Survival of the Richest

Nomi Prins tracks the acute worsening of inequality since the 2008 financial crisis.

By Nomi Prins
TomDispatch.com

Like a gilded coating that makes the dullest things glitter, today's thin veneer of political populism covers a grotesque underbelly of growing inequality that's hiding in plain sight. And this phenomenon of ever more concentrated wealth and power has both Newtonian and Darwinian components to it.

In terms of Newton's first law of motion: those in power will remain in power unless acted upon by an external force. Those who are wealthy will only gain in wealth as long as nothing deflects them from their present course. As for Darwin, in the world of financial evolution, those with wealth or power will do what's in their best interest to protect that wealth, even if it's in no one else's interest at all.

In George Orwell's iconic 1945 novel, "Animal Farm," the pigs who gain control in a rebellion against a human farmer eventually impose a dictatorship on the other animals on the basis of a single commandment: "All animals are equal, but some animals are more equal than others." In terms of the American republic, the modern equivalent would be: "All citizens are equal, but the wealthy are so much more equal than anyone else (and plan to remain that way)."

Certainly, inequality is the economic great wall between those with power and those without it.

As the animals of Orwell's farm grew ever less equal, so in the present moment in a country that still claims equal opportunity for its citizens, one in which three Americans now have as much wealth as the bottom half of society (160 million people), you could certainly say that we live in an increasingly Orwellian society. Or perhaps an increasingly Twainian one.

After all, Mark Twain and Charles Dudley Warner wrote a classic 1873 novel that put an unforgettable label on their moment and could do the same for ours. "The Gilded Age: A Tale of Today" depicted the greed and political corruption of post-Civil War America. Its title caught the spirit of what proved to be a long moment when the uber-rich came to dominate Washington and the rest of America. It was a period saturated with robber barons, professional grifters and incomprehensibly wealthy banking magnates. (Anything sound familiar?) The main difference between that last century's gilded moment and this one was that those robber barons built tangible things like railroads. Today's equivalent crew of the mega-wealthy build remarkably intangible things like tech and electronic platforms, while a grifter of a president opts for the only new infrastructure in sight, a great wall to nowhere.

Twain's Gilded Age

In Twain's epoch, the U.S. was emerging from the Civil War. Opportunists were rising from the ashes of the nation's battered soul. Land speculation, government lobbying, and shady deals soon converged to create an unequal society of the first order (at least until now). Soon after their novel came out, a series of recessions ravaged the country, followed by a 1907 financial panic in New York City caused by a speculator-led copper-market scam.

From the late 1890s on, the most powerful banker on the planet, J.P. Morgan, was called upon multiple times to bail out a country on the economic edge. In 1907, Treasury Secretary George Cortelyou provided him with $25 million in bailout money at the request of President Theodore Roosevelt to stabilize Wall Street and calm frantic citizens trying to withdraw their deposits from banks around the country. And this Morgan did — by helping his friends and their companies, while skimming money off the top himself. As for the most troubled banks holding the savings of ordinary people? Well, they folded. (Shades of the 2007-2008 meltdown and bailout anyone?)

The leading bankers who had received that bounty from the government went on to cause the crash of 1929. Not surprisingly, much speculation and fraud preceded it. In those years, the novelist F. Scott Fitzgerald caught the era's spirit of grotesque inequality in "The Great Gatsby" when one of his characters comments: "Let me tell you about the very rich. They are different from you and me." The same could certainly be said of today when it comes to the gaping maw between the have-nots and have-a-lots.

Income vs. Wealth

To fully grasp the nature of inequality in our 21st-century gilded age, it's important to understand the difference between wealth and income and what kinds of inequality stem from each. Simply put, income is how much money you make in terms of paid work or any return on investments or assets (or other things you own that have the potential to change in value). Wealth is simply the gross accumulation of those very assets *and* any return or appreciation on them. The more wealth you have, the easier it is to have a higher annual income.

Let's break that down. If you earn $31,000 a year, the median salary for an individual in the United States today, your income would be that amount minus associated taxes (including federal, state, Social Security and Medicare). On average, that means you would be left with about $26,000 before other expenses kicked in.

If your wealth is $1,000,000, however, and you put that into a savings account paying 2.25 percent interest, you could receive about $22,500 and, after taxes, be left with about $19,000, for doing nothing whatsoever.

