

63.—Causes of Failures in Canada and the United States by Numbers and Percentages, years ended December 31, 1919 and 1920. [From Bradstreet's.]—concluded.

PERCENTAGES OF NUMBER OF FAILURES AND LIABILITIES, CLASSIFIED BY CAUSE.

Failures due to	Canada per cent.				United States per cent.			
	Number.		Liabilities.		Number.		Liabilities.	
	1919.	1920.	1919.	1920.	1919.	1920.	1919.	1920.
Incompetence.....	20.1	20.8	13.1	10.0	38.2	32.5	22.6	13.3
Inexperience.....	5.4	8.1	2.2	4.0	5.6	6.6	4.8	3.3
Lack of capital.....	35.8	34.1	45.5	52.8	30.3	32.3	25.5	26.6
Unwise credits.....	2.6	2.4	1.4	1.0	1.3	1.6	3.9	3.7
Failures of others....	1.8	1.3	1.4	0.9	1.7	1.2	3.3	0.8
Extravagance.....	0.8	0.6	0.5	0.2	1.1	1.2	1.2	0.3
Neglect.....	2.4	2.9	0.7	0.8	1.7	1.3	0.8	0.5
Competition.....	—	0.8	—	0.6	1.1	1.3	0.8	0.3
Specific conditions...	20.9	18.6	11.5	22.3	11.3	14.4	20.5	45.5
Speculation.....	1.3	0.5	2.4	1.1	0.7	0.6	2.3	1.9
Fraud.....	8.9	9.9	21.3	6.3	7.0	7.0	14.3	3.8

Analysis of Commercial Failures.—In Tables 64 and 65 Bradstreet's and Dun's records of commercial failures are analysed according to the method suggested by Kemmerer. First the total number of concerns doing business is indicated, and secondly the number of failures with the percentage of these to the whole, the latter being stated in the form of an index number of which the base is 100 as representing the figures of 1900. Thirdly, the assets and liabilities are set forth and analysed. It will be noted that the average liability for each year is indicated; this is necessary because the extent of demoralization caused by business failures is proportioned to the size of the failure, the failure of one large concern often causing a stronger business depression than the failure of scores of small ones. The relation of liabilities to assets is also significant. Lastly as a rough balancing of results the index number indicating the proportion of failures to the number of concerns in business and the index number of the size of the concerns failing are averaged, and the result given as the barometer of business depression. This number reversed is a barometer of business confidence. The records of Bradstreet and Dun are not on the same basis, but the general tendency of the two records is the same, the difference in results being usually only a matter of degree.