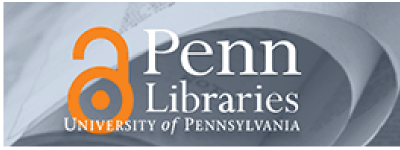

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The Good Consumer: Credit Reporting and the Invention of Financial Identity in the United States, 1840-1940

Abstract

The modern consumer credit bureau is a powerful institution that has received much attention with regard to database surveillance and identity theft, but little scholarly inquiry into its origins and cultural significance. This study offers an historical account of consumer credit reporting in the United States, from its nineteenth-century antecedents in commercial credit reporting through its professionalization and transformation into a key communication infrastructure during the first half of the twentieth century. Like the nineteenth-century nation-state, which pioneered its own rationalized systems of textual identification in the form of passports and criminal registries, early credit reporting organizations sought to impose protocols of legibility in the marketplace. This study describes the development and information processip.g techniques of these private firms and merchant associations, the work of retail cre.dit managers in extracting and classifying customer information, and the role of the Retail Credit Men's National Association (formed in 1912) in laying the foundation for a national consumer credit reporting apparatus.

In addition, this study also draws special attention to one of the most consequential effects of credit reporting: the invention of financial identity. Formalized systems of credit assessment translated personal knowledge and local opinion (traditional sources of credit information) into disembodied textual representations of individual responsibility-first in narrative reports and later alphanumeric ratings. Within this totalizing system of disciplinary surveillance, the concept of financial identity circulated as a surrogate self, producing its own category of social reality and fostering new forms of economic objectification. Moreover, the centrality of character-one's reputation for honesty and respectability-in the determination of creditworthiness reveals the moral underpinnings of financial identity and indeed all systems of credit assessment despite their claims to objectivity and technical neutrality. Financial identity, it is argued, is a form of moral identity.

The title of this study refers to the goodness of credit consumers in several contexts: as prompt paying customers, as trustworthy and morally upright citizens, and as profitable target markets, and collectively as a vital force behind the growth of the twentieth-century American economy and an ideological vindication of consumer

credit itself.

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First Advisor
Carolyn Marvin

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THE GOOD CONSUMER:
CREDIT REPORTING AND THE INVENTION OF FINANCIAL IDENTITY IN THE UNITED STATES, 1840-1940

Josh Lauer

A DISSERTATION

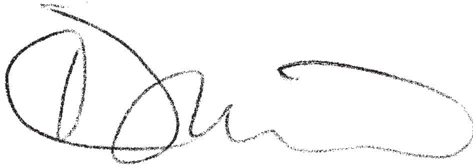
in

Communication

Presented to the Faculties of the University of Pennsylvania

in Partial Fulfillment of the Requirements for the Degree of Doctor of Philosophy

2008



Carolyn Marvin
Supervisor of Dissertation

Joseph Turow
Graduate Group Chairperson

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ACKNOWLEDGEMENTS

While engaged in this project I have incurred many debts, both large and small. I conducted research at a number of institutions, including Harvard Business School's Baker Library, the Library of Congress, Library Company of Philadelphia, Historical Society of Pennsylvania, Free Library of Philadelphia, New York Public Library, Minnesota Historical Society, and St. Paul Public Library, where I received much helpful assistance. I am especially indebted to the University of Pennsylvania's Interlibrary Loan Department, whose astonishing reach made this project possible.

The nucleus of Chapter 1 was written in a book history seminar held by Roger Chartier. His deep insight into the material conditions of textuality suggested new ways to approach my subject, for which I am grateful. A version of this chapter appeared in *Technology and Culture* (vol. 49, no. 2, 2008), and owes much to the suggestions of Kenneth Lipartito and the journal's anonymous reviewers, as well as the shrewd editorial assistance of John Staudenmaier and Reed Benhamou. I have also benefitted from valuable conversations with Robert Hunt at the Federal Reserve Bank of Philadelphia, retired TransUnion executive Anthony Capaldi, and Norm Magnusson at the Consumer Data Industry Association.

My thinking about this project has been greatly influenced by Carolyn Marvin, whose intelligence and creativity have been a constant source of inspiration. This project, I hope, is a tribute to her expansive understanding of communication and delight in the dilemmas of embodiment and technological mediation. I also thank Joseph Turow, Katherine Sender, Barbie Zelizer, Oscar H. Gandy, Jr., and Michael X.

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Finally, I thank Kelly Abernethy Lauer for her love and support over many years, and my children Sebastian and Zadie, to whom this dissertation is dedicated.

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ABSTRACT

THE GOOD CONSUMER: CREDIT REPORTING AND THE INVENTION OF FINANCIAL IDENTITY IN THE UNITED STATES, 1840-1940

Josh Lauer

Carolyn Marvin
Dissertation Supervisor

The modern consumer credit bureau is a powerful institution that has received much attention with regard to database surveillance and identity theft, but little scholarly inquiry into its origins and cultural significance. This study offers an historical account of consumer credit reporting in the United States, from its nineteenth-century antecedents in commercial credit reporting through its professionalization and transformation into a key communication infrastructure during the first half of the twentieth century. Like the nineteenth-century nation-state, which pioneered its own rationalized systems of textual identification in the form of passports and criminal registries, early credit reporting organizations sought to impose protocols of legibility in the marketplace. This study describes the development and information processing techniques of these private firms and merchant associations, the work of retail credit managers in extracting and classifying customer information, and the role of the Retail Credit Men's National Association (formed in 1912) in laying the foundation for a national consumer credit reporting apparatus.

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The title of this study refers to the goodness of credit consumers in several contexts: as prompt paying customers, as trustworthy and morally upright citizens, and as profitable target markets, and collectively as a vital force behind the growth of the twentieth-century American economy and an ideological vindication of consumer credit itself.

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INTRODUCTION

Consumer credit reporting has attracted much attention in recent years, especially in connection with the rise of database surveillance and the scourge of so-called identity theft. However the origins and development of the consumer credit bureau have received very little scholarly analysis. No history of this institution, popular or academic, exists. This is curious given the recent profusion of scholarship in three closely related areas: surveillance studies, economic sociology, and the history of consumer society. Lendol Calder, the author of a pioneering cultural history of American consumer financing, suggests that credit has been ignored by historians because of its economic complexity, its dearth of textual evidence, and, compared to livelier studies of advertising and material culture, its apparent dullness. The study of credit, Calder wryly observes, is "the neglected stepchild of consumer culture" studies.[1] This oversight, unfortunately, has prevented the recognition of important connections between the economic, social, and cultural trajectory of twentieth-century American life. In particular, it ignores the role of credit reporting and financial identity as an instrument of social control—an instrument first devised by retailers to assess individual creditworthiness, but later wielded by banks, personal finance companies, insurance companies, employers, tax assessors, advertisers, utility companies, landlords, and law enforcement agencies for their own purposes. The study of credit and its relationship to financial identity provides an opportunity to discern connections

[1] Lendol Calder, *Financing the American Dream: A Cultural History of Consumer Credit* (Princeton, NJ: Princeton University Press, 1999), 13.

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between macro- and micro-levels of social organization, and especially those between individuals and institutions.

