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Retired BB&T executive John Allison calls Trump meeting heady experience

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John Allison, the former head of BB&T Corp., is the executive in residence at the Wake Forest University School of Business.

John Allison, the retired top executive of BB&T Corp., has had the ears of a veritable 'who's who' of banking executives, economists, congressional leaders and top White House administrators for more than a quarter-century.

Allison's influence has been seen on a number of pivotal banking and national economic conversations.

Perhaps most noteworthy are Allison's opposition to using eminent domain to seize private property for a public purpose and his opposition to the Troubled Asset Relief Program.

Federal regulators prodded BB&T, a financially healthy bank, to accept $3.1 billion in federal borrowing during the financial crisis of 2008-10 to give cover to struggling banks that really needed the money for the sake of short-term solvency. BB&T was one of the first large banks to repay the obligation.

Last Monday, however, may have presented Allison with one of the more surreal moments in his five-decade involvement in the financial-services sector.

Allison was summoned to New York and Trump Tower for an audience with President-elect Donald Trump, Vice President-elect Mike Pence and other members of Trump's transition team.

The 90-minute conversation served in part as a vetting of Allison as a potential candidate for U.S. Treasury secretary, as well as other administrative positions with a financial focus that Allison declined to identify.

Allison said Trump also sought his advice as an outside-the-box thinker that includes being a devotee of author Ayn Rand and her economic philosophy of objectivism, which extols rational individualism, creativity, independent thinking and a limited role for government as a protector of peace.

“I didn’t get offered anything specific, nor asked for anything specific,” Allison said. “I felt I was a potential nominee for Treasury, and we talked about other positions.

“I got his emphasis on wanting to get as much talent from outside D.C. in his administration as possible,” he said.

“I was not told why the president-elect chose Steven Mnuchin (a Goldman Sachs and Wall Street veteran), nor does he owe me an explanation.”

Allison said he met Mnuchin for about 30 minutes Monday.

Allison still may be on Trump’s short list, given that Mnuchin is viewed by Democratic senators as a controversial choice as Treasury secretary. Mnuchin profited significantly from taking over a failed IndyMac during the Great Recession with federal regulatory assistance and selling it in 2015 to CIT Group for $3.4 billion.

Allison was critical of Goldman Sachs’ role in the financial crisis, calling the investment company “crony capitalists,” in his 2013 book “The Financial Crisis and the Free Market Cure.”

Mnuchin’s “history on Wall Street is not something that I am all that thrilled about,” Allison said.

“He does know Wall Street, though, and I believe he will do his best to bring about appropriate changes to federal tax laws, and regulatory cutbacks and eliminations, to foster economic growth.”

Talking to Trump

The conversation with the Trump team was a pretty heady experience, Allison said, considering that he retired as BB&T’s chairman at the end of 2009 and as its chief executive at the end of 2008.

Allison’s post-retirement resume includes taking an executive in residence role at the Wake Forest University School of Business and serving as the president and chief executive of the Cato Institute for three years, until November 2015, during a major internal pivot for the libertarian research group.

The Trump invitation came from Pence, who previously asked Allison to speak at congressional hearings about his theories on how the financial crisis occurred and his recommendations for avoiding another severe economic blow.

Pence also supported Allison’s stances on TARP and eminent domain. “He thought my book was one of the best explanation of the crisis,” Allison said. “As such, he was kind enough to inform the president-elect of my qualifications to serve in his administration.

“It was flattering to have been asked to meet with (Trump), and if I had been asked to serve in an administrative position, it would have required some significant thought and consideration,” he said.

Those considerations would include memories of three years of commuting from his home in Lewisville to his Cato offices in Washington. “We had great results with the turnaround (at Cato), but I didn’t like the atmosphere in D.C.,” Allison said.

“It was hard to find the genuineness that you find in Winston-Salem. I could reach The Washington Post and Winston-Salem Journal on certain subjects, and it felt like I was in two different worlds.”

Allison cited the influence of his wife of 43 years, Betty, who signed off on his Cato Institute leadership role. At age 68, Allison would be younger than Trump and on par with some of Trump’s announced department secretaries.

