21 February 2024 / Florida man owes half a billion

[HALF SECOND OF SILENCE]

[BILLBOARD]

SEAN RAMESWARAM (host): On Friday a judge in New York City said Donald Trump had to pay $355 million PLUS INTEREST for repeatedly manipulating the value of his assets.   
  
And on Saturday, Donald Trump launched a new sneaker line.

Coincidence? You be the judge.

SCORING <Warning Signs - instrumental (upbeat, headnod)>

*<CLIP> FORMER PRESIDENT DONALD TRUMP, SNEAKER CON: We’re gonna remember the young people and we’re gonna remember ‘Sneaker Con,’ you know that.*

SEAN: Some people think he’s trying to win votes with the Never Surrender High-Tops. And the POTUS 45 White Knits.

*<CLIP> FOX NEWS: This is connecting with Black America, because they love sneakers, they're into sneakers, they love the – this is a big deal, certainly in the inner city.*

SEAN: We’ll take your word for it, Fox News.

*<CLIP> FOX NEWS: They are definitely a collectible item.*

SEAN: What’s clear is the former president needs money. Lots of money. And on *Today, Explained*, we’re gonna remind you why, and talk about the implications for Americans and the rest of the world.

*<CLIP> TRUMP, SNEAKER CON: That’s the real deal. That’s the real deal.*

[THEME]

*<CLIP> TRUMP: Bing bing bing bong bong bong bing.*

SEAN: *Today, Explained*. Sean Rameswaram, here with reporter Andrea Bernstein, who was sitting in the same courtroom as the former president for his civil fraud trial in New York, which must have been totally exciting, right?

ANDREA BERNSTEIN (Journalist): I mean, it was excruciatingly boring.   
  
SEAN: <laughs>   
  
ANDREA: And one of the things that was so interesting to me is Trump came ten times to this business fraud trial. That meant that he was sitting every day in the courtroom from 10 until about 1 and 2:15 to about 4:30, watching as lawyers from the attorney general's office said things like, “let me direct your attention to cell number 168 on sheet G of this spreadsheet…”

SEAN: <laughs>   
  
ANDREA: “...Is that your notation?” And reporters took to bringing binoculars to the courtroom so we could could read these spreadsheets.

SEAN: Really??

ANDREA: Oh, yeah. Absolutely. That was a pro tip.   
  
SEAN: <laughs>   
  
ANDERA: So there was a lot of that. And because there was no jury in this case, sometimes it was really confusing to figure out, like, ‘What was it they wanted to get out of this witness?’   
  
SEAN: Hm.   
  
ANDREA: ‘What was it they wanted to learn?’ But, you know, they put in this torrent of documents and we'll take one witness, say, for example, the former president's daughter, Ivanka Trump. Ivanka Trump was not a defendant in this case. And a lot of the sort of reviews of her testimony is, ‘Oh, she was so disciplined. She kept her cool.’ All of which was true, but while she was testifying. The Attorney General's office kept saying to her, ‘Do you recognize this document? Is that your email?’ And she would say, ‘Yes.’ And these emails were central to the case because she arranged these very, very low interest rate loans from Deutsche Bank. There was all the documentation. The regular banks wanted to charge her family. Maybe in the low double digits of interest. The interest rate they got was 2, 3%. So there's a huge difference there. And that is a lot of what the money that the Trumps have to pay back to New York is, is the difference in the interest rates. There in Ivanka Trump's emails, it's all laid out: how she went to the commercial real estate division. She tried to get the loan. They didn't like the number. So they went to this other division and got this way-lower rate that no one else could get. And to get it, they had to attest to Donald Trump's statements of values that we now know were completely fraudulent.

SEAN: So a lot of granular detail from the attorney general in New York. How does the former president's defense team defend him?

ANDREA: So one of their big defenses is: ‘No one was hurt here. Deutsche Bank wanted us as a customer. They were willing to give us these incredibly low rates because it was good for them. They benefited. There was no victim.’ That was one. Another one was, ‘Our accountants figured it out. Our employees figured it out. We left it to them. We trusted them.’ And then there was, like, ‘Nobody really relied on these statements.’ And also ‘It didn't make a difference.’

SEAN: Okay, so Trump's legal defense team essentially says, ‘Show us a victim. Everyone got paid. This was good for everyone.’ But the judge ultimately decides that's not the case.

ANDREA: Well, the law decides it, right? I mean, it's this law, 63-12, is a very powerful law in New York, and it was written in the middle of the last century with the idea that if you have a fraudulent marketplace, you corrupt the business market in New York, and it is the attorney general's job to defend against that and to make sure that people don't do this as a course of business, no matter who the victims are, because the idea is that hurts all business in New York.