This study has two principal objectives. First, it provides a much needed historical study of consumer credit reporting. This history connects the development of consumer credit reporting to that of commercial credit reporting, and describes the significance of both as systems of communication. The problem of consumer credit, like that of commercial credit reporting before it, was fundamentally a "crisis of control," one that inspired new methods of rational information management akin to those associated with railroad transportation, manufacturing, and retail distribution during the late nineteenth century.[2] Indeed, the scientific management of production inspired by the "control revolution" had an analogue in the scientific management of consumption, of which consumer credit reporting was a major innovation. And, in keeping with the movement toward specialization in so many spheres of activity during this time, the rationalization of credit also produced its own expert figure: the credit man. The history of consumer credit reporting is intimately connected to the professionalization of the credit manager and the associations that such professionals spawned, in particular the Retail Credit Men's National Association, founded in 1912.

Second, this study examines the emergence of financial identity as a formal category of social classification and traces its significance as a privileged source of identification and legitimacy in contemporary American life. Within the textualizing system of consumer credit reporting, financial identity represents the point at which

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[2] James R. Beniger, *The Control Revolution: Technological and Economic Origins of the Information Society* (Cambridge, MA: Harvard University Press, 1986).

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individual flesh and blood human actors are detached from embodied social relationships and reduced—and reproduced—as textual entities. While improving the efficiency and speed of communication among credit agencies and their subscribers, this translation of interpersonal experience and public reputation into "scientific" systems of identification was fraught with difficulties, not least of which was the centrality of character as a criterion of assessment. Character, together with capital and capacity (an individual's experience, acumen, and record of successful earning), formed the holy triumvirate of credit evaluation, referred to by creditors as the "three C's." The idea that character—a *moral* rather than a quantifiable financial category—was the primary indicator of creditworthiness persisted well into the twentieth century. A 1951 manual published by the leading national consumer credit organization, for example, cites character as the most important category of assessment: "More than any other, this factor determines whether a credit applicant will make every effort to fulfill his promise to pay as agreed."[3]

Credit, as one author proposed in 1920, was undergoing a process of "spiritualization."[4] Instead of judging the creditworthiness of individuals based on the extent of their property and assets—criteria that obviously gave advantage to those of established wealth and position—creditors were more interested in the past behavior of the borrower. In this way, those of little material means might gain access to credit simply through an established record of honesty and integrity, whereas a well-to-do

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[3] *Credit Reporting Fundamentals: A Manual of Credit Bureau Procedures* (St. Louis, MO: Associated Credit Bureaus of America, 1951), sec. 1, p. 2.
[4] Charles Johnston, "The Spiritual Significance of Credit," *North American Review* (September 1920): 343-354.

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gambler or drunk might be rejected. Thus the allocation of credit, the lifeblood of the modern economy, was subject to codified moral values that could be inferred through individual behavior. "More significant than property or income," the author of a 1936 guide to personal finance noted, "is the character of the purchaser as evidenced by his reputation for integrity and honesty." The author continues,

> Examples are not lacking, in either the business or the social world, of buyers who are regarded as `poor' or `slow' payers despite the apparent possession of substantial property and income. The individual, therefore, who hesitates to open a charge account because of limited personal resources, should realize that a good reputation is regarded as the strongest kind of recommendation, and that the lack of property is not a conclusive factor. Worthiness is much more a matter of integrity and honesty than of physical assets. It cannot be emphasized too strongly that credit is chiefly a matter of faith and confidence"[5]

Financial identity, in the end, is moral identity. Those who are most valued are those who have clearly and consistently demonstrated their obedience to their creditors and the social norms that credit reporting institutions impose.

The title of this dissertation refers to the goodness of credit consumers in multiple contexts: as prompt paying customers, as profitable target markets, as trustworthy and morally upright citizens, and collectively as a vital force behind the growth of the twentieth-century American economy and an ideological vindication of consumer credit itself.

Overview

This study examines the formative years of consumer credit reporting between1840 and 1940. This periodization may seem unusual given its remoteness

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[5] David F. Jordan, *Managing Personal Finances: How to Use Money Intelligently* (New York: Prentice-Hall, 1936), 56-57.

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and the fact that organizations specifically devoted to consumer credit reporting did not appear until 1870. However, the development of consumer credit reporting cannot be contextualized without examining the institution that informed it: the commercial credit reporting agency, or "mercantile agency." The mercantile agency system, introduced in 1841 by New York merchant Lewis Tappan and elaborated by competitors such as The Bradstreet Company, provided a model for systematic credit reporting. Consumer credit reporting departed from this model in important ways—notably its use of ledger experience rather than third-party informants—but Tappan's totalizing vision and the concept of financial identity implicit in his system remained at its center. Though historians of commercial credit reporting have tended to ignore the development of consumer reporting, reflecting a conventional philosophical division between the two forms of credit, this study draws attention to their interconnection. Consumer creditors—especially grocers, butchers, installment dealers, and department stores—not only looked to the mercantile agency system for inspiration, but joined the same business associations as commercial creditors and read the same instructional texts and trade publications as they professionalized during the late nineteenth century. Just as it is impossible to explain the evolution of consumer credit reporting without describing the mercantile agency system, it is impossible to explain the rise of the retail credit manager without describing his (and increasingly her) counterpart in wholesaling and manufacturing firms. These retail credit professionals would form their own national association during the 1910s and a national network of credit bureaus by 1940.

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At the same time, these two types of creditors—commercial and consumer—faced very different circumstances, offering important points of contrast. For one, consumer credit, unlike commercial credit, applied to everyone. "This [consumer] credit is extended to a vast number of people," the author of a standard credit textbook lamented in 1906. "The task of classifying them is a most onerous one. Their earning power is a question of the widest possible variance, as is also the nature of their family responsibilities and demands."[6] Moreover, where commercial creditors could insist upon signed financial statements from borrowers by the early twentieth century, consumer creditors could not. In an atmosphere of fierce competition and shrinking profit margins, many retailers turned to installment selling and charge accounts (open book accounts settled on a monthly basis) to attract and keep customers. But unlike small-town tradespeople and storeowners who extended credit to their neighbors, the new urban retailer provided generous terms to virtual strangers. Drawing attention to the lax credit practices of many retailers, another commentator wrote,

> The chief advertisement of many retail houses is "We will give you credit" or "Your credit is good." When this inducement is offered to buyers, the sellers cannot exercise reasonable care in distinguishing between those entitled to credit and those not so entitled. Moreover, other stores send out notices to prospective customers made up from lists without any reference to credit standing, telling them that their credit is good at the stores. Such loose methods in giving credit stand in the way of positive reforms in systematizing personal credit."[7]

During the first half of the twentieth century, consumer credit expanded at an astonishing rate. Commenting on the promiscuity of charge account purchasing in 1915, one credit manager observed, "It is now possible to buy food, houses, clothing,

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[6] William A. Prendergast, *Credit and Its Uses* (New York: D. Appleton, 1906), 85.
[7] James Edward Hagerty, *Mercantile Credit* (New York: Henry Holt, 1913), 92.

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steam threshers, sealskin coats, pearl necklaces, theater tickets, shoe shines, corner lots, American Beauty roses, baths, haircuts, operations, publicity, and balloons on account."[8] In addition to installment selling, which multiplied exponentially with the advent of automobile financing in 1913, working and middle-class consumers gained direct access to cash loans through two new institutions, the industrial (or Morris Plan) bank and the licensed personal finance company. To supporters of consumer credit, whether motivated by an interest in social justice or business opportunism, the extension of such loans was heralded as the "democratization" of credit.