To put all this in perspective, the top 1 percent of Americans now take home, on average, more than 40 times the incomes of the bottom 90 percent. And if you head for the top 0.1 percent, those figures only radically worsen. That tiny crew takes home more than 198 times the income of the bottom 90 percent. They also possess as much wealth as the nation's bottom 90 percent. "Wealth is power," as Adam Smith so classically noted almost two-and-a-half-centuries ago in "The Wealth of Nations." Sadly, the adage seldom seems outdated.

Inequality and the Federal Reserve

Obviously, if you inherit wealth in this country, you're instantly ahead of the game. In America, a third to nearly a half of all wealth is inherited rather than self-made. According to a *New York Times* investigation, for instance, President Donald Trump, from birth, received an estimated $413 million (in today's dollars, that is) from his dear old dad and another $140 million (in today's dollars) in loans. Not a bad way for a "businessman" to begin building the empire (of bankruptcies) that became the platform for a presidential campaign that oozed into actually running the country. Trump did it, in other words, the old-fashioned way — through inheritance.

In his megalomaniacal zeal to declare a national emergency at the southern border, that gilded millionaire-turned-billionaire-turned-president provides but one of many examples of a long record of abusing power. Unfortunately, in this country, few people consider record inequality (which is still growing) as another kind of abuse of power, another kind of great wall, in this case keeping not Central Americans but most U.S. citizens out.

The Federal Reserve, the country's central bank that dictates the cost of money and that sustained Wall Street in the wake of the financial crisis of 2007-2008 (and since), has finally pointed out that such extreme levels of inequality are bad news for the rest of the country. As Fed Chairman Jerome Powell said at a town hall in Washington in early February, "We want prosperity to be widely shared. We need policies to make that happen." Sadly, the Fed has largely contributed to increasing the systemic inequality now engrained in the financial and, by extension, political system. In a recent research paper, the Fed did, at least, underscore the consequences of inequality to the economy, showing that "income inequality can generate low aggregate demand, deflation pressure, excessive credit growth, and financial instability."

In the wake of the global economic meltdown, however, the Fed took it upon itself to reduce the cost of money for big banks by chopping interest rates to zero (before eventually raising them to 2.5 percent) and buying $4.5 trillion in Treasury and mortgage bonds to lower it further. All this so that banks could ostensibly lend money more easily to Main Street and stimulate the economy. As Sen. Bernie Sanders noted though, "The Federal Reserve provided more than $16 trillion in total financial assistance to some of the largest financial institutions and corporations in the United States and throughout the world… a clear case of socialism for the rich and rugged, you're-on-your-own individualism for everyone else."

The economy has been treading water ever since (especially compared to the stock market). Annual gross domestic product growth has not surpassed 3 percent in any year since the financial crisis, even as the level of the stock market tripled, grotesquely increasing the country's inequality gap. None of this should have been surprising, since much of the excess money went straight to big banks, rich investors and speculators. They then used it to invest in the stock and bond markets, but not in things that would matter to all the Americans outside that great wall of wealth.

The question is: Why are inequality and a flawed economic system mutually reinforcing? As a starting point, those able to invest in a stock market buoyed by the Fed's policies only increased their wealth exponentially. In contrast, those relying on the economy to sustain them via wages and other income got shafted. Most people aren't, of course, invested in the stock market, or really in anything. They can't afford to be. It's important to remember that nearly 80 percent of the population lives paycheck to paycheck.

The net result: an acute post-financial-crisis increase in wealth inequality – on top of the income inequality that was global but especially true in the United States. The crew in the top 1percent that doesn't rely on salaries to increase their wealth prospered fabulously. They, after all, now own more than half of all national wealth invested in stocks and mutual funds, so a soaring stock market disproportionately helps them. It's also why the Federal Reserve subsidy policies to Wall Street banks have only added to the extreme wealth of those extreme few.

The Ramifications of Inequality

The list of negatives resulting from such inequality is long indeed. As a start, the only thing the majority of Americans possess a greater proportion of than that top 1percent is a mountain of debt.

The bottom 90 percent are the lucky owners of about three-quarters of the country's household debt. Mortgages, auto loans, student loans, and credit-card debt are cumulatively at a record-high $13.5 trillion.

