some years accounted for as much as two thirds of the total. Various short-term holdings other than net official monetary assets accounted for the balance of Canada's foreign assets. Their share of total assets has varied over the years; from about a third of the total in 1926, the proportion became negligible by the end of World War II. In recent years they comprised about a fifth of the total. Long-term assets, both private and government, have tended to be greater than short-term assets over the years.

Canadian long-term investment abroad has increased over twelvefold from $926 million in 1926 to $11,401 million in 1970. The bulk of Canadian long-term investment abroad is in private investment, especially direct investment. The remainder is mostly in government loans and advances and subscriptions to international investment agencies.

Geographically, long-term investment in the United States of $5,631 million made up slightly less than half of Canada's long-term investment abroad in 1970. About three fifths of total private investment was in that country. Outstanding Government of Canada credit provided under authority of the United Kingdom Financial Agreement Act, 1946, as subsequently amended in 1957, was the major element in the $1,739 million of Canadian assets in the UK. In the decade of the 1960s the share of direct investment in Canada's assets in the UK increased to account for over a third of the total. In other Commonwealth countries, direct investment has always been the predominant form of Canada's assets. Although at the end of 1970 direct investment accounted for about three quarters of Canada's assets in these countries, its share was somewhat lower than in most of the previous years due to the expansion of Government of Canada credits made under the new development or "soft" loan program. In the 1960s direct investment emerged as the most important form of Canada's assets in all other countries and accounted for over one half of the total in those countries. Export credits made directly or indirectly at risk of the Government of Canada also continued to be an important element in Canada's assets in all other countries.

Canadian short-term assets, consisting of net official monetary assets, other Canadian short-term holdings of exchange and short-term receivables, have increased more than fourfold since the end of World War II to account for over two fifths of total assets in 1970.

21.6 Financial flow accounts

The financial flow accounts, introduced in 1969, provide a detailed exposition of financial activity in the Canadian economy within an integrated macro-economic accounting system. Financial transactions of the various sectors of the economy are brought into explicit statistical relationship with one another while the structure of the system provides a direct linking of financial data to production statistics in each sector of the economy. The presentation of financial statistics for the whole economy allows developments in any sector to be viewed in relation to other sectors or in relation to the entire economy. The simultaneous linking of financial and production statistics provides a statistical framework appropriate to investigation of the interrelationships of financial markets and markets for goods and services. The presentation of financial and production statistics within the framework of a balancing set of accounts has the additional benefit of exposing gaps in statistical coverage and providing a quality check on existing statistics.

The financial flow accounts focus on the sectors of the economy associated with the income and expenditure accounts (i.e., personal, business, government and foreign sectors) but provide a considerably more detailed articulation. The system describes 41 sectors and subsectors, more than half of which are devoted to the various types of financial institutions. Sector financial transactions are described in terms of 50 categories of financial assets and liabilities such as loans, bonds and mortgages. The balancing and internal consistency of the system is based on two important identity relationships. First, for the total economy, saving and investment are equal and changes in financial assets are equal to changes in financial liabilities. Secondly, in every sector, the excess of investment over saving or vice versa must be matched by offsetting changes in financial assets and/or financial liabilities. The first relationship ensures a balanced system while the second relationship ensures internal consistency.

Basically, what the accounts do is show the saving available from current revenue less current expenditure for each sector; non-financial capital formation undertaken by the sector is charged against the saving, leaving the net lending or borrowing requirements of each sector; the means by which funds flow between borrowing and lending sectors are shown by the presentation of net changes in the liabilities and assets of each sector. These changes are