The use of credit for consumption was nothing new—indeed, it was pervasive in nineteenth-century America—but the mass advertisement and availability of credit for this explicit purpose was. Mass production, after all, required mass consumption. For many business boosters, the modern credit system was a defining mark of advanced civilization. If credit was suddenly abandoned, one warned in 1917, "Untold and widespread suffering and death would follow, and man would quickly relapse into a state of semi-savagery. So integral a part of our social system is credit at the present time."[9] Consumer credit was the last link in a chain binding society together in economic interdependence. "It is obvious," a writer for *Banker's Magazine* observed in 1914, "that personal credit is the very foundation of the whole credit structure," the foundation upon which the entire national credit edifice rests.[10] Despite the fragmentation and anomie often associated with industrial capitalism and modernity,

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[8] George Fitch, "Charge It," *Credit World* 5, no. 5 (April 1915): 30.
[9] Peter P. Wahlstad, *Credit and the Credit Man.* New York: Alexander Hamilton Institute, 1917, 9.
[10] W.H. Kniffin, Jr., "The Theory and Practice of Credit," *Banker's Magazine* 89 (December 1914): 668.

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the fundamental basis of this sprawling credit-nexus remained, paradoxically, social trust. The attenuation of traditional associational ties and interpersonal relationships may have splintered neighborhoods and estranged individuals from each other, but retailers and financial brokers sought a new intimacy with their customers. "Credit is a delicate and powerful fabric in which our whole civilization is suspended," a magazine writer explained, "and the credit of the grocer in Whinney [Oklahoma] is a part of the whole and belongs to the whole and is everybody's business."[11]

The consumer credit bureau, more than any other institution, formalized individual financial identity as an integral dimension of personal identity in the U.S. The development of financial identity, initiated by commercial credit reporting, introduced new ways of "seeing" people.[12] Like the nineteenth-century nation-state, which pioneered its own rationalized systems of textual identification in the form of passports and criminal registries, the credit reporting agency sought to impose protocols of legibility in the commercial sphere. The credit reporting agency, like the nineteenth-century nation-state, sought to render the subjects of its gaze visible. "The age of mystery as related to business affairs is happily passing away," one advocate of credit reporting observed at the end of the nineteenth century.

> The time was when business men considered it akin to an insult to be called upon, when asking credit, for a statement of their affairs. Fortunately wiser and sounder views now prevail, and no right-minded man or well-managed institution now hesitates, when asking favors, to place the prospective creditor

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[11] William McClintock, "Other People's Business," *Everybody's Magazine* 41, no. 4 (October 1919): 29.
[12] James Scott, *Seeing Like a State: How Certain Schemes to Improve the Human Condition Have Failed* (New Haven, CT: Yale University Press, 1998).

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> in full possession of the facts upon which credits can be intelligently extended.[13]

The collection and interpretation of such "facts" was the object of a massive surveillance system that emerged the mid nineteenth century.[14] Though the nation-state is traditionally and with justification viewed as the driving force behind the rise of modern mass surveillance, it is important to note that the American commercial credit reporting system was, in scale and scope, one of the most impressive apparatuses of social monitoring anywhere in the nineteenth-century world. These early agencies brought tens of thousands of American citizens—merchants, traders, manufacturers, and artisans—into a sophisticated system of identification and observation designed to facilitate safe business relationships in a world increasingly inhabited by strangers. As commercial credit reporting agencies turned their scrutiny away from individuals and toward organizational entities—in principle if not in practice—consumer credit reporting took its place. [15]

The first consumer credit reporting organizations emerged in New York during the 1870s, but by the 1890s others could be found in cities throughout the U.S. Disorganized and fragile, these early organizations struggled to provide affordable service and to maintain the participation of suspicious merchants, whose confidential

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[13] S.S. Lacy, quoted in Frederick B. Goddard, *Giving and Getting Credit: A Book for Business Men* (New York: Baker & Taylor, 1895), 39.
[14] Mary Poovey, *A History of the Modern Fact: Problems of Knowledge in the Sciences of Wealth and Society* (Chicago: University of Chicago Press, 1998).
[15] Even today the separation of individual and corporate credit identity is contested, as a recent law suit filed by Donald Trump against the author of *TrumpNation* attests. According to Trump, the biographer's estimation of his net worth, well below what Trump claimed, constituted defamation since it negatively impacted his ability to ascertain future commercial loans as chairman of The Trump Organization. See "Trump Sues Author, Time Warner Over Book," *Wall Street Journal,* 25 January 2006, 1.

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ledgers they depended on for credit information. "Mercantile Agencies, Credit Companies, Credit Bureaus, Credit Associations, Merchants' Protective Associations, and many others, are all working for the same end, though using many different systems," one writer observed in 1914.[16] During the 1910s newly professionalized credit managers, most of whom came from department stores, large specialty shops, and installment houses, worked together to develop cooperative credit reporting organizations in their communities and to codify protocols of information gathering. Between the First and Second World Wars they also devoted themselves to public relations campaigns emphasizing the moral foundation of credit and the dire implications of a poor credit rating. By 1940 a national consumer credit reporting network was well established in the U.S. It was comprised of more than 1400 credit bureaus which together maintained records for more than 60 million Americans.

Together, the assembled records of the credit bureau (and the credit departments that supplied much of their information) represented a tableau of humanity. "Each one a romance—a biography—history," one credit expert remarked on their intimacy and diversity. "Millions of personal, human documents which tell not only the story of honesty in varying degrees, but the story of America's social development."[17] Interestingly, as intellectuals struggled to come to terms with mass society during the 1920s and 1930s, retail credit managers were already working to deconstruct the mass—to isolate the individual and his or her personal characteristics

[16] Willis V. Sims, "Credit Reporting in a Town of Thirty Thousand," *Credit World* 5, no. 1 (December 1914): 6.
[17] Frank C. Hamilton, "The Public Appeal Publicly Made Will Help Retail Credit," *Credit World* 18, no. 9 (May 1930): 28.

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and buying behavior. This study traces the institutionalization of financial identity between 1840 and 1940 and the communication infrastructure that emerged to manage consumer credit relationships by converting interpersonal forms of knowledge into depersonalized, textual representations of creditworthiness.

Historiographic review

Primary sources

The history of consumer credit reporting is hampered by a lack of primary source material; there are no public archives or obvious concentrations of documentary evidence to consult. This is a complex and, in many ways, obscure subject that involves multiple organizational entities, many of which were ephemeral and difficult to resurrect through textual evidence. The few noteworthy personalities that figure in this history were generally unknown outside of the business and banking community, thus inspiring little commentary outside of the trade press.

Credit reporting agencies have long maintained a deliberately low profile to avoid legal action and public condemnation, both of which harried their activities almost from their start. Their administrative records and internal correspondence were (and still are) highly secretive. Unlike the history of commercial credit reporting, which is greatly aided by the R.G. Dun archive, a 2500-volume collection of credit ledgers housed at Harvard Business School's Baker Library, the scholar of consumer credit reporting has no such repository to which to turn. While consumer credit bureaus typically participated in cooperative networks, they remained local,

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independently-owned businesses until the late 1970s, when computerization and consolidation reduced their number to three dominant firms, TransUnion, Equifax, and TRW (now Experian). Unfortunately, once acquired, these independent local bureaus seem to have vanished altogether, leaving no organizational archives. As Calder writes, explaining his own struggle to locate primary sources, "the credit industry has left a paper trail to follow, found in trade journals, annual reports, public relations pamphlets, and occasional releases of statistical information. But the trail is faint indeed, since most of the credit industry's records are either lost or unavailable."[18] In this light, the absence of a historical account of consumer credit reporting is perhaps unsurprising.

