post, "Trump's donations coincided with a \$500 million lawsuit he filed against the city of New York in the hopes of reducing his property taxes." Hevesi won his 2002 race. In the fall of 2003, the city settled Trump's lawsuit. Imagine, then, how -- once he's in the Oval Office -- this country could become his personal piggy bank.

The final potential conflict of interest: his entire administration to come. According to figures from the *U.S. Government Policy and Supporting Positions*, a congressional publication also known as the "Plum Book," a president (or his administration) could appoint people to [nearly 9,000 positions](#)

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in the federal government. Of those, only about 800 must be confirmed by the Senate. This would mean, for instance, that in areas of gaming, environmental building codes, or housing and urban development, he would control the game. Business and politics would become one and the same in a unique fashion.

How all of this would play out, of course, remains unknown. Trump's family has touted The Donald's super-ability to focus exclusively on the affairs of the country. "My father is going to be a government official, and he's going to separate himself" from the Trump Organization's business interests, Donald Trump Jr., 38, typically [promised](#) a bunch of editors and reporters. But who would dare to count on this being anything but fantasy?

A Pandora's Box for Americans

Trump and Madoff knew each other in the old pre-cellblock days. Madoff frequented the Mar-a-Lago Club in Palm Beach. In an April 2009 *Vanity Fairsread*, Trump noted that Bernie and his brother Peter (later [sentenced](#) to 10 years in jail for his role in their mutual swindle) played golf at the Trump International Golf Club, where Bernie's game was as steady as his returns. "Out of hundreds and hundreds of rounds, he never shot lower than 80 or more than 89," [said](#) Trump.

It wasn't until after Madoff [pled guilty](#) on March 12, 2009, that Trump sounded warning bells. As he [said](#) about Madoff in his 2009 book, *Think Like A Champion*, "I think we would all do well to pay heed to all of our transactions no matter how much we might respect or like someone. But the main lesson is never to invest 100 percent of your money with one person or one entity."

Whatever Trump may be, perhaps we should heed his warning in the present situation. Because as he also [wrote](#), "Just because someone is well established doesn't mean they're not above being a total crook."

The immense power Donald Trump would wield over his own interests as president already looms as the biggest conflict of interest in the nation's history. Think of the Oval Office under Trump as a kind of Pandora's Box for the American people. Giving him the White House threatens to be no better than giving Madoff your bank account information. You know how the story is likely to end.

Nomi Prins, a [TomDispatch](#) [regular](#), is the author of six books. Her most recent is [All the Presidents' Bankers: The Hidden Alliances That Drive American Power](#) (Nation Books). She is a former Wall Street executive. Special thanks go to researcher Craig Wilson for his superb work on this piece.

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