



current account positions of the quadrupling of crude petroleum prices. The financing of these deficits was linked to the recycling of the increases in reserves accumulated by oil exporting countries which introduced a new dimension to the continuing efforts to reform the international monetary system undertaken by the International Monetary Fund (IMF). Some constraint in foreign exchange markets was evident in the middle of the year as there were a number of failures or near failures of some European and United States banks associated with speculation in foreign exchange trading. This encouraged the placement of petrodollars in only the largest and most stable Euro-banks and directly in banks resident in the United States.

Both long- and short-term interest rates rose to extremely high levels. In Canada rates were generally above those abroad so that Canadian borrowers found it profitable to finance a significant proportion of their needs in foreign capital markets. Toward the end of the year short-term rates started to fall, especially in the United States, as the authorities increased the monetary aggregates to combat recessionary influences.

21.4.1 Current account

International transactions in goods, services and unilateral transfers between Canada and the rest of the world resulted in a current account deficit of \$1,877 million in 1974, up considerably from the \$425 million deficit recorded in 1973. This development was largely