Yet, as Calder indicates, sources do exist. In fact, they are plentiful if one knows were to look. During the late nineteenth and early twentieth centuries a serious effort to professionalize and develop scientific principles of credit management emerged within the business community. This movement produced a rich dialogue in several trade periodicals, including *The Lawyer and the Credit Man, Business, System, Bulletin of the National Association of Credit Men,* and, beginning in 1912, *Credit World,* the official publication of the Retail Credit Men's National Association.[19] These are especially rich sources of institutional history; they also provide an unvarnished view of the social prejudices that guided the new "science" of credits. As the leading journal of retail credit professionals during the twentieth century, *Credit World* provides the primary source material for much of this study. Taken together,

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[18] Calder, *Financing the American Dream,* 14.
[19] The Retail Credit Men's National Association underwent several name changes and is currently operated as the Consumer Data Industry Association.

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these sources provide much insight into the organization, techniques, and concerns of credit managers during this time.

Secondary sources

As already indicated, there is no body of secondary literature bearing directly on the early history of consumer credit reporting. What does exist on the subject can rather easily be separated into two general categories: 1) histories of nineteenth-century commercial credit reporting and 2) analyses of consumer credit reporting after 1950.[20] The first category includes several book-length histories of Dun & Bradstreet and a handful of articles.[21] These are primarily historical studies of Tappan and the business he founded; none connect the development of commercial credit reporting to its consumer counterpart. The second category begins with journalistic exposes of credit reporting, notably those of Myron Brenton, a former private investigator, and journalist Vance Packard, both of which contain damning sections on consumer credit reporting.[22] By the late 1960s and early 1970s numerous critical accounts of credit reporting were published, most of which centered on issues of privacy and the

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[20] For an insightful analysis of popular press accounts of credit assessment, see Joe Arena, "Framing an Ideology of Information: Retail Credit and the Mass Media, 1910-1930," *Media, Culture & Society* 18 (1996): 423-445. While focusing on credit granting procedures and the role of the professional credit manager, Arena does not excavate the history of the consumer credit bureau and incorrectly asserts that "credit reporting arrived well after quantification had been established in many other spheres of human activity" (424).
[21] Citations for these sources appear in Chapter 1, note 71.
[22] Myron Brenton, *The Privacy Invaders* (New York: Coward-McCann, 1964), esp. 25-43; and Vance Packard, *The Naked Society* (New York: David McKay Company, 1964), esp. 168-182. Packard's account is humorous in retrospect for its emphasis on the danger of wire-tapping over that of the database computer (41). See also Hillel Black, *Buy Now Pay Later* (New York: William Morrow, 1961), 35-52.

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emergent problem of database computing.[23] However, after the passage of the Fair Credit Reporting Act in 1970, a landmark piece of federal legislation that banned the most egregious abuses of consumer credit reporting, analysis of the institutional history and social function of the consumer credit bureau seems to have fallen off.

Theoretical perspectives

This study is informed by theoretical insights from the following relatively new but well-established areas of scholarship: surveillance studies, economic sociology, and the history of consumer society.

Surveillance studies

Consumer credit reporting arose as a mechanism of social monitoring and, as such, is primarily associated with the study of mass surveillance. It is in this area of inquiry that the subject received its first—and, in my ways, most insightful—analysis by British sociologist James Rule. Rule's *Private Lives and Public Surveillance* (1973) includes a chapter entirely devoted to the U.S. consumer credit bureau. This chapter is an elaboration of a study coauthored with David Caplovitz and Pierce Barker several years earlier.[24] Both works are enormously useful because they

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[23] These include Arthur R. Miller, *The Assault on Privacy: Computers, Databanks, and Dosseirs* (Ann Arbor, MI: University of Michigan Press, 1971), esp. 67-89; Alan F. Westin, *Databanks in a Free Society: Computers, Record-keeping, and Privacy* (New York: Quadrangle Books, 1972), 111-167; Al Griffin, *The Credit Jungle* (Chicago: Henry Regnery, 1972), esp. 153-172; and Thomas Whiteside, "Anything Adverse?" *New Yorker* 51 (21 April 1975): 45-50, 53-54, 56, 59, 61-64, 69-71, 74-76, 80-82, 84-86, 89-92, 95-96, 98-101.
[24] James B. Rule, *Private Lives and Public Surveillance* (London: Allen Lane, 1973); and James Rule, David Caplovitz, and Pierce Barker, "The Dossier in Consumer Credit," in *On Record: Files and Dossiers in American Life,* ed. Stanton Wheeler (New York: Russell Sage Foundation, 1969), 143-175.

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describe in detail the organizational structure and internal procedures of the credit bureau at the moment of its transition from local, paper-based bureaus to computerized national agencies, thus preserving much information that might have been lost. What is perhaps most striking is that these studies describe the decentralized and manual functioning of the credit bureau as late as the early 1970s. Credit reports were housed in massive filing cabinets overseen by all-female staffs and, in most cases, reports were read aloud to members over the telephone. Investigators still supplemented their files with newspaper clippings and regularly visited local courthouses to cull items such as marriages, divorces, law suits, liens, and criminal records from public documents. This changed dramatically with the gradual adoption of computerization during the 1970s, but the situation described by Rule was not much different than that during the early twentieth century. Rather than focusing on privacy issues—though they are implicit—Rule views credit reporting primarily in terms of its institutional function: "the art and science of credit management lie in determining, in advance, who will pay and who will not, and in screening credit applicants accordingly. This is of course a problem of social control."[25]

After Rule, the next major work to take consumer credit reporting seriously is Oscar Gandy's *The Panoptic Sort.*[26] Gandy's analysis is a valuable contribution to the study of modern surveillance because it illustrates how public and private systems of identification, classification, and statistical research form an integrated, mutually reinforcing whole. While commercial marketers use census data generated by the

[25] Rule, *Private Lives and Public Surveillance,* 178.
[26] Oscar H. Gandy, Jr., *The Panoptic Sort: A Political Economy of Personal Information* (Boulder, CO: Westview Press, 1993).

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federal government to target consumers, for example, government agencies consult consumer credit data to identify criminal activity.[27] The panoptic sort, Gandy argues, represents a grave threat to personal privacy and individual autonomy because it is by definition a discriminatory system that reduces individuals to a set of limited characteristics (wealth or race, for example) that are used, in turn, to select and exclude whole classes of people, often without their knowledge or ability to intervene on their own behalf. This, in effect, negatively impacts the life chances of certain classes of individuals in specific, consistent ways. The institutional reality produced by the panoptic sort, Gandy concludes, fosters insidious power asymmetries with real social and economic consequences. The consumer credit bureau figures prominently in Gandy's study, though it is only one of many institutional actors in the panoptic sort. Interestingly, his analysis includes a rank-order list of the most and least trusted institutions in terms of personal privacy: credit bureaus were the least trusted organization—beneath the Internal Revenue Service—in both years of analysis (1978 and 1990).[28]

In the two-decade-long interim between Rule and Gandy, the discovery of Foucault provided Anglo-American scholars with a powerful new theoretical framework for understanding surveillance technologies. "Despite the fact that James Rule's groundbreaking study of *Private Lives and Public Surveillance* had appeared in the early 1970s," David Lyon, a leading surveillance scholar, explains, "it was not

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[27] Reporting on the work of credit bureaus during the early 1960s, Hillel Black observed that "the Washington and regional offices of the FBI are among the largest users of credit bureau services" (36-37).