*<CLIP> NEW YORK ATTY GENERAL LETITIA JAMES: Today, the court once again ruled in our favor. And in favor of every hard-working American who plays by the rules. Donald Trump and the other defendants were ordered to pay $463.9M. That represents $363.9M in disgorgement, plus $100M in interest, which will continue to increase every single day until it is paid.*

SEAN: Where does that number come from, Andrea? It's big.

ANDREA: Okay. So let me introduce a concept which I know *Today, Explained* listeners can handle, which is called disgorgement, right? It’s not actually a fine.  
  
SEAN: Oh!  
  
ANDREA: What the law says is if you have these ill-gotten gains based on the fact that you lied over and over and over again you have to pay it back.

*<CLIP> JAMES: Donald Trump may have authored the Art of the Deal, but he perfected the art of the steal.*

ANDREA: So a very big portion of the money that Trump has to pay comes from the cash that he kept by keeping his interest rates so low. So, you know, if you have to pay 12% interest versus 3% interest (hypothetically, those are not the actual numbers, but for example).  
  
SEAN: Mm.

ANDREA: You save a lot of money! In this case, the difference in the interest was about $170 million, so that is considered an ill-gotten gain. Got to pay it back. Then the judge said, ‘Well, because they had all this extra cash that they were entitled to, they were able to pour money into a number of properties.’ Two in particular, the Trump International Hotel in Washington, D.C., and the Ferry Point Golf Course, which is in Bronx, New York. They were able to pour so much money because they had all this extra cash and then sell it and make even more money.

SEAN: Mmmm.  
  
ANDREA: So all of that comes back, too. So that's how they get to the 355.

SEAN: Okay. And this is on top of the 83.3 million he already has to pay E Jean Carroll.

ANDREA: Right. Totally separate case. Correct.

SEAN: In the E Jean Carroll case, the jury awarded her something like $60 million *more* than her lawyers were asking for. In this latest case, because of disgorgement, the fine is $355 million. Big numbers. Do you think he might be getting hit harder in either case than, say, a less-famous former president New York City civilian would?

ANDREA: So let's take E Jean Caroll. So one of the things that was so interesting in the E Jean Caroll case is right before the plaintiffs wrapped up their case, they played a video deposition of Trump from the business fraud trial. And in the business fraud trial, Trump says, ‘I have $400 million in cash.’ That is very unusual for developers. Developers don't usually have that much cash. ‘Mar-A-Lago is worth $1.5 billion. Doral Golf Course is worth $2.5 billion.’

*<CLIP> TRUMP: If you take Doral – I think Doral could be worth $2.5B by itself.*

ANDREA: Now, of course, those valuations have been found to be fraudulent –   
  
SEAN: <laughs>  
  
ANDREA: – by Judge Engoren. So the jury is watching this. And E Jean Carroll's lawyers say to the jury, ‘Trump says he has a lot of money. Please have him pay a penalty that will get him to stop.’

SEAN: Mmmm.

ANDREA: You determine how much that amount is.’ So in that case they asked the jury for an amount of money in damages to rehabilitate her reputation. But then they said, ‘Give us some punitive damages. You figure out – this guy says he has billions of dollars.  
  
SEAN: Hm!  
  
ANDREA: You use an amount that will make him stop.’ And that's how they came up with the $65 million plus the $18 million for her to repair her reputation.

SEAN: Does Trump have to hand over this nearly half a billion dollars, like, tomorrow? When does he actually have to pay?

ANDREA: The $355 million doesn't include the prejudgment interest. And the Attorney General's office has said it will be upwards of $450 million when you put that all in. Now, Trump is appealing. They say the verdict is wrong. If past is prologue, they will take every opportunity to appeal this case. It can be appealed first to the first level of New York appeals court, which is called the First Department.

SEAN: Hm.

ANDREA: Then to the highest court, which is called the Court of Appeals. And in most cases, that would be the final word. However, Trump being Trump, they may argue that there's a federal issue involved that could theoretically go to the U.S. Supreme Court. So all of that has to happen before the money is finally transferred to New York State. But there is talk about putting up a bond, putting the money in escrow… He can't just go off and say, ‘Well, I'm not going to pay it until we're done.’ That isn't the way the law works.

SEAN: But maybe the half a billion dollar question is: will he still have to pay if he wins the election later this year?

ANDREA: Assuming he loses all his legal appeals, the answer is yes. I wouldn't be surprised if the case is not resolved and were he to win the election, to hear his lawyers make an argument that even to address this issue is too distracting for the president. Now, there is, you know, Supreme Court law in Bill Clinton and Paula Jones, that you know, certain aspects of a civil suit can continue. And this is a civil suit. So, I mean, you know, I hate to say this because it's so overused in this context, but it's uncharted waters.   
  
