

Is Larry Summers Taking Kickbacks From the Banks He's Bailing Out?

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Last month, a little-known company where Summers served on the board of directors received a \$42 million investment from a group of investors, including three banks that Summers, Obama's effective "economy czar," has been doling out billions in bailout money to: Goldman Sachs, Citigroup, and Morgan Stanley. The banks invested into the small startup company, Revolution Money, right at the time when Summers was administering the "stress test" to these same banks.

A month after they invested in Summers' former company, all three banks came out of the [stress test much better than anyone](#) expected — thanks to the fact that the banks themselves were allowed to help decide how bad their problems were (Citigroup "negotiated" down its financial hole from \$35 billion to \$5.5 billion.)

The fact that the banks invested in the company just a few months after Summers resigned suggests the appearance of corruption, because it suggests to other firms that if you hire Larry Summers onto your board, large banks will want to invest as a favor to a politically-connected director.

Last month, it was revealed that Summers, whom President Obama appointed to essentially run the economy from his perch in the National Economic Council, earned nearly \$8 million in 2008 from Wall Street banks, some of which, like Goldman Sachs and Citigroup, were now receiving tens of billions of taxpayer funds from the same Larry Summers. It turns out now that those two banks [have continued paying](#) into Summers-related businesses.

According to filings obtained for this story, Summers first joined the board of directors of Revolution Money back in 2006 (when it was called "GratisCard"), the same year that Summers was forced to resign as president of Harvard after his disastrous tenure. Revolution Money/GratisCard was a startup headed by former AOL chief Steve Case. Revolution Money billed itself as the Next Big Thing in online payment, "PayPal meets Mastercard," according to their own pitch.

In September 2007, Revolution Money announced that it had raised \$50 million from a group of investors including Citigroup, Morgan Stanley and Deutsche Bank. Some found the investment strange even then, because normally big banks don't get involved in seeding small startups — that's the domain of venture capitalists, not mega-banks. Especially not in September, 2007, [when these same megabanks were Chernobyling](#) their way into full-fledged balance-sheet meltdown.

What seems clear is that at least part of Revolution Money's success in raising funds is due to their star-studded board of directors — which included not only Larry Summers, but also

the notorious Frank Raines, the former Fannie Mae chief whom *Time Magazine* named to its [“25 People To Blame For The Financial Crisis”](#) list. Raines is still a board member.

Over the next year and a half, Revolution Money didn't quite live up to its promise of competing with PayPal or Visa/Mastercard. At least some of this could be attributed to the difficulty of starting up an online credit card company in the middle of a triple-cluster credit crunch, banking crisis and recession. But there is also evidence that the company wasn't run well. Another one of Steve Case's "Revolution" brand startups, "Revolution Health," (which also features a star-studded board of directors including Carly Fiorina, Colin Powell, and several future-Obama Administration officials) essentially folded last autumn [when it was sold](#) to Everyday Health last September and merged into that company's operations.

In spite of all of this, on April 6, 2009, Revolution Money announced the happy news: it had just successfully raised \$42 million dollars in the most difficult market since the 1930s. The investors? Goldman Sachs, Citigroup and Morgan Stanley — bankrupt institutions that Larry Summers was [transferring billions](#) in bailout funds to.

At the very same time that these three megabanks were pouring millions into Summers' former company, Obama's economic team, starring Larry Summers, was subjecting these same banks to a "stress test" to decide how deep in shit these same banks really were. The banks wanted the government to fudge the results for obvious reasons — who wants the world to know how deep of a hole you've dug for yourself?

When the stress test results were finally released, the banks all came out with glowing reports that beat expectations [and caused plenty of skepticism](#).

In an interview for this article, William Black, a former bank regulator who exposed the \$160 billion Savings & Loan scandal and its ties to powerful U.S. Senators, remarked, "Summers wasn't hired [by Revolution Money] for his expertise because he doesn't have relevant expertise in this kind of credit card operation."