[28] Gandy, *The Panoptic Sort,* 141.

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until Michel Foucault's celebrated, and contentious, historical studies of surveillance and discipline had appeared that mainstream social theorists began to take surveillance seriously in its own right."[29] Indeed, if surveillance studies has a dominant paradigm, it is Foucauldian—and, in particular, Foucault's elaboration of panopticism.[30] As Gandy concedes in the early pages of *The Panoptic Sort,* "The influence of Michel Foucault on my work is so substantial that it threatens to dominate the construction of my arguments about power and social control."[31] Though Gandy also draws upon Weber's discussion of bureaucracy, Ellul's vision of technological rationality, and Gidden's theory of structuration, it is Foucault's concept of disciplinary surveillance—with Bentham's archetypal prison at the center—that bears the weight of his argument.

The panoptic paradigm and Foucault's concept of disciplinary surveillance is highly seductive. It is a dazzling theoretical lens through which, without the cumbersome scaffolding of ideology or hegemony, one can view the macro-micro functioning of power as it moves through the social body in the form of discourse, classification, and "technologies" of normative restraint. Foucault's analysis of early modern European institutions—the prison, school, factory, and hospital—and the transition from violent punishment to deterrence in the form of internalized self-discipline has been readily adopted by scholars to explain (or predict) the development of contemporary surveillance technologies. Yet, when applied to the history of

[29] David Lyon, *The Electronic Eye: The Rise of Surveillance Society* (Minneapolis: University of Minnesota Press, 1994), 6-7.
[30] See Michel Foucault, *Discipline and Punish: The Birth of the Prison,* trans. Alan Sheridan (New York: Vintage, 1995); and Michel Foucault, "The Eye of Power," in *Power/Knowledge: Selected Interview and Other Writings, 1972-1977,* ed. Colin Gordon (New York: Pantheon, 1980), 146-165.
[31] Gandy, *The Panoptic Sort,* 9.

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consumer credit reporting, this paradigm is problematic. The panoptic model, as it is typically applied, presupposes a physically isolated individual who 1) acquiesces to the normative gaze of his or her jailer, and, upon leaving the institutional gaze, 2) exhibits enduring, pervasive behavioral modifications. In short, the panoptic model of disciplinary surveillance is totalizing; it does not easily account for subjects who ignore or resist institutionally-sanctioned behaviors, and it does not help us understand the limited spheres of influence exerted by such institutional surveillance.

The history of consumer credit reporting, as told through the trade press and associated textbooks, suggests that early credit bureaus wielded considerable power, but their influence over the consciousness of individual consumers remained limited; in any case, it was a weak variety of "soul training" and far from totalizing. A representative of the National Association of Retail Credit Agencies, a fledgling consumer credit reporting organization, noted in 1906, "It is safe to say that scarcely one individual in a thousand has knowledge of the fact that in the files of some member of this association, his financial record is carefully kept and upon his record of the past, his credit accommodations of the present and of the future largely depend."[32] Sixty years later, little seems to have changed. "Although credit bureaus maintain records on very many Americans, perhaps one hundred million of them, public understanding of these practices appears quite superficial," Rule and his colleagues observed. "[T]he existence of the bureau remains a matter of which most

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[32] J.R. Truesdale, "Agency Men Organize," *Mercantile Monthly* (1906): n.p., in William A. Flinn, "History of Retail Credit Company: A Study in the Marketing of Information about Individuals," Ph.D. diss. (Ohio State University, 1959), 352.

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individuals are only vaguely aware."[33] In this light, it would be disingenuous to assert that such credit surveillance was panoptic. For soul training to work according to Foucault's analysis, the panopticon's incarcerated subjects must not only be acutely aware of their constant inspection, but also react self-consciously.

Whether or not individual consumers were responding to the coercive pressures of credit reporting or other norms is not clear. It is worth nothing that the trustworthiness of the vast majority of Americans was a common refrain in the early-twentieth-century trade press. As a 1923 *Collier's* headline boasted, "In Every 100 Men 99 Are Honest."[34] Of course this might be interpreted as mere flattery or business propaganda that, in either case, touted the safe and legitimate use of consumer credit. But this interpretation only goes so far. American consumers, it seems, did not require intensive soul training to conform to the new discipline of installment buying and loan repayment schedules; they had already internalized this imperative and were overwhelmingly reliable. This does not imply that consumers always paid on time or in full, but that on the whole they made good faith efforts to meet their obligations; they were not deliberate cheats or "skips." Thus the development of consumer credit reporting was not primarily a mechanism of individual rehabilitation (though it might also have served this purpose), but an instrument of exclusion. "The good customer, though unreasonable and unjust in his demands, must be retained. It is the man who pretends to be good and is not, who must be *refused and avoided.*"[35] It might be said

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[33] Rule, Caplovitz, and Barker, "The Dossier in Consumer Credit," 143-144.
[34] William R. Basset, "In Every 100 Men 99 Are Honest," *Collier's* 72 (10 November 1923): 17-18.
[35] James G. Cannon, *Individual Credits* (New York: J.S. Babcock, 1897), 5-6; italics added.

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that this form of surveillance is more akin to the ancient penalty of ostracism rather than incarceration. It is social death rather than social rehabilitation.

The Foucauldian analysis of contemporary surveillance has received several noteworthy critiques. Deleuze, for example, has asserted that the enclosed physical sites of disciplinary surveillance studied by Foucault do not apply to contemporary "societies of control," in which information is highly mutable and circulates freely.[36] Others, drawing upon Deleuze and Guattari, have suggested that the hierarchal bias of Foucault's formulation has been replaced by the "surveillant assemblage," a system of horizontal information flows from which even the rich and powerful are not immune.[37] Even more sweeping is Lianos, who makes a strong argument that uncritical reliance on Foucault's model of social control is a symptom of "intellectual laziness" that, ironically, has reduced Foucault's subtle critique of power into a "sacred narrative" itself.[38] Haggerty has recently added to this critique, suggesting among other things that the panoptic model is exhausted and the very concept of surveillance has been so widely applied that it has lost its meaning as an analytical category. Calling for a reevaluation that takes into consideration the multiple, overlapping and often contradictory functions of surveillance practices, Haggerty writes, "The panoptic model masks as much as it reveals, foregrounding processes which are of decreasing relevance, while ignoring or slighting dynamics that fall outside of its framework."[39]

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[36] Gilles Deleuze, "Postscript on the Societies of Control," *October* 59 (1992): 3-7.
[37] Kevin D. Haggerty and Richard V. Ericson, "The Surveillant Assemblage," *British Journal of Sociology* 51 (2000): 605-622.
[38] Michalis Lianos, "Social Control after Foucault," trans. David Wood and Michalis Lianos, *Surveillance and Society* 1 (2003): 414, 425.
[39] Kevin D. Haggerty, "Tear Down the Walls: On Demolishing the Panopticon," in *Theorizing Surveillance: The Panopticon and Beyond,* ed. David Lyon (Portland, OR: Willan, 2006), 27.

