# A Business Proposition for Federal Prisoner No. 1600

By Joshua Stein

When a business owner goes to federal prison, he loses the right to run his company. Correctional authorities will sometimes let inmates make fundamental decisions, such as whether to sell the firm, but prisoners can't oversee day-to-day operations. Nor can they try to expand their companies from a prison cell. If you become an involuntary guest of the government, someone else has to run the show while you're gone.

This arrangement isn't much different from what Donald Trump announced he would do as president. Speaking at a press conference in January, he said his eldest sons would control his business empire through a trust. Critics of the Trump plan say that ethical questions remain, since Mr. Trump still owns the company. Yet this just might be the best a successful businessman can do—for himself, and more important, for the country.

Conventional wisdom suggests Mr. Trump's ownership of businesses creates conflicts of interest that can be solved only by selling the businesses or transferring them to a truly blind trust.

An outright sale of Mr. Trump's businesses sounds good, but imagine what it would look like in practice. Selling any business is much harder than putting a house or a used car on the market. Mr. Trump's businesses would be especially difficult to sell given their complexity and geographic dispersion.

Any sale process starts with lawyers and brokers, who get their arms around the asset—figure out what's being sold—and assemble information for possible buyers. Then brokers reach out to the market and try to find the best potential buyers for each asset. Buyers kick tires, ask questions, investigate, make offers, negotiate a possible acquisition. All of this becomes even more complicated when the seller also happens to lead the free world.

After buyer and seller agree on price, contract negotiations and closing preparations take months. Any sale of joint venture interests or valuable contracts needs third-party consent—dragging out the process even longer. Some assets, like hotel-licensing contracts, would require Mr. Trump or his family to provide services and expertise that a purchaser might not be able to provide.

Lenders would have to consent to each sale or, more likely, get repaid with new financing arranged by the buyer. Another burden: Outgoing lenders often charge for getting prepaid, because they expected and wanted their money to earn interest at an attractive rate longer than it did. If a sale involves multiple assets or even an initial public offering, this creates more complexities, though as a whole it may entail less work than selling every asset separately. Mr. Trump's four-year term could be halfway over before all his businesses were sold.

**Trump should treat his company the way an inmate must—meaning no day-to-day decisions.**

So why not transfer all of Mr. Trump's assets to a truly blind trust run by an independent board, not his sons? As a practical matter, it's impossible. The Trump Organization is not a stock portfolio. It requires at least some involvement and oversight by the guy who created it.

Divestiture or a blind trust can unnecessarily destroy value. It could convert Mr. Trump's businesses into a portfolio of assets that are probably not real estate, hotel licensing rights, casinos, and consumer products—the asset types that he knows best. Over time they may perform nowhere near as well as his existing portfolio.

But why should he care about his business anymore? This goes beyond Mr. Trump. Political outsiders have an attitude very different from those who have made a career in politics. Their fresh perspective can lead to innovative policy. If people succeed in the private economy but must sell a complex business empire or turn it over to potentially incompetent trustees, many qualified and competent Americans might shun public service.

People shouldn't have to destroy their businesses to hold office, just as they also shouldn't operate and actively participate in a business. Instead, the commander in chief must have people he trusts managing and operating his business interests for him on a day-to-day basis, as Mr. Trump apparently does. If this system is strict enough for a federal prisoner, it's also acceptable for the president.

If Mr. Trump's business reaches a critical fork in the road—a major sale or repositioning of an asset—maybe he can make a decision. Otherwise, he should focus on his day job.

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