


**THE
BANKERS'
NEW
CLOTHES**



**What's Wrong with Banking
and What to Do about It**

ANAT ADMATI and MARTIN HELLWIG

PRINCETON UNIVERSITY PRESS

Princeton and Oxford

CONTENTS

<i>Preface</i>	ix
<i>Acknowledgments</i>	xiii
1	The Emperors of Banking Have No Clothes 1
PART I	Borrowing, Banking, and Risk 15
2	How Borrowing Magnifies Risk 17
3	The Dark Side of Borrowing 32
4	Is It Really "A Wonderful Life"? 46
5	Banking Dominos 60
PART II	The Case for More Bank Equity 79
6	What Can Be Done? 81
7	Is Equity Expensive? 100
8	Paid to Gamble 115
9	Sweet Subsidies 129
10	Must Banks Borrow So Much? 148
PART III	Moving Forward 167
11	If Not Now, When? 169
12	The Politics of Banking 192
13	Other People's Money 208
	<i>Notes</i> 229
	<i>References</i> 337
	<i>Index</i> 363