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Though this study does not aim to provide a thorough-going critique of panopticism, it does address a second major weakness within emergent surveillance scholarship: a troubling lack of historical perspective. The proliferation of new surveillance technologies during the last three or four decades, particularly those associated with database computing and new media, has transformed contemporary life in significant ways. There is little question that these technologies and their applications (present and future) are important subjects of study with real, immediate consequences. However, the focus on existing and emergent technologies should not deter surveillance scholars from taking seriously the development of record-keeping and social monitoring systems prior to the computer.[40] Unfortunately, much work in the field of surveillance studies tends to suggest that systems of mass surveillance were relatively insignificant before computerization. Though the growth of surveillance is regularly associated with modernity, broadly conceived, analyses of surveillance practices prior to the 1960s are rare.[41] It is often assumed or implied that prior to computerization social relationships were simply "traditional" (i.e., personal, unmediated, localized encounters) or, at worst, ponderously bureaucratic, a mere harbinger of efficiencies to come. This view is simplistic and reductive. On the one hand it fails to grasp the fundamental role of social surveillance in *all* societies, whether primitive or "information"; on the other it cultivates a strain of technological

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[40] For a critique of panopticism that addresses the centrality of recordkeeping, see Mark Poster, *The Mode of Information: Poststructuralism and Social Context* (Chicago: University of Chicago Press, 1990), 69-98, esp. 91.

[41] For an important exception, see Jane Caplan and John Torpey, eds., *Documenting Individual Identity: The Development of State Practices in the Modern World* (Princeton, NJ: Princeton University Press, 2001).

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determinism that is totalizing and speculative. This study illustrates the development of key institutional infrastructures and social categories—the credit bureau and the concept of financial identity—that appeared long before computerization and, more importantly, will situate these developments in historical context.[42]

Despite such weaknesses, Lyon offers suggestive insight into how surveillance might be understood more generally as a process of textualization. "The rise of surveillance societies has everything to do with disappearing bodies," he writes.

> Disappearing bodies is a basic problem of modernity that has been accentuated with the growth and pervasiveness of communication and information technologies. To compensate for the growing difficulties of embodied surveillance that watches visible bodies, social agencies have arisen that keep track of personal traces.[43]

The consumer credit bureau is of course one such agency to have emerged to deal with this problem. The concept of textualization, implicit in Lyon's observation and elaborated elsewhere by Carolyn Marvin, offers a powerful analytical framework for understanding the development of contemporary surveillance practices.[44] Textualization refers to the progressive use of graphic representations—particularly writing, printing, photography, and, more recently, computer code—as an extension of and surrogate for embodied communication.

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[42] For theoretical approaches to identity theft, see Simon A. Cole and Henry N. Pontell, "Don't Be Long Hanging Fruit: Identity Theft as Moral Panic," in ed. Torin Monahan, *Surveillance and Security: Technological Politics and Power in Everyday Life* (New York: Routledge, 2006), 125-147; and Mark Poster, "Identity Theft and Media," in *Information Please: Culture and Politics in the Age of Digital Machines* (Durham, NC: Duke University Press, 2006), 97-115. Poster's analysis offers valuable insight into the exteriorization and insecurity of identity, but he historicizes financial identity within the development of state surveillance and new media.

[43] David Lyon, *Surveillance Society: Monitoring Everyday Life* (Buckingham, England: Open University Press, 2001), 15.

[44] Carolyn Marvin, "Communication as Embodiment," in ed. Gregory J. Shepard, Jeffrey St. John, and Ted Striphas, *Communication as . . . Perspectives on Theory* (Thousand Oaks, CA: Sage, 2006), 67-74.

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Though human beings have created "texts" since time immemorial, it is the more recent ascendancy of the text as a privileged medium of communication and legitimacy that is most striking. In thoroughly textualized societies such as our own, power is not primarily exercised through physical strength or embodied rhetorical skill, but is instead exerted through textual mastery and systems of credentialing, all of which work to conceal the body to the advantage of dominant textual classes. The primacy of texts, as compared to bodies, has obvious moral dimensions. Texts are idealized as static, orderly, compliant; bodies are messy, unpredictable, recalcitrant. By ascribing textual attributes to bodies—that is, by transforming intractable bodies into textual representations with unique names, numbers, and discrete classifications—those with textual authority attempt to bring individuals into abstract systems of record-keeping and "accountability."[45] Indeed, the first complete writing systems in the ancient Near East emerged not for religious worship but to serve the needs of bureaucratic bookkeeping—to keep track of relationships between property, money, and people.[46] Textualization, it can be said, is a technology of social control. From boundary markers to simple lists to literary canons, textualization functions as an

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[45] There are rich parallels between the development of nineteenth-century credit reporting and the history of accounting as a technology of economic objectification. See Peter Miller and Ted O'Leary, "Accounting and the Construction of the Governable Person," *Accounting, Organization, and Society* 12 (1987): 235-265; Peter Miller, "Accounting and Objectivity: The Invention of Calculating Selves and Calculable Spaces," *Annals of Scholarship* 9 (1992): 61-86; and Keith Hoskin and Richard Macve, "Writing, Examining, Disciplining: The Genesis of Accounting's Modern Power," in *Accounting as Social and Institutional Practice*, ed. Anthony G. Hopwood and Peter Miller (New York: Cambridge University Press, 1994), 67-97. On accounting as a rhetoric of objectivity, see Bruce G. Carruthers and Wendy Nelson Epseland, "Accounting for Rationality: Double-Entry Bookkeeping and the Rhetoric of Economic Rationality," *American Journal of Sociology* 91 (1991): 31-69; Theodore M. Porter, *Trust in Numbers: The Pursuit of Objectivity in Science and Public Life* (Princeton, NJ: Princeton University Press, 1995), 89-98; and Poovey, *A History of the Modern Fact,* 29-90.

[46] Jack Goody, *The Logic of Writing and the Organization of Society* (Cambridge: Cambridge University Press, 1986), 45-86.

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organizational technology that enables human actors (and the institutions they represent) to make claims and to enforce norms, rules, or standards across time, geography, and populations. Of course some forms of textualization are more effective than others, and some exert far more social control.[47] Yet one might say that there is an implicit element of surveillance in all texts. A shopping list might not be a work of art, but it is still a shopping list, and thus evidence of the literary artist's domestic consumption. Textualization, then, is also associated with an evidentiary paradigm that privileges textual forms of proof over embodied forms—signed documents, for example, rather than verbal oaths; DNA "signatures" over witness statements.[48] In the context of surveillance, it refers to the process by which embodied subjects are selectively reduced, re-presented, and processed as textual evidence. All of this is to suggest that contemporary surveillance studies might find fertile historical roots in the concept of textualization. In this way, such studies might avoid the myopic assumption that social surveillance is a unique feature of modernity. It is not surveillance per se that is new, but the ever-expanding textualization of identity and social interaction—and the evidentiary paradigm that this entails—that distinguishes surveillance in earlier times from that of our own.

[47] For discussion of textualizing media and their relative space- and time-binding advantages, see Harold A. Innis, *The Bias of Communication* (Toronto: University of Toronto Press, 1999).
[48] The ascendancy of the textual evidentiary paradigm was a complicated process rife with doubt and contestation. For an historical account, see M.T. Clanchy, *From Memory to Written Record: England 1066-1307,* 2nd ed. (Malden, MA: Blackwell, 2002).