SEAN: Mmm.  
  
ANDREA: Right. In theory, yes. In theory, the judgment has been made. If Trump loses all his appeals, he has to pay the money. He has to find the money now to guarantee that he will be able to pay it in the event he loses all his appeals. But what would happen? Would he try to argue that? If past is prologue, it's not out of the question.

SCORING <Pay No Attention to This Poster of Rita Hayworth – BMC>

SEAN: Andrea Bernstein. She’s the host of a podcast called *We Don’t Talk About Leonard*, about the American judiciary’s shift rightward*.* Find it wherever you listen. She’s also the author of *American Oligarchs*, about the Trumps and the Kushners. Find it wherever you read.

SCORING BUMP

SEAN: Donald Trump owes about half a billion after two unfavorable rulings. Sounds like a Donald Trump problem right? When we’re back on *Today, Explained*, Vox’s policy correspondent Abdallah Fayad says that it’s actually everybody’s problem.

[BREAK]

[BUMPER]

SEAN: We’re back. And Vox’s Abdallah Fayad is here to tell us why Donald Trump’s half a billy in legal debt is everybody’s problem.

ABDALLAH: It's everybody’s problem because he's running for president of the United States, and what it generally means when any candidate running for public office, let alone the presidency, when they're in debt, is that there can be a lot of leverage used against them when they're in office by their creditors. In this particular case, it's not just a matter of Trump being in debt, it's a matter of him potentially being cash strapped, you know, facing nearly half a billion in civil damages from just two civil lawsuits alone and being on the hook for that money while he's running for office again means that any donor, any special interest group, any bank, any foreign government that's looking to curry favor in a potential second Trump term could swoop in and help bail him out. It doesn't necessarily mean it would be kind of an explicit quid pro quo…

*<CLIP> TRUMP: I want no quid pro quo.*

ABDALLAH: …but this is exactly how money in politics works. You know, we see it for every candidate when it comes to fundraising for their campaign. In Trump's case, it's kind of fundraising for his own kind of survival as a, as a businessman. And a lot of people can step in and essentially advance their interests in their second term by having that relationship with him, and having that leverage over him, potentially as his creditors.

SEAN: But I gotta ask, we don't ever really know how rich, how broke Donald Trump is, but we know he owns some serious real estate. Couldn't he just sell a building or two, a tower or a rosy gaudy mansion in Florida or something, and be done with all of these debts?

ABDALLAH: He could and, you know, I think what should be clear to most people is that, you know, even after all of this, Trump is still going to be a rich man. The question is just how much cash he has on hand to pay these civil damages right now. So, you know, he's on the hook for over $450 million. That's due soon. Even if he appeals, he has to front a considerable amount of money, potentially the entire amount and even some interest while that appeals process plays out and the question is where he's going to come up with that cash.

SCORING <Loopbox Amber>

ABDALLAH: Based on his own accounting last April, in a deposition, he mentioned that he had $400 million in cash, which is a lot of money even for a billionaire in cash. But that's still not enough to cover these damages. Which means that, yes, he will have to liquidate some of his assets. For him that's an uncomfortable thing to do because a, it's a big part of his personal identity. It's part of his political identity. And it kind of shows that he's in a lot of trouble. It kind of shows a kind of a weakness on his part that he really does not like to do on the public stage. And so will he survive this as an individual being able to pay his bond? Of course he can. His net worth is estimated somewhere between two and three billion dollars, though obviously it's very opaque and we actually know very little about his finances, but it's still going to do a good amount of damage, both politically but also in the short term financially. I mean, the fact that he would have to liquidate some of his assets means that his business is going to suffer. He's going to lose some of his assets in the short term and that, that actually could deal a blow to his businesses, which is by design. This is what these penalties are supposed to do. They're partly supposed to be punitive. And so that's why there's such a high sum. It's because he has such a high net worth.

SCORING OUT

SEAN: Okay. So you're saying basically, yes, he could sell his assets, but he probably won't want to. And that's why we should be concerned?

ABDALLAH: Not exactly that. It's just a matter of, you know, him having to front so much money in the short term that even if he does liquidate some of his assets in order to maintain his finances, he's probably going to have to take on more debt and take on more loans. You know, and, you know, just for context, when he was running for reelection in 2020, he was, per *The New York Times*’ reporting on his tax returns, which were leaked before the election, in 2020, he was running with about $400 million in debt, most of which was coming due in the next four years. So had he won a second term in 2020, creditors, as the *New York Times* put it back then, would have been put in the unprecedented position of potentially having to foreclose on a sitting president of the United States. That's never really happened before. We might be facing a similar situation now. You know, if he has to sell some of his assets, he's still going to have to take on more loans in order to fund his businesses. And, you know, the fact that his business will be dealt a blow through these civil damages. He is going to have to likely take on more loans, and that just puts him in a bad situation with creditors, even if they are big creditors, big major financial institutions that are quote unquote trustworthy. But, you know, it's still kind of a serious liability for any candidate to just have that much amount of debt in public. And just one more thing on this is, you know, federal government employees generally are, you know, graded on certain criteria to see whether or not they can qualify for security clearance. Having an enormous amount of debt is one thing that's used against giving people security clearance because it's primarily seen as a tool that can be used to target people for bribery and things of that nature, just kind of improper conduct while in office. So, so that's kind of a window into the ethics problems that could come up, should he win a second term.

SEAN: The timing here is kind of interesting because of course, the president is in the midst of raising a war chest to go up against Joe Biden. How's that going for him?

ABDALLAH: Well, it's actually not going well at all.

SEAN: Hm!

ABDALLAH: There was a report in Axios with Biden having much more cash on hand, the Biden reelection campaign having much more cash. I think they had over $130 million cash on hand, compared to Trump's $33 million cash on hand at the beginning of the year. And the RNC, the Republican National Committee, only had $8 million cash on hand. So…

SEAN: Daaaaamn!

ABDALLAH: …you know, comparing it to – yeah! – comparing it to Joe Biden, he's actually not doing well at all. That said, it's still early. It's still the primaries technically. And he has a lot of time to make up that gap. But, you know, part of Trump's problem going into the general election is that a lot of the campaign money has been used to cover his legal expenses. And actually, you know, one of his political action committees, the Save America PAC, has spent over 80% of the cash it raised on Trump's legal fees. And in the last year, it was reported that Trump spent over $50 million in campaign cash on legal expenses alone. So, you know, going into the general election where they're going to have to spend money on television ads on ground operations, you know, he's not in good financial shape for a conventional candidate. The caveat here is that Trump and his following are unconventional in American politics. And he, we do know that he is very capable of turning out voters. So he might not need that conventional campaign spending that people generally do, you know, in a general election. But, you know, from just a campaign finance standpoint, this certainly hurts him a lot.

SEAN: You know, Abdallah, you say this is everyone's problem, but it's worth remembering here that Trump's base doesn't really think all of this is a problem. They're super stoked to vote for this guy, and it looks like all of his legal troubles actually help him with the Republican base. What, what should we make of that problem?

ABDALLAH: I mean, that's one of his gifts as a campaigner and as a politician is how he's able to galvanize support and make people look the other way when he has all of these ethical problems. And that's certainly true for his supporters. And you see how willing they are to help him through this, actually, you know, donating to his campaign every time he uses one of these legal cases against him, and drumming up support from his base by getting small dollar donations, by saying that, you know, this is a witch hunt, that they're coming after him because they want to come after his supporters. And you have people paying essentially to protect a billionaire who can more than afford to pay for himself. So this is just part of the cult of Trump. It's just kind of hard to overcome. But, you know, the reality is that he has a lot of supporters, people who vote for him, who do see flaws in him, who, you know, eventually can be swayed. They might be the minority of his voters. They're certainly not the base, but people who turn out in elections, there are people who make up their mind right at the end. And at some point, you know, and this is all speculation, but there can be enough baggage on somebody that makes somebody feel a little too queasy when they go into the voting booth. So I think overall, you see this in polls that people do think Trump should be held accountable for crimes he committed.

SCORING <Pay No Attention to This Poster of Rita Hayworth – BMC>

ABDALLAH: But obviously it's a very partisan thing going into the general election. And I think that's the danger here. You know, he's able to use that kind of support to undermine the validity of these cases against him by saying that they're a witch hunt. He's undermining kind of, you know, his actual accountability that it's, you know, undeserved, that he thinks that and he's making people believe that these really are just witch hunts, when in reality, Trump has evaded accountability his entire life. And this is really just the first time he's actually been held accountable on a deserved scale for, for kind of the fraud that he's engaged in throughout his business career.

SCORING BUMP

SEAN: Abdallah Fayad. Vox. Abdallah wrote “Trump is suddenly in need of a lot of cash. That’s everyone’s problem.” You can read it at Vox dot com.

Today’s episode was produced by Amanda Lewellyn and Avishay Artsy. It was edited by Matthew Collette, fact-checked by Laura Bullard, and engineered by David Herman. It’s *Today, Explained*.

[10 SECONDS OF SILENCE]