And that's just to start down a slippery slope. As Inequality.org reports, wealth and income inequality impact “everything from life expectancy to infant mortality and obesity.” High economic inequality and poor health, for instance, go hand and hand, or put another way, inequality compromises the overall health of the country. According to academic findings, income inequality is, in the most literal sense, making Americans sick. As one study put it, “Diseased and impoverished economic infrastructures [help] lead to diseased or impoverished or unbalanced bodies or minds.”

Then there’s Social Security, established in 1935 as a federal supplement for those in need who have also paid into the system through a tax on their wages. Today, all workers contribute 6.2 percent of their annual earnings and employers pay the other 6.2 percent (up to a cap of $132,900) into the Social Security system. Those making far more than that, specifically millionaires and billionaires, don’t have to pay a dime more on a proportional basis. In practice, that means about 94 percent of American workers and their employers paid the full 12.4 percent of their annual earnings toward Social Security, while the other 6 percent paid an often significantly smaller fraction of their earnings.

According to his own claims about his 2016 income, for instance, Trump “contributed a mere 0.002 percent of his income to Social Security in 2016.” That means it would take nearly 22,000 additional workers earning the median U.S. salary to make up for what he doesn’t have to pay. And the greater the income inequality in this country, the more money those who make less have to put into the Social Security system on a proportional basis. In recent years, a staggering $1.4 trillion could have gone into that system, if there were no arbitrary payroll cap favoring the wealthy.

Global Implications

America is great at minting millionaires. It has the highest concentration of them, globally speaking, at 41 percent. (Another 24 percent of that millionaires' club can be found in Europe.) And the top 1 percent of U.S. citizens earn 40 times the national average and own about 38.6 percent of the country's total wealth. The highest figure in any other developed country is "only" 28 percent.

However, while the U.S. boasts of epic levels of inequality, it's also a global trend. Consider this: the world's richest 1 percent own 45 percent of total wealth on this planet. In contrast, 64 percent of the population (with an average of $10,000 in wealth to their name) holds less than 2 percent. And to widen the inequality picture a bit more, the world's richest 10 percent, those having at least $100,000 in assets, own 84 percent of total global wealth.

The billionaires' club is where it's really at, though. According to Oxfam, the richest 42 billionaires have a combined wealth equal to that of the poorest 50 percent of humanity. Rest assured, however, that in this gilded century there's inequality even among billionaires. After all, the 10 richest among them possess $745 billion in total global wealth. The next 10 down the list possess a mere $451.5 billion, and why even bother tallying the next 10 when you get the picture?

Oxfam also recently reported that "the number of billionaires has almost doubled, with a new billionaire created every two days between 2017 and 2018. They have now more wealth than ever before while almost half of humanity have barely escaped extreme poverty, living on less than $5.50 a day."

The rich are only getting richer and it's happening at a historic rate. Worse yet, over the past decade, there was an extra perk for the truly wealthy. They could bulk up on assets that had been devalued due to the financial crisis, while so many of their peers on the other side of that great wall of wealth were economically decimated by the 2007-2008 meltdown and have yet to fully recover.

What we've seen ever since is how money just keeps flowing upward through banks and massive speculation, while the economic lives of those not at the top of the financial food chain have largely remained stagnant or worse. The result is, of course, sweeping inequality of a kind that, in much of the last century, might have seemed inconceivable.

Eventually, we will all have to face the black cloud this throws over the entire economy. Real people in the real world, those not at the top, have experienced a decade of ever greater instability, while the inequality gap of this beyond-gilded age is sure to shape a truly messy world ahead. In other words, this can't end well.

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Special thanks go to researcher Craig Wilson for his superb work on this piece.

Wall Street, Banks and Angry Citizens

The post-Great Recession economic "recovery" was largely reserved for participants in financial markets, not the majority working longer hours and multiple jobs, writes Nomi Prins.

Inequality Worsens Around the Planet

By Nomi Prins
TomDispatch.com

As we head into 2019, a major question remains about the state of Main Street, not just in the U.S. but across the planet. If the global economy really is booming, as many politicians claim, why are leaders and their parties around the world continuing to get booted out of office in such a sweeping fashion?