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Economic sociology

During the mid 1980s, economic sociology emerged as a reinvigorated and highly productive branch of sociological inquiry. Despite its formidable provenance in the German and French intellectual schools of Weber and Durkheim, economic sociology was marginalized and all but abandoned in the 1940s as sociologists ceded analysis of economic issues to trained economists.[49] As a result, a gaping disciplinary rift developed between the study of society and the economy. The "new" economic sociology, unofficially inaugurated by Mark Granovetter's seminal 1985 essay on "embeddedness," signaled a movement among sociologists (as well as scholars in other disciplines) to reconsider economic institutions—especially the market—as socially constructed and constituted phenomena.[50] This sociological perspective is integral to the history of consumer credit reporting and an understanding of financial identity as an institutional category of individual valuation.

As suggested by Granovetter's essay, the concept of embeddedness, derived from the work of Hungarian intellectual Karl Polanyi, was central to this reconceptualization. The term "embedded" appears only several times in Polanyi's 1944 magnum opus *The Great Transformation,* but it exerted much influence as a conceptual counterpoint to the neoclassical paradigm, which viewed the "real" economy as function of autonomous, self-regulating markets populated by asocial,

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[49] For an overview of this history, see Richard Swedberg, "Major Traditions of Economic Sociology," *American Review of Sociology* 17 (1991): 251-276.

[50] Mark Granovetter, "Economic Action and Social Structure: The Problem of Embeddedness," *American Journal of Sociology* 91 (1985): 481-510. For an insightful critique of Granovetter and the influence of Polanyi's concept, see Greta A. Krippner, "The Elusive Market: Embeddedness and the Paradigm of Economic Sociology," *Theory and Society* 30 (2001): 775-810.

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self-interested actors. For Polanyi, economic activity was inherently social. The economy—any economy—could not exist as a self-regulating, autonomous entity since it was always already embedded in social relationships. "The outstanding discovery of recent historical and anthropological research is that man's economy, as a rule, is submerged in his social relationships."[51] Polanyi was not hostile to economics or even industrialization, but to the ideological concept of the self-regulating market, which, he argued, was a utopian illusion forced upon society during the nineteenth-century with disastrous effects. Market economies, Polanyi asserted, were grossly unnatural because they operated on the false assumption that individuals are motivated primarily by their own material profit. Rejecting this, he argued that material profit was valuable not in itself, but only insofar as it enhanced one's status or standing in the eyes of society.

In arguing that the economic is embedded in the social—and that market-based economies work to obscure this—Polanyi offers a conceptual framework in which the history of credit reporting can be viewed. Credit relationships, as already noted, depend above all upon trust between individuals (and later individuals and institutions). Though the development of credit reporting represented an effort to enhance social trust through systemization, the process of translating individual histories and behavior into quickly referenced codes had a reifying effect. Credit decisions, once an informal process based upon direct interpersonal relationships, were rent from such social contexts and became increasingly abstract. The individual,

[51] Karl Polanyi, *The Great Transformation: The Political and Economic Origins of Our Time* (Boston, MA: Beacon Press, 2001), 48.

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reduced to alphanumerical codes and impersonal files, began to assume an institutional reality that circulated in ever-expanding contexts beyond the direct intervention of individuals themselves. In this way, financial identities took on a life of their own. Within the logic of a market economy that functioned increasingly upon credit relationships between strangers, financial identity emerged as a privileged category of objective knowledge. Since, strictly speaking, economic relationships are always social, credit relationships were not dis*embedded* from social relationships, they were dis*embodied.*

This process, however, did not go unopposed. The first commercial credit reporting firms were denounced as vehicles of espionage and defamation. In particular, opponents of credit reporting cited fundamental flaws in the rating system and criticized the bias and incompetence of the agencies' reporters. In short, they objected to the idea that the sum of an individual's character and entrepreneurial potential could be meaningfully represented in such highly reductive reports. The new transparency insisted upon by creditors obscured as much as it revealed. Such opposition, though clearly present, does not seem to have risen to the level of generalized popular discontent. And consumer credit reporting, which emerged during the late nineteenth century, does not seem to have elicited any backlash comparable to that surrounding mercantile credit. Yet, public resistance can be inferred from the reluctance among retailers to request personal financial information from their credit customers. Such requests were viewed as a breach of propriety; they were insulting

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not only as an invasion of privacy, but also for injecting social relationships with explicit calculations of monetary risk.

Here the study of credit reporting runs parallel to the work of Viviana Zelizer, a leading figure in the cultural branch of contemporary economic sociology. In *Morals and Markets,* Zelizer examines changing American attitudes toward the concept of life insurance during the nineteenth century.[52] This emergent industry encountered strong social resistance during its early years because it was perceived as an amoral system for assigning monetary values to individual lives. As Zelizer describes, the insurance industry overcame this resistance through vigorous advertising and public relations campaigns designed to cloak the profane profitability of death in religious rhetoric and appeals to paternalistic responsibility. While much of Zelizer's focus is on the development of nineteenth-century attitudes and rituals surrounding death—and the key role played by the insurance industry in establishing them—the social and moral dimensions of insuring individual lives is similar to that of codifying individual creditworthiness. In essence, both involve the calculation of risk and the assignment of differential monetary valuations to individuals.

The development of life insurance highlights the problematic role of money as a mediator of social relationships, an issue that Zelizer has elaborated upon in

[52] Viviana A. Zelizer, *Morals and Markets: The Development of Life Insurance in the United States* (New York: Columbia University Press, 1979). Zelizer's "Human Values and the Market: The Case of Life Insurance and Death in 19th-Century America," *American Journal of Sociology* 84 (1978): 591-610, derived from the *Morals and Markets*, appears in several anthologies of contemporary economic sociology.

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subsequent works.[53] The development of credit reporting involves similar issues. Thus one of the underlying concerns of this study is the connection between financial identity and monetary value. How has credit reporting—and particularly the development of quantitative systems of credit scoring—worked to monetize individuals in the modern credit economy? While insurance companies employed statistical and actuarial methods to ascribe monetary values to individuals, credit reporting functioned much more directly in its effort to isolate and classify individual behavior. As a mechanism of deterrence, credit reporting sought to predict the likelihood of individual success or failure by entering into the moral and psychological (as well as the financial) disposition of credit seekers. Charles H. Cooley, an unheralded but not inconsequential figure in history of American economic sociology, observed this practice among professional credit reporters. Commenting on the defining characteristics of "social intelligence," he wrote,

> The most intelligent man is he who can most adequately dramatize that part of the social process with which he has to deal. . . . [A] business man must see a proposed transaction as a living, moving whole, with all the parties to it in their true human characters. I remember talking with an investigator for one the great commercial agencies who told me that in forming his judgment of the reliability of a merchant he made a practice, after an interview with him, of imagining him in various critical situations and picturing to himself how such a man would behave—of dramatizing him.[54]

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[53] See Viviana Zelizer, *Pricing the Priceless Child: The Changing Social Value of Children* (New York: Basic, 1985) and *The Social Meaning of Money: Pin Money, Paychecks, Poor Relief, and Other Currencies* (New York: Basic, 1994).

