

# Contents

<i>List of Figures</i>	page vii
<i>List of Tables</i>	ix
<i>Acknowledgements</i>	x
<i>List of Abbreviations</i>	xi
1 Introduction	1
1.1 The Scope of This Book	3
1.2 The Role and Relevance of Capital in Banking	9
1.3 Book Outline	14
2 Capital Ratios in the Long Run	18
2.1 Capital Ratios Since 1840	19
2.2 The Problems of Constructing Long-Run Time Series	20
2.3 Structural Changes in Balance Sheets	22
2.4 Hidden Reserves	25
2.5 Extended Shareholder Liabilities	31
3 The Nineteenth Century: How Ideas Shape Capital Structures	41
3.1 Early Banking Literature: Shared Roots, Different Trajectories	43
3.2 England: Balancing the Interests of Shareholders and Depositors	55
3.3 Switzerland: Transparency in the Absence of Regulation	65
3.4 United States: Capital Requirements from the Very Beginning	72
3.5 Concluding Remarks	79
4 Two World Wars: Overturning Conventions	82
4.1 Wartime Dynamics of Balance Sheets	84
4.2 British Banking and Capital: The Absence of a Topic	98
4.3 Switzerland: The Demise of Guidelines – and the Rise of Rules	106
4.4 The United States: The Birth of Risk-Weighted Assets	113
4.5 Concluding Remarks	118

5	How Banking Crises Drive Capital Regulation	121
5.1	The International Environment and Regulatory Convergence	123
5.2	From Informal to Formal: The Regulation and Supervision of Banking and Capital in the United Kingdom	130
5.3	Regulation in Switzerland – and How It Was Influenced	145
5.4	The United States: Finding the Right Weight	164
5.5	Concluding Remarks	174
6	Epilogue	178
6.1	Basel Capital Requirements and the Characteristics of Leverage Before the 2007/2008 Financial Crisis	178
6.2	The Limits of Capital	183
	<i>Bibliography</i>	185
	<i>Index</i>	206