One obvious answer: the post-Great Recession economic "recovery" was largely reserved for the few who could participate in the rising financial markets of those years, not the majority who continued to work longer hours, sometimes at multiple jobs, to stay afloat. In other words, the good times have left out so many people, like those struggling to keep even a few hundred dollars in their bank accounts to cover an emergency or the 80 percent of U.S.

workers who live paycheck to paycheck.

In today's global economy, financial security is increasingly the property of the 1 percent. No surprise, then, that, as a sense of economic instability continued to grow over the past decade, angst turned to anger, a transition that—from the U.S. to the Philippines, Hungary to Brazil, Poland to Mexico—has provoked a plethora of voter upheavals. In the process, a 1930s-style brew of rising nationalism and blaming the "other" – whether that other was an immigrant, a religious group, a country, or the rest of the world—emerged.

This phenomenon offered a series of Trumpian figures, including of course The Donald himself, an opening to ride a wave of "populism" to the heights of the political system. That the backgrounds and records of none of them—whether you're talking about Donald Trump, Viktor Orbán, Rodrigo Duterte, or Jair Bolsonaro (among others)—reflected the daily concerns of the "common people," as the classic definition of populism might have it, hardly mattered. Even a billionaire could, it turned out, exploit economic insecurity effectively and use it to rise to ultimate power.

Ironically, as that American master at evoking the fears of apprentices everywhere showed, to assume the highest office in the land was only to begin a process of creating yet more fear and insecurity. Trump's trade wars, for instance, have typically infused the world with increased anxiety and distrust toward the U.S., even as they thwarted the ability of domestic business leaders and ordinary people to plan for the future. Meanwhile, just under the surface of the reputed good times, the damage to that future only intensified. In other words, the groundwork has already been laid for what could be a frightening transformation, both domestically and globally.

That Old Financial Crisis

To understand how we got here, let's take a step back. Only a decade ago, the world experienced a genuine global financial crisis, a meltdown of the first order. Economic growth ended; shrinking economies threatened to collapse; countless jobs were cut; homes were foreclosed upon and lives wrecked. For regular people, access to credit suddenly disappeared. No wonder fears rose. No wonder for so many a brighter tomorrow ceased to exist.

The details of just why the Great Recession happened have since been glossed over by time and partisan spin. This September, when the 10th anniversary of the collapse of the global financial services firm Lehman Brothers came around, major business news channels considered whether the world might be at risk of another such crisis. However, coverage of such fears, like so many other topics, was quickly tossed aside in favor of paying yet more attention to Donald Trump's latest tweets, complaints, insults, and lies. Why? Because such a crisis was so 2008 in a year in which, it was claimed, we were enjoying a first class economic high and edging toward the longest bull-market in Wall Street history. When it came to "boom versus gloom," boom won hands down.

None of that changed one thing, though: most people still feel left behind both in the U.S. and globally. Thanks to the massive accumulation of wealth by a 1 percent skilled at gaming the system, the roots of a crisis that didn't end with the end of the Great Recession have spread across the planet, while the dividing line between the "have-nots" and the "have-a-lots" only sharpened and widened.

Though the media hasn't been paying much attention to the resulting inequality, the statistics (when you see them) on that ever-widening wealth gap are mind-boggling. According to Inequality.org, for instance, those with at least $30 million in wealth globally had the fastest growth rate of any group between 2016 and 2017. The size of that club rose by more than 25 percent during those years, to 174,800 members. Or if you really want to grasp what's been happening, consider that, between 2009 and 2017, the number of billionaires whose combined wealth was greater than that of the world's poorest 50 percent fell from 380 to just eight. And by the way, despite claims by the president that every other country is screwing America, the U.S. leads the pack when it comes to the growth of inequality. As Inequality.org notes, it has "much greater shares of national wealth and income going to the richest 1 percent than any other country."

That, in part, is due to an institution many in the U.S. normally pay little attention to: the U.S. central bank, the Federal Reserve. It helped spark that increase in wealth disparity domestically and globally by adopting a post-crisis monetary policy in which electronically fabricated money (via a program called quantitative easing) was offered to banks and corporations at significantly cheaper rates than to ordinary Americans.

