

BANK RETURNS.

THE last Canada Gazette, contains the corrected statement of Banks for the month ending January 31st, 1867.

The following is a comparative statement of the liabilities and assets for the months of December and January—

LIABILITIES.		
	December	January
Notes in Circulation,	\$ 9,867,186	\$10,026,478
Balances due to other Banks	3,054,517	3,101,579
Deposits not bearing interest	11,325,890	13,723,246
Deposit bearing interest	12,370,069	12,853,171
ASSETS		
Specie, and Provincial Notes	\$ 8,545,652	\$ 8,787,164
Landed property of Bank	1,499,329	1,513,619
Government Securities	6,755,378	7,373,911
Notes or Bills of other Banks	17,209,291	1,616,731
Balances due from other Banks	6,511,532	6,689,398
Notes and Bills discounted	43,099,751	44,400,576
Other debts	2,396,795	2,381,921

The increase of \$159,000 in the circulation of the Royal Canadian Bank. There is a decrease in January in the deposits on current account, while there is a nearly corresponding increase in the permanent deposits, indicating an increase of wealth amongst the portion of the community not engaged in trade.

Discounts have further increased about \$1,350,000, pretty evenly divided amongst the banks, except the City, Peoples, Eastern Townships, Nationale, and Jacques Cartier.

As compared with the returns for January 1866, bank circulation has fallen off, but is more than accounted for by the Provincial currency allot. Deposits have declined over two millions and a half, and Discounts have increased \$1,300,000. The proportion of specie to circulation and deposits is greater than it has ever been before, being now 21 per cent. In January 1866, it was not quite 17 per cent.

BUSINESS FAILURES.

THE causes which operate to produce failures in business are various—but they are by no means so numerous as many superficial observers suppose. The chief parent of failures are periods of stagnation in the business of a country. During such periods, failures may be considered *legitimate*, inasmuch as in many cases they arise, not from folly on the part of the insolvent, but from derangement in the business of the country. At other times, however, the great bulk of failures arise from over-speculation—want of judgment—personal extravagance—undue credits—want of business education—and similar causes. Those who become insolvent from such reasons as these are unjustifiable, inasmuch as the circumstances were not beyond their control, and might have been so moulded as to avert them in success.

During the past year—1866—it is gratifying to know that both Canada East and West have suffered less from failures in business than for many years past. During the years '62, '63 and '64, many business men who had struggled on since the previous commercial convulsion, went down, others, too, who had started more recently, found they could not make headway against the "hard times" which the comparative failure of the crops for several successive years produced. The aggregate of the failures throughout Upper and Lower Canada was quite large, both as regards numbers and the amount of losses sustained. The splendid harvest of 1865 was the turning point of the tide, and it is gratifying to know that it still runs in the same direction, for the failures in 1866 were considerably less than during the preceding year. According to the estimates of Dun, Wiman & Co., of the Mercantile Agency, the failures of 1865 and 1866 were as follows:

FAILURES IN 1865			
	No.	Liabilities.	Assets.
Upper Canada	27	\$ 1,084,082	\$1,458,908
Lower Canada	159	2,536,062	1,906,853
Total	427	\$5,641,131	\$2,465,461
FAILURES IN 1866			
	No.	Liabilities.	Assets.
Upper Canada	20	\$210,151	\$ 347,604
Lower Canada	104	1,106,323	683,335
Total	313	\$3,111,077	\$1,630,839

These figures speak volumes for the improvement which has taken place in the business of Canada. They indicate a large falling off in the number of failures during last year, as compared with 1865, it will be observed, that there were 114 fewer cases of insolvency, and a reduction of over \$2,600,000 in the losses. This is a very satisfactory and encouraging

exhibit, proving that our commercial affairs are in a sound and healthy condition, and that those failures occurring at present, must as a general rule be attributed to causes appertaining to the insolvents themselves.

What, then, are the principal sources of failure when the general business of the country is good? We reply *the faults and follies of business men*. Let us glance briefly at some of the most prominent of these.

And first—we would specify: *want of judgment*. This is manifested in many ways, but very frequently by commencing business where business is already overdone. The man who begins a business where there is not a field for it, cannot reasonably look for success. In some new locality, where new settlers are rapidly coming in, the venture may in the end prove successful. But in other places, where the advancement is slower—the increase of business being slight—the new beginner can only be successful by taking away the trade of his neighbour, and whether he succeeds in this or breaks down himself, there is a serious injury done. If more judgment were exercised in making a suitable opening before commencing business, fewer failures would occur.

Ignorance of business is a fruitful source of insolvency. The days when Smith, Jones, or "or any other man," could take up intricate branches of business and succeed, are fast passing away. Before Canada became as wealthy as it now is, and when competition was less keen, sometimes men succeeded in callings of which they knew little. Nowadays, however, the necessity of business education is recognized on every hand, and the individual who neglects it, does so at his peril. Those who enter into the mercantile business or any branch of manufacturing, can hardly expect to compete with their neighbours who thoroughly understand their calling, and unless they happen to be men of more than average business talent and experience, they bid fair to have their names gibbeted in the official Gazette. The man who thoroughly understands his business will make money out of it, where the novice will starve, and whenever competition is brisk, and the trained and untrained man come into contact, the latter must go to the wall. The same reasoning applies to all branches of industry and not a few of the failures throughout Canada during the past three or four years, can be clearly traced to this cause.