[54] Charles H. Cooley, *Social Process* (New York: Charles Scribner's Sons, 1918), 359. This volume also includes a series of essays on the social nature of pecuniary valuation in which Cooley asserts that 1) all things human—including moral and aesthetic qualities—are implicitly weighed within a system of "pecuniary" valuation; that 2) these values are mediated through social institutions; and that 3) the market, like the state and church, is just one of many social institutions (albeit a privileged one). In reviewing the historical antecedents of the new economic sociology, Swedberg identifies Cooley as a noteworthy exception among American sociologists for his economic interests. "What makes Cooley's

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Such dramatizations illustrate the striking centrality of character, rather than capital, as a measure of creditworthiness.

If the democratization of mass finance freed individuals from credit restraints based upon material collateral, it came with new strings attached. Indeed, one of the ironies of formalized credit transactions is that, unlike cash payments—which, as Simmel once observed, offer the possibility of anonymity and privacy—credit produces textual evidence: a money trail.[55] Though the money trails produced by individual consumers were initially scattered and, from the perspective of local agencies, difficult to apprehend in their totality, the implementation of database computing during the late twentieth century profoundly changed this. One of the questions that this study addresses is how the textualization of financial identity, formalized in the institution of national consumer credit bureaus, both facilitated and obscured the conflation of financial and moral dimensions of personal identity.

The development of individual financial identity provided an entry point through which money values penetrated the individual. As Evans Clark, a pioneering historian of consumer credit, observed, "In this campaign for markets the average man has undergone a metamorphosis. He is revealed as a sort of business concern in himself."[56] It has long been observed that money subverts and even degrades social relationships. But financial identity does this more discreetly, at an institutional level.

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analysis of economic topics particularly insightful," Swedberg adds, "is his insistence on the centrality of communication in the economic process" ("Major Traditions of Economic Sociology," 264).

[55] Georg Simmel, *The Philosophy of Money,* trans. Tom Bottomore and David Frisby, 2nd enlarged ed. (London: Routledge, 2001), 469.

[56] Evans Clark, *Financing the Consumer* (New York: Harper & Brothers, 1930), 3.

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Very much like the development of life insurance, which permitted the monetary valuation of human life, the development of financial identity, a by-product of credit reporting, facilitated the valuation of individuals as customers first, but later as employees and citizens as well. This monetized self is a privileged form of identity in many sectors, but particularly in the sphere of consumption. While I make no claims that the monetized self is the only or even dominant identity carried by individuals, it should not be controversial to claim that it is a crucial dimension of individual identity in a society in which access to goods, services, and even employment is regulated by financial identity.

History of consumer society

During the mid 1980s—the same time that surveillance studies and economic sociology emerged (or reemerged) as significant fields of inquiry—the development of consumer society attracted newfound scholarly attention as a historical and cultural phenomenon. Public debate over the limits and propriety of consumption is certainly nothing new; it is as old as the American colonies. However, as Lawrence Glickman notes, "It was only in the late 1970s and 1980s that historians began to treat consumption as an important part of the fabric of American life, one worthy of study."[57] While the chronology of the modern consumer society is widely debated—many date it to the nineteenth-century, others to the eighteenth century or much earlier—it is generally agreed that a profound transition occurred as consumer goods

[57] Lawrence B. Glickman, "Born to Shop? Consumer History and American History," in *Consumer Society in American History: A Reader,* ed. Lawrence B. Glickman (Ithaca, NY: Cornell University Press, 1999), 9.

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and their acquisition came to dominate social experience with a particular new valence.

The rise of consumer culture in the United States was a complex economic, social, and technological phenomenon. "No single `linchpin' explains the vitality of modern consumer societies," as Calder observes. "Nevertheless, the economic and cultural importance of consumer credit is hard to overestimate."[58] This view is hardly reflected in the growing body of historical studies of U.S. consumer society. Instead, recent scholarship is disproportionately devoted to the visual technologies of advertising and retail merchandising during the late nineteenth and early twentieth centuries. This is unsurprising, and perhaps not unwarranted, since advertising and merchandising provide some of the most compelling evidence of consumption's apotheosis—or at least carefully crafted claims to this effect—during this period. While advertisements in mass-circulation periodicals incited desire and insecurity among their readers, the development of palatial urban department stores transformed the shopping experience and lifted the aesthetics of commodity fetishism to new heights. All of this captivated late-nineteenth-century shoppers and by the early decades of the twentieth century succeeded in cultivating a new acquisitive disposition that penetrated deeply into the American psyche. However, as Daniel Miller has argued, "To think that we have studied capitalism by reading off the semiotics of

[58] Calder, *Financing the American Dream,* 12.

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advertising is self-delusion. We need to be inside business examining it with the same intensity and scrutiny as might be employed inside the home."[59]

Though the use of credit—the purchase of goods on time and the development of credit cards—often appears in such accounts, it is rarely treated as more than a side note. One noteworthy exception is Leach's *Land of Desire,* which includes a brief section on the "Consumer Credit Apparatus." As credit relationships became formal transactions between individuals and institutions, Leach observes, the wiggle room permitted in face-to-face negotiations with creditors—even abusive pawnbrokers and loan sharks—vanished. "Now the sources of cash were being displaced to some extent by more impersonal finance companies and banks, who joined creditmen's associations and retail store detectives in shadowing, monitoring, and disciplining consumer behavior." According to Leach, "Consumers had much to dread from the credit agencies and merchants, which, on the one hand, encouraged spending and heavy reliance on credit . . . and, on the other hand, extracted payments, imposed liens on wages, and took laggards to court."[60]

The fact that consumer credit constrained as much as it liberated is a point that Calder also makes. Cautioning against accounts of consumer culture that weigh too heavily on either side, Calder writes, "I regard consumer credit as an instrument of both cupidity and control."[61] The tension between indulgence and denial was even

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[59] Daniel Miller, "Consumption as the Vanguard of History: A Polemic By Way of Introduction," in *Acknowledging Consumption: A Review of New Studies,* ed. Daniel Miller (London: Routledge, 1995), 52.
[60] William Leach, *Land of Desire: Merchants, Power, and the Rise of a New American Culture* (New York: Vintage, 1993), 300.
[61] Calder, *Financing the American Dream,* 31.

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played out within retail operations themselves, as sanguine sales clerks battled sober credit managers over the creditworthiness of their consumers. Yet Calder's insightful and highly informative "cultural history of consumer credit" says almost nothing about credit reporting as an instrument of discipline. Without placing too great a burden on his path-breaking work, it is a curious omission, especially since much of his analysis focuses on the institutional lenders that emerged to dispense consumer credit. What Calder and others who note the disciplinary force of debt imply but do not directly address is how the web of institutional relationships imposed by credit actually exerted its power. To say that consumers felt pressure to work hard in order to pay one's bills is one thing; to speak of the consequences for failing to do so, or the way consumer behavior was implicated in the construction of financial identities, is quite another.

Perhaps Calder, in an effort to strike a balance between the positive and negative aspects of consumer credit, shied away from credit reporting. For as a mechanism of social control and surveillance, consumer credit reporting weighs heavily on the side of coercion and constraint. Though recent studies of consumer culture have done much to rehabilitate the consumer as an active, self-making agent rather than a passive dupe, the history of credit reporting traces the progress of institutions as a mediating force in the lives of individuals. While the power of early credit reporting organizations was limited, this is less true a century later. Credit reporting is integral to the history of U.S. consumer society because, among other things, it is a communication infrastructure that has only grown in significance over the last thirty years. Beneath the spectacular surface semiotics of advertising, credit

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reