

## Comment from the Floor

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*Allan Meltzer*

I would like to speak to all of the Eastern Europeans on the panel to say that you are getting well intentioned but bad advice from your Western colleagues. If you read Walter Bagehot, he will tell you to adopt some rules. Allow the market to enforce discipline on your banking system. If you go the way of Western banks, you will try to prevent failure. You will believe that deposit insurance or regulation or supervision are a substitute for market discipline. Here, in the United States, decades of supervision, regulation, and insurance have left us with \$150 billion of losses in the thrift industry and a weakened banking and financial system. Do it the way you know will work. Rely on market discipline and market incentives as the core of the supervisory system. Allow the market to direct the way in which your resources will be allocated and then come back here in 10 years and teach your Western colleagues how to run a banking system.