



Written by [Bob Adelman](#) on November 8, 2010

## John Allison: Free Market Banker

When asked during an “Online with Terry Jeffrey” interview about how to solve the debt crisis facing the country, former Branch Banking & Trust (BB&T) CEO John Allison, was direct:

If you run the numbers...the United States goes bankrupt. It's a mathematical certainty.

Now countries don't go bankrupt the way companies do. They don't file [for] bankruptcy. They usually hyper-inflate. They print a bunch of paper money, or they become Third World economies like Argentina — unless [they] change direction. So, we absolutely have to change direction.



When challenged about how to change direction, Allison was refreshingly candid. What is needed isn't a change in political leadership, he pointed out, or “new ideas” on how to stimulate the economy. What is needed is:

... a fundamental philosophical change from where we are today, from the idea of redistributing wealth to the idea of creating wealth. The United States was founded on the concept of life, liberty and the pursuit of happiness — each individual's moral right to [keep] what they create, [to keep] what they produce, [which is] the best kind of incentive system you can possibly have...

You know, if you look at what killed democracies in the end, it's always lack of personal responsibility. And it's when 51 percent of the people find out they can vote a free lunch from [the] 49 percent, and then 60 percent want a free lunch from [the] 40 percent, and then 70 percent want a free lunch from [the] 30 percent, and that's the end of the party.

All of this dependency on the federal government ends up attacking and...punishing personal responsibility. And America was built on the idea of individuals [who] are personally responsible and therefore have a personal right to control their own lives. And that's what's been under attack.

Such a philosophical change then would be worked out through the political system, with decisions that flow from that change. For instance, when considering the huge unfunded liability of Social Security, Allison would abolish the system altogether: “What we need to do is get rid of the long-term program. And the way to do that...would be to offer people privatized programs for retirement and effectively offer people under a certain age the option to get out of Social Security.” When asked about the plan that Rep. Paul Ryan (R-Wis.) is offering, Allison replied: “I would certainly like to see what Ryan is proposing. Personally, I would actually do more. I'd be even more dramatic because I don't really think it's the role of government to force savings on people. I think that's an individual choice, an individual responsibility.”

When Jeffrey asked Allison to back up his prediction that the country would go bankrupt, Allison



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reminded the audience that while he was CEO of BB&T, the 10th largest bank in the country, he met regularly with Congress to express his concerns about Freddie Mac and Fannie Mae. Serving for nine years on a financial services roundtable, Allison said, "We met with Congress. We met with Barney Frank and Chris Dodd and they absolutely wouldn't see it. And the reason they wouldn't see [their pending bankruptcies] was two-fold, and it really relates to these two issues:

One, they had a religious belief that affordable housing was a good thing ... Secondly, Freddie and Fannie were huge political contributors. They were the single biggest contributor to the Democratic Party and one of the biggest contributors to the Republican Party.

**Jeffrey:** You saw [the bankruptcy] coming?

**Allison:** You couldn't help but see it coming. You ran the numbers, particularly the last several years, and it was mathematically certain [that] Freddie and Fannie were going bankrupt.

**Jeffrey:** What's going to happen [to them]?

**Allison:** I don't know what's going to happen. I know what should happen. What should happen is that Freddie and Fannie should...make an announcement [that] they're going to liquidate their portfolio, and we're going to have a private market for home finance in America.

Jeffrey then asked Allison about the huge Medicare shortfall currently estimated to be \$38 trillion:

**Jeffrey:** How do we unwind this Medicare liability that we have?

**Allison:** The answer is to privatize medicine...What's lacking in the medical system is discipline. There's no price competition in medicine. And that's the problem...We have a terrible incentive: the doctor is scared he's going to be sued...and the patient really doesn't think about the price. So the doctors have a huge motivation to over-prescribe medicine and use the most advanced technologies that may or may not make sense from a long-term health perspective.

And then, Allison concluded with the strongest point of all:

It is the entitlement to medical care that's dangerous. My right to medical care is [also] my right to enslave a doctor...to provide me that care. That is exactly the opposite of the American concept of rights where each of us has a moral right to what we produce, what we create. We don't have a right to anybody else's life.

Despite John Allison's gloomy outlook for the country's fiscal situation, it was reassuring to learn that not all bankers are statisticians who have succumbed to the siren song of special privilege and cosy connections with the present political machinery in Washington. Allison sounds for all the world like an advocate for free markets, private property and limited government. May their numbers increase!

*Photo: John Allison, former chairman and chief executive of BB&T Corp., stands for a portrait on Feb. 22, 2006, in Winston-Salem, N.C., at the BB&T office building downtown.: AP Images*



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