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- Purposefully annotate the article (1-2 mature, thoughtful responses per page to what the author is saying)
- Write a 250+ word response to the article.

## How Donald Trump built his business empire

by *The Week* Staff on August 27, 2016

*Donald Trump often mentions his "tremendous wealth." How did the Republican nominee amass his fortune? Here's everything you need to know:*

### How did he start out?

With a big leg up from his father. Fred Trump made an estimated \$300 million building rental apartment villages in New York City's outer **boroughs**. Donald joined the family business after graduating from business school in 1968, but almost immediately set his sights on more glamorous real estate in Manhattan. In 1971, at the age of 25, he embarked on an ambitious project to replace a crumbling hotel near Grand Central Terminal with a Grand Hyatt. His father was instrumental in the deal: He lent Trump \$1 million, guaranteed \$70 million in bank loans, and used his political contacts to help his son get the project built. Completed in 1980, the development made Trump millions of dollars, and established him as a player in Manhattan real estate. "I had to prove — to the real estate community, to the press, to my father — that I could deliver the goods," he wrote in his 1987 best-seller *The Art of the Deal*.

### What was his next project?

Trump used the profits from the Grand Hyatt deal to finance Trump Tower on Fifth Avenue, the 58-floor skyscraper where he still lives and bases his organization today. But his next venture almost bankrupted him. Eager to move into the **lucrative** world of gambling, he opened two casinos in Atlantic City, which was vying to become the Las Vegas of the East Coast. Launched in 1984 and 1985, Trump Plaza and Trump's Castle were initially successful. But the real estate **magnate** overstretched his empire with the Trump Taj Mahal, a glitzy, giant, \$1 billion casino that **siphoned** off customers from the Plaza and the Castle. To service the huge loan Trump had taken out to build it, the Taj needed to take in \$1.4 million a day — more than any other casino in history.

### What happened?

The Taj lost vast amounts of money, and Trump's fledgling casino empire spiraled into irreversible decline. Between 1991 and 2009, its holding company filed for Chapter 11 bankruptcy four times. But Trump was saved by the power of his own celebrity status, which he had built up through his books, media interviews, and calculated leaks to the New York tabloids. Whenever creditors threatened to bankrupt Trump personally, he convinced them that doing so would destroy his brand and render what remained of the casino empire completely worthless. In the end, Trump's casino venture was an **unmitigated** failure — one that cost thousands of people their jobs and left dozens of small businesses without payment for their work in building or servicing the casinos. But Trump still extracted millions of dollars by awarding himself millions in salary and bonus payments. "I made a lot of money in Atlantic City," he said last year. "And I'm very proud of it."

### What about his real estate?

Those ventures have been much more successful. His major building projects include Trump World Tower in midtown Manhattan, and Trump Tower in Chicago, the fourth-tallest building in the U.S. But after his failure in Atlantic City, banks became increasingly reluctant to lend him money. So Trump began focusing on **monetizing** his **personal brand**. Rather than building

his own hotels and housing, Trump began licensing out his name to other developers. There are now Trump Towers and Trump Plazas everywhere — including Florida, Vancouver, Panama, and Istanbul — but Trump actually owns few of them.

### **What else has he put his name to?**

As his biographer, Michael D'Antonio, put it: "Almost anything that might be sold as high quality, high cost, and high-class." Some of these ventures — such as the Donald J. Trump Signature Collection of shirts and ties, which are made **abroad** — have been moderately successful. But many more — among them Trump Steaks, Trump magazine, and Trump Vodka — sank without a trace. Other high-profile failures include the now-defunct Trump University, which is being sued by thousands of former students for fraud, and Trump Airlines, which lasted only three years. But Trump has enjoyed considerable success in one market: high-end golf courses. Since 1997, he has bought or developed 17 courses around the world, in locations including New Jersey, Scotland, and Ireland.

### **How much is Trump worth?**

Bloomberg estimates his current fortune at \$3 billion; Forbes puts it at \$4.5 billion. Trump himself claims he is worth \$10 billion, though he has admitted that this figure "goes up and down with markets and with attitudes and with feelings, even my own feelings." His repeated refusal to release his tax returns has prompted speculation that he is worth much less than he claims, and that he takes advantage of property tax law to report an income of zero — a trick he used to pay no income tax for several years in the 1970s and 1980s. His companies are also carrying at least \$650 million in debt — some of it to the Bank of China. But Trump insists his net worth cannot be separated from the unique value of his personal brand. "It takes brains to make millions," Trump says. "It takes Trump to make billions."

### **Trump's mob connections**

Over the decades, Trump has had many dealings with businesses and individuals linked to organized crime. For the construction of Trump Tower, he paid inflated prices for concrete from a firm partly owned by "Fat Tony" Salerno, the boss of the Genovese crime family, which controlled several labor unions. When he then hired 200 nonunion immigrant Polish workers — an act that would normally guarantee a picket line — work proceeded without any union action. There were more suspicious dealings in Atlantic City, where Trump leased land for his casinos from two men closely connected to the Scarfo crime family, and paid mobsters \$1.1 million for a plot they had bought five years earlier for just \$195,000 — a possible way of paying off the mob. But for many real estate developers in New York and Philadelphia at that time, mob connections weren't particularly uncommon. All developers "had to adapt," because of the mafia's control over building supplies and labor unions, says mafia expert James Jacobs. "That was the way it was."

### **Possible response options:**

- What was your opinion of Donald Trump as a candidate for president prior to reading this article? What is your opinion now?
- Do you think the facts about Donald Trump's career in business affect how people in America view him as a potential president of the country?                      these facts affect how people view Trump as a potential president? Explain.
- Choose one passage and respond to it.