Contents

List of Figu	res	page vii
List of Tabl	es	ix
Acknowled	gements	X
List of Abb	reviations	xi
1 Introdu	ction	I
1.1 The	Scope of This Book	3
1.2 The	Role and Relevance of Capital in Banking	9
1.3 Boo	k Outline	14
2 Capital	Ratios in the Long Run	18
_	ital Ratios Since 1840	19
2.2 The	Problems of Constructing Long-Run Time Series	20
2.3 Stru	ctural Changes in Balance Sheets	22
2.4 Hid	den Reserves	25
2.5 Exte	ended Shareholder Liabilities	31
3 The Nir	neteenth Century: How Ideas Shape Capital Structures	41
3.1 Earl	y Banking Literature: Shared Roots, Different Trajectories	43
	land: Balancing the Interests of Shareholders and Depositors	55
3.3 Swit	zerland: Transparency in the Absence of Regulation	65
	red States: Capital Requirements from the Very Beginning	72
3.5 Con	cluding Remarks	79
4 Two W	orld Wars: Overturning Conventions	82
4.1 War	rtime Dynamics of Balance Sheets	84
4.2 Briti	ish Banking and Capital: The Absence of a Topic	98
4.3 Swit	zerland: The Demise of Guidelines – and the Rise of Rules	106
4.4 The	United States: The Birth of Risk-Weighted Assets	113
4.5 Con	cluding 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
Bil	bliography	185
Inc	dex	206