"He's not a techie. He doesn't have business expertise," Black said. "So this is solely someone hired for the name and contacts because he's politically active and politically connected. And that's made all the more clear by the fact that Frank Raines was put on the board at a time when he was pushed out in disgrace from Fannie Mae. Why? Because of his political connections."

And it worked, as the recent investment shows.

"That's the pattern of this entity," said Black, "Which hasn't been doing well financially and desperately needs to get money from others, and has been able to get money from banks at a time when [these same banks] largely stopped lending to productive enterprises. But with this politically-connected entity [Revolution Money], they're happy to dump money."

According to a company spokesperson, Summers resigned from the board of directors at Revolution Money this January, just three months before the banks invested. On one of Revolution Money's main websites, [Revolution Money Exchange](#), you could still see Summers' name still listed as a director when this story was filed

(Oddly, company filings obtained for this article show that Summers wasn't even on Revolution Money's board of directors in 2007-8, even though both he and Revolution

Money repeatedly stated that he was on the board, and only served on GratisCard's board in 2006, "c/o Revolution GC Holdings LLC.")

Whatever the case, Summers was pushing Revolution Money as recently as last September, in an interview with [Portfolio magazine](#):

"I've enjoyed being involved with a number of smaller companies such as the Revolution Money venture, which has a potentially very exciting credit-card technology, using credit and debit technology, using the internet that, in a sense, brings together bricks and clicks by providing both a capacity for regular retail transactions and also for online."

Whether or not Summers has a personal interest in the company, it still stinks that a company where the head of the National Economic Council served on the board of until just a few months ago subsequently received millions in investment funds from banks Summers bailed out. Taxpayer dollars went into these banks, and from the banks into the Summers-connected firm, a firm he was hired onto precisely because his connections could bring in this kind of money.

His involvement wasn't just incidental—if you look at the press releases, Larry Summers' name is always touted as part of its selling point — one press release in 2007 [refers to Summers as "Legendary."](#)

Moreover, Summers' longtime chief of staff, Marne Levine, who also served as Summers' chief of staff when he was in Treasury under Clinton and again at Harvard, joined Summers at Revolution Money, [serving as](#) "Director of Product Management."

Black pointed out another sleazy aspect of Revolution Money's pitch: it proudly boasted in late 2007 that it would make it easier than ever for people with low credit ratings to find access to lines of credit. In other words, Revolution Money billed itself as the ultimate ghetto loan shark.

According to a 2007 press release, the [same one boasting of "Legendary" Larry Summers](#), "Unlike most bank credit card issuers who are limited to a narrow scope of credit approval guidelines specific to their bank, RevolutionCard seamlessly utilizes multiple partners to achieve unparalleled consumer approval rates."

Nineteen months later, Larry Summers, now in control of the economy, [told Meet The Press](#), "We need to do things to stop the marketing of credit in ways that addicts people to it and so that our households are again saving, and families are again preparing to send their kids to college, for their retirement and so forth."

So once again, Larry Summers creates a problem that the rich profit from, then is put in charge of "fixing" it after vulnerable Americans have been picked clean.

Whether or not the three bailed-out banks' investment in Revolution Money last month represents some kind of bribe or kickback or even the appearance of corruption is almost secondary, because the shameless cronyism is the problem, and this is the reason why America is in the horrible mess today.

"Polite society was supposed to impose social pressures to make sure this wasn't tolerated," Black said. "Like the old phrase about hogs being slaughtered. But now the hogs get even wealthier, even fatter."

Everything about Summers, from his horrible track record in the developing world in the 1990s to the sleaze and plunder he's overseeing in the White House should make us terrified. Hell, he even looks like some old Batman villain: Summers, whose trademark bullfrog neck was enough of a distraction before Obama brought him into the White House, has seen his gelatinous layers of neck-fat swell up like an amphibian guarding its eggs ever since he took control of the economy.

Get this monster out of the White House now, before he devours us all.

Read more of **Mark Ames** at [the Exiled](#). He is the author of [Going Postal: Rage, Murder, and Rebellion: From Reagan's Workplaces to Clinton's Columbine and Beyond](#)

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