Pumped into financial markets, that money sent stock prices soaring, which naturally ballooned the wealth of the small percentage of the population that actually owned stocks. According to economist Stephen Roach, considering the Fed’s Survey of Consumer Finances, “It is hardly a stretch to conclude that [quantitative easing] exacerbated America’s already severe income disparities.”

Wall Street, Central Banks, and Everyday People

What has since taken place around the world seems right out of the 1930s. At that time, as the world was emerging from the Great Depression, a sense of broad economic security was slow to return. Instead, fascism and other forms of nationalism gained steam as people turned on the usual cast of politicians, on other countries, and on each other. (If that sounds faintly Trumpian to you, it should.)

In our post-2008 era, people have witnessed trillions of dollars flowing into bank bailouts and other financial subsidies, not just from governments but from the world’s major central banks. Theoretically, private banks, as a result, would have more money and pay less interest to get it. They would then lend that money to Main Street. Businesses, big and small, would tap into those funds and, in turn, produce real economic growth through expansion, hiring sprees, and wage increases. People would then have more dollars in their pockets and, feeling more financially secure, would spend that money driving the economy to new heights—and all, of course, would then be well.

That fairy tale was pitched around the globe. In fact, cheap money also pushed debt to epic levels, while the share prices of banks rose, as did those of all sorts of other firms, to record-shattering heights.

Even in the U.S., however, where a magnificent recovery was supposed to have been in place for years, actual economic growth simply didn't materialize at the levels promised. At 2 percent per year, the average growth of the American gross domestic product over the past decade, for instance, has been half the average of 4 percent before the 2008 crisis. Similar numbers were repeated throughout the developed world and most emerging markets. In the meantime, total global debt hit $247 trillion in the first quarter of 2018. As the Institute of International Finance found, countries were, on average, borrowing about three dollars for every dollar of goods or services created.

Global Consequences

What the Fed (along with central banks from Europe to Japan) ignited, in fact, was a disproportionate rise in the stock and bond markets with the money they created. That capital sought higher and faster returns than could be achieved in crucial infrastructure or social strengthening projects like building roads, high-speed railways, hospitals, or schools.

What followed was anything but fair. As former Federal Reserve Chair Janet Yellen noted four years ago, "It is no secret that the past few decades of widening inequality can be summed up as significant income and wealth gains for those at the very top and stagnant living standards for the majority." And, of course, continuing to pour money into the highest levels of the private banking system was anything but a formula for walking that back.

Instead, as more citizens fell behind, a sense of disenfranchisement and bitterness with existing governments only grew. In the U.S., that meant Donald Trump. In the United Kingdom, similar discontent was reflected in the June 2016 Brexit vote to leave the European Union, which those who felt economically squeezed to death clearly meant as a slap at both the establishment domestically and EU leaders abroad.

Since then, multiple governments in the European Union, too, have shifted toward the populist right. In Germany, recent elections swung both right and left just six years after, in July 2012, European Central Bank head Mario Draghi exuded optimism over the ability of such banks to protect the financial system, the Euro, and generally hold things together.

Like the Fed in the U.S., the ECB went on to manufacture money, adding another $3 trillion to its books that would be deployed to buy bonds from favored countries and companies. That artificial stimulus, too, only increased inequality within and between countries in Europe. Meanwhile, Brexit negotiations remain ruinously divisive, threatening to rip Great Britain apart.

Nor was such a story the captive of the North Atlantic. In Brazil, where left-wing president Dilma Rouseff was ousted from power in 2016, her successor Michel Temer oversaw plummeting economic growth and escalating unemployment. That, in turn, led to the election of that country's own Donald Trump, nationalistic far-right candidate Jair Bolsonaro who won a striking 55.2 percent of the vote against a backdrop of popular discontent. In true Trumpian style, he is disposed against both the very idea of climate change and multilateral trade agreements.

In Mexico, dissatisfied voters similarly rejected the political known, but by swinging left for the first time in 70 years. New president Andrés Manuel López Obrador, popularly known by his initials AMLO, promised to put the needs of ordinary Mexicans first. However, he has the U.S.—and the whims of Donald Trump and his "great wall" —to contend with, which could hamper those efforts.

As AMLO took office on Dec. 1, the G20 summit of world leaders was unfolding in Argentina. There, amid a glittering backdrop of power and influence, the trade war between the U.S. and the world's rising superpower, China, came even more clearly into focus. While its president, Xi Jinping, having fully consolidated power amid a wave of Chinese nationalism, could become his country's longest serving leader, he faces an international landscape that would have amazed and befuddled Mao Zedong.

Though Trump declared his meeting with Xi a success because the two sides agreed on a 90-day tariff truce, his prompt appointment of an anti-Chinese hardliner, Robert Lighthizer, to head negotiations, a tweet in which he referred to himself in superhero fashion as a "Tariff Man," and news that the U.S. had requested that Canada arrest and extradite an executive of a key Chinese tech company, caused the Dow to take its fourth largest plunge in history and then fluctuate wildly as economic fears of a future "Great Something" rose. More uncertainty and distrust were the true product of that meeting.

In fact, we are now in a world whose key leaders, especially the president of the United States, remain willfully oblivious to its long-term problems, putting policies like deregulation, fake nationalist solutions, and profits for the already grotesquely wealthy ahead of the future lives of the mass of citizens. Consider the yellow-vest protests that have broken out in France, where protestors identifying with left and right political parties are calling for the resignation of neoliberal French President Emmanuel Macron. Many of them, from financially starved provincial towns, are angry that their purchasing power has dropped so low they can barely make ends meet.

Ultimately, what transcends geography and geopolitics is an underlying level of economic discontent sparked by twenty-first-century economics and a resulting Grand Canyon-sized global inequality gap that is still widening. Whether the protests go left or right, what continues to lie at the heart of the matter is the way failed policies and stop-gap measures put in place around the world are no longer working, not when it comes to the non-1 percent anyway. People from Washington to Paris, London to Beijing, increasingly grasp that their economic circumstances are not getting better and are not likely to in any presently imaginable future, given those now in power.

A Dangerous Recipe

The financial crisis of 2008 initially fostered a policy of bailing out banks with cheap money that went not into Main Street economies but into markets enriching the few. As a result, large numbers of people increasingly felt that they were being left behind and so turned against their leaders and sometimes each other as well.

This situation was then exploited by a set of self-appointed politicians of the people, including a billionaire TV personality who capitalized on an increasingly widespread fear of a future at risk. Their promises of economic prosperity were wrapped in populist platitudes, normally (but not always) of a right-wing sort. Lost in this shift away from previously dominant political parties and the systems that went with them was a true form of populism, which would genuinely put the needs of the majority of people over the elite few, build real things including infrastructure, foster organic wealth distribution, and stabilize economies above financial markets.

In the meantime, what we have is, of course, a recipe for an increasingly unstable and vicious world.

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The Donald in Wonderland

One question as we head to the November midterm elections, a referendum on the president, is: Could Donald Trump be a one-man version of either Enron or Lehman Brothers, someone who cooked "the books" until he implodes? asks Nomi Prins.