The third cause of failures we would mention is—*over speculation*. This may be of two kinds. Either in starting business with an inadequate amount of capital to carry it on properly; or, being over-eager to get rich, ruining a good business by striving to do too much. In Canada, the state of business varies considerably. Depending as we do principally on our crops for prosperity, a good crop excites business—a bad one depresses it. Those individuals, therefore, who are given to over-speculation—who are always crowding on all possible sail—are sure to be caught in a gale sooner or later. Under the influence of good crops, they buy far beyond their capital, relying upon another good crop to enable them to make their payments. When their hopes are realized, all goes well; but when the crops turn out bad as is too frequently the case, these over-speculative individuals topple over like ten pins in an alley.

Trying to amass fortunes with undue haste, is a dangerous experiment, and where one succeeds ninety-nine fail. Better far is it to advance slowly and cautiously—to work within the limits of your capital—and to shun risky speculations. Those who soar too high are apt to meet the fate of Icarus, who flew so near the sun that he melted his wax bound wings, and soon found himself tumbling into the waters beneath.

The old credit system is another of the causes which have afflicted the business of this country. Many a merchant and trader whose transactions were large, and who bade fair to make a competency, has succumbed to this cause. In many such cases, the public, and even the party interested, supposed he was making money. And so he was, if the goods sold had been paid for. But giving twelve, eighteen, and twenty-four month's credit, his book debts soon swelled to large amounts, and trouble in meeting bills payable, began to be felt. Then, probably the crops failed, creditors demanded payment of his purchases, and not being able to collect his scattered debts, embarrassment ensued, and failure and ruin became unavoidable.

The old system of long credits has now been pretty

effectually killed out in Canada, but there are some who still cling to it, much to their own injury and to the injury of the very parties who obtain it. There is no use in multiplying words on this point; the evils arising from long credits, and consequent bad debts, are admitted on every hand, and the man who at the present day falls from this cause, has himself alone to blame for his misfortune.

The last cause of business failures we would at present refer to is—*personal extravagance*. As a general rule, extravagance among business men does not set in at the commencement of their career. It is after they have begun to make money and attain a position in society, that their annual expenditure is apt to over-top their income. The desire to eclipse the fine house of Mr. Jones—his opponent in business—fills the merchant's heart, or the family horse and carriage must be set up. The old Scotch maxim "live within your income" is apt to be forgotten, and the close of each year sees the profits of a good business more than swallowed up. It seems strange that failures should occur from this cause, for one would suppose that an individual might easily perceive that he was living above his income, and become more economical before bankruptcy set in. But extravagance once indulged is easier discovered than prevented, and it is notorious that personal extravagance lies at the root of many a case of insolvency which occurs.

As we said at the commencement of this article, the number of business failures throughout Canada is becoming less. At the present time, at least the dullness of Provincial business is not the cause of failures and those who become bankrupt are generally to blame themselves. We have endeavoured to touch upon a few of the principal causes of insolvency. In a short article, it is impossible to do more than glance hastily at each, but, we feel assured, if the business community abstained from the follies we have pointed out, at least two-thirds of the failures which occur might be avoided.

We believe the *Trade Review* has done good service by its remarks on this and kindred subjects, since it came into existence. But the commercial world of Canada, has much to learn yet, and the sooner all classes learn the lessons we have endeavoured to teach in this article, the fewer cases of failures will occur, and the better will it be, for the business of the country.

BUILDING SOCIETIES.

THE Annual Report of the Canada Permanent Building and Savings Society of Toronto, shall be the text of an article on the operations of Building Societies generally.

And first let us note that the term, as applied in Canada, is a misnomer. The origin of these institutions is English. A number of people in a manufacturing town, when rents were dear and houses scarce, combined to put a given sum per month into a common fund, and the sum thus subscribed was bid for by the members each month at auction, each offering the bonus or premium for the amount which he thought its employment would fairly yield him. When each subscribing member had paid the given amount of his shares, the increase of capital ceased, and when the borrowers or buyers of the capital had paid in all their instalments, the amount was divided and the Society terminated.

The English principle was imported into Canada, and there being in former days but little ready cash, the bidding at the auctions of money was spirited, and the bonus offered being measured by the bidder's necessities rather than their means, was usually excessive. In prosperous times the bonus was paid, and the profits of the shareholders were enormous, but in times of depression the borrowers were unable to pay either interest or principal, and the concern often wound up with a loss. Soon, however, the societies adopted a different rule of action. The lender came to be considered as distinct from the borrower, and loans began to be made upon the security of any kind of real estate, whether owned by a contributing shareholder or not; the difference between Building Society mortgages and ordinary ones being simply this, that in the former a given number of payments cleared off principal and interest at once, while in the latter the principal is usually repayable in a lump at the end of a specified term of years.

It needs but little reflection to show that this is in principle the safest kind of mortgage for the lender, and the easiest for the borrower to pay off. It is, in