Contents

| List of Figures List of Tables | | page vii | |
|-----------------------------------|---|----------|--|
| | | ix | |
| Acknowledgements | | | |
| Li | List of Abbreviations | | |
| Ι | Introduction | I | |
| | 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 | |

| • | \sim | |
|----|--------|---------|
| VI | | ontents |

| 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 |
| Bi | bliography | 185 |
| In | Index | |