Allison retired at age 60 when most banking analysts thought he still had another five years as chief executive, and perhaps another 10 or 20 years as chairman since BB&T’s culture was so intertwined in Allison’s business and economic philosophies.

Yet, Allison always has been “conscious of his own mortality,” given that his father died at age 61 and the two preceding chief executives at BB&T died in their early to mid-50s.

“I have accomplished much of what I wanted in my professional career, and I have pledged to Betty that, thankfully in good health, to take it easier in retirement life,” he said.

Focus on growth

Allison said he considers the meeting valuable because he was able to gain a better insight into Trump’s planned economic policies that include a focus on reducing regulations on the financial-services industry in hopes of spurring economic growth of 4 percent to 6 percent in the nation’s gross domestic product.

Allison said he told Trump he supported many of his economic initiatives as disclosed to date, such as “radically restructuring” the Dodd-Frank Act that imposed new layers of regulations on the banking industry as a ripple effect from the financial crisis.

Allison said he and Trump support tax reform “that is simpler and “flatter,” rolling back regulations on the energy industry and getting rid of at least the parts of the Affordable Care Act that have driven up premium costs for participants on the federal health insurance exchange.

“The president-elect has thought our economy is underperforming, and his role was to help the economic cause of working-class Americans, who were so pivotal to getting him elected,” Allison said.

“He is willing to have a short-term increase in deficits because the long-term solution is to accelerate the growth rate.”

However, Allison said that borrowing to pay for a massive infrastructure initiative is what he would do.

Trump has proposed a $1 trillion infrastructure plan to help upgrade the nation's transportation system while having a major job-creation impact during the process. That proposal is likely to face opposition from some Republican congressional leaders who believe in a pay-as-you-go strategy or cutting costs elsewhere to offset the costs.

"At this point in the economic cycle, I believe a focus on growth is very healthy rather than just a strict focus on cutting government spending," Allison said. "They are willing to take the risk it doesn't work."

He said he believes that Trump will be able to accomplish more in overhauling the Affordable Care Act than some experts think is possible.

"Without Obama there, their belief is that (Democrats) are going to be more willing to negotiate because (Obamacare) is actually a millstone around the Democratic Party," Allison told Bloomberg Television.

"Whether that's accurate or not, I don't know."

Old-fashioned banker

Allison said the economic advice he gave Trump and Pence was nothing new per se. Allison said he supports proposed legislation in the U.S. House, known as the Financial Choice Act, that he says would restore accountability and responsibility to the financial-services industry.

The act would provide an "off-ramp from the post-Dodd-Frank supervisory regime and Basel III capital and liquidity standards for organizations that choose to maintain high levels of capital," he said.

Those financial-services companies who can't meet those capital criteria would remain subject to Dodd-Frank regulations.

Allison said that approach may compel some of the "too big to fail" banks to shrink by selling off less lucrative businesses.

"That could help create a lot more level playing field and make more sense economically," Allison said.

The act would require banks to remain subject to publicly disclosed regulatory stress tests but exempt those that achieve the assigned capital levels from regulatory limitations on purchases.

The act also would require that "consumers be vigorously protected from fraud and deception, as well as the loss of economic liberty" and "taxpayer bailouts of financial institutions must end and no company can remain too big to fail," he said.

BB&T, however, has benefited from the act since Allison's retirement through buying banks willing to sell, most notably National Penn Bancshares Inc., because of the higher costs of adhering to the new regulations.

“I believe it is very poor public policy to have consolidation decisions based foremost on regulatory costs,” Allison said.

He expressed his concerns that the Federal Reserve, particularly under Chair Janet Yellen, has limited economic growth through what he considers to be burdensome regulations that may make sense to regulators but not on Main Street in terms of creating demand for loans in particular from entrepreneurs and small businesses.

When asked about his interest in serving as Fed chairman, Allison said that while he would be interested because of the opportunity to change lending policies, “I don’t know if I could get through Congress.”

“It may seem old-fashioned or quaint, but I still believe in making loans by sitting across the table from the applicant and getting to know them as much as learning about their reasons for borrowing,” he said.

“I believe if regulators would step back with some of the regulations, consumers tend to figure out the good and bad players in the marketplace.”