

99.—Causes of Failures in Canada and the United States, by Numbers and Percentages, years ended Dec. 31, 1923 and 1924. [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.	
	1923.	1924.	1923.	1924.	1923.	1924.	1923.	1924.
Incompetence.....	24.2	25.5	24.9	13.6	33.7	34.4	20.0	30.0
Inexperience.....	4.7	5.1	2.1	2.3	4.7	4.7	2.7	1.5
Lack of capital.....	38.8	38.4	36.5	47.5	34.2	33.3	31.8	25.5
Unwise credits.....	1.4	2.4	1.3	2.9	1.2	1.1	3.6	3.1
Failures of others.....	0.6	0.5	3.7	1.1	1.5	1.5	4.6	3.3
Extravagance.....	0.2	0.4	0.02	1.1	1.3	1.6	1.5	0.7
Neglect.....	2.1	1.3	0.9	0.6	1.2	1.3	0.5	0.4
Competition.....	0.4	2.7	0.2	2.5	1.4	1.9	0.7	2.2
Specific conditions.....	21.4	17.6	22.9	19.7	16.3	15.9	26.6	26.7
Speculation.....	0.7	0.7	1.1	3.5	0.3	0.5	2.1	1.5
Fraud.....	5.5	5.4	6.4	5.2	4.2	3.8	5.9	5.1

Analysis of Commercial Failures.—In Tables 100 and 101 Bradstreet's and Dun's statistics of commercial failures are analysed according to Kemmerer's method, modified so as to eliminate as far as possible the bias toward large money figures arising out of the diminishing of the purchasing power of the dollar since 1900. First, the number of concerns failing is stated as a percentage of those in business, and this percentage is then stated as an index number, with 1900 as the base year. Then the assets and liabilities are stated, with the average liabilities per failure, these average liabilities being also stated as an index number, with 1900 as the base year. This second index number, however, requires to be adjusted because of the decrease in the purchasing power of the dollar, or, as Prof. Irving Fisher puts it, because of the diminishing dollar; this is done by dividing the unadjusted index number by the index number of wholesale prices, brought to a 1900 base, and the result is called the *adjusted* index number of liabilities. The percentage of liabilities to assets is also given and finally the index number indicating the proportion of failures to the number of concerns in business and the *adjusted* index number indicating the size of the liabilities are averaged, and the result, which gives due significance to the size of the liabilities as well as to the number of concerns failing, is given as a barometer of business depression. This number reversed, *i.e.*, subtracted from 200, is finally given as a barometer of business confidence. The records of Bradstreet and Dun are not on precisely the same basis, but the general tendency of the two records is the same.