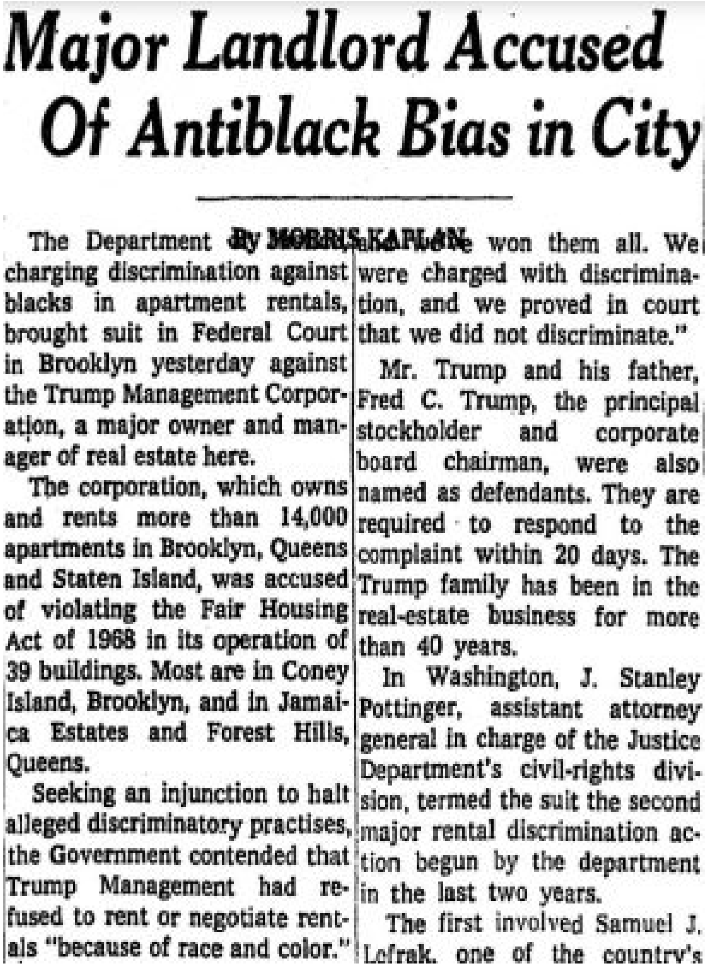
By Nomi Prins
TomDispatch

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 my former employer, 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 he implodes?



Major Landlord Accused Of Antiblack Bias in City

By MORRIS KAPLAN

The Department charging discrimination against blacks in apartment rentals, brought suit in Federal Court in Brooklyn yesterday against the Trump Management Corporation, a major owner and manager of real estate here.

The corporation, which owns and rents more than 14,000 apartments in Brooklyn, Queens and Staten Island, was accused of violating the Fair Housing Act of 1968 in its operation of 39 buildings. Most are in Coney Island, Brooklyn, and in Jamaica Estates and Forest Hills, Queens.

Seeking an injunction to halt alleged discriminatory practises, the Government contended that Trump Management had refused to rent or negotiate rentals "because of race and color."

...won them all. We were charged with discrimination, and we proved in court that we did not discriminate."

Mr. Trump and his father, Fred C. Trump, the principal stockholder and corporate board chairman, were also named as defendants. They are required to respond to the complaint within 20 days. The Trump family has been in the real-estate business for more than 40 years.

In Washington, J. Stanley Pottinger, assistant attorney general in charge of the Justice Department's civil-rights division, termed the suit the second major rental discrimination action begun by the department in the last two years.

The first involved Samuel J. Lefrak, one of the country's

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 it can't.

The Safe

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, namely 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, 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.

Still, Conway may have a point when it comes to the public. After all, tax dodging is as American as fireworks on the Fourth of July. According to one study, every year the U.S. loses $400 billion in unpaid taxes, much of it hidden in offshore tax havens.

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. As a colleague of mine at Bear Stearns once put it, when tax-haven companies pile up like dirty laundry, there's a high likelihood that their uses aren't completely clean.

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.

The Trump Organization

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, according to *The New York Times*, 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. It's a situation that could become far thornier for Trump. As Cohen already knew, Trump couldn't possibly wield his pardon power to absolve his former lawyer, since it only applies to those convicted of federal charges, not state ones.

And that's bad news for the president. As 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?

The Trump Foundation

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 14 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."

As *The New York Times* reported, "The lawsuit accused the charity and members of Mr. Trump's family of sweeping violations of campaign finance laws, self-dealing, and illegal coordination with Mr. Trump's presidential campaign." It also alleged that for four years — 2007, 2012, 2013, and 2014 — Trump himself placed his John Hancock below incorrect statements on the foundation's tax returns.

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 31, 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.

The New York state court system has, in fact, emerged as a vital force in the pushback against the president and his financial shenanigans. As Zephyr Teachout, recent Democratic candidate for New York attorney general, pointed out, it is "one of the most important legal offices in the entire country to both resist and present an alternative to what is happening at the federal level." And indeed it had begun fulfilling that responsibility with The Donald long before the Mueller investigation was even launched.

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 Trump Team

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.

These days — think of them as the era of attrition for Donald Trump — that landscape looks a lot emptier and less inviting.

On August 21, 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.

The president's former lawyer faces up to 65 years in prison. That's enough time to make him consider what other tales he might be able to tell in return for a lighter sentence, including possibly exposing various tax avoidance techniques he and his former client cooked up.

And don't think that Cohen, Pecker, and Weisselberg are going to be the last figures to come forward with such stories as the Trump team begins to come unglued.

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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