

The effects of increased competition and innovation are inextricably intertwined. Both have played a role in the banking industry's declining share of financial-sector assets since 1980 (Figure 11). Innovation has transformed the commercial paper market into a formidable competitor for banks. Figure 12 shows that the ratio of commercial paper outstanding to bank commercial and industrial loans (C&I loans) has increased four-fold since 1980. Meanwhile, the ratio of finance-company business loans to bank C&I loans has more than doubled over the same period, and most of this growth has occurred since 1982 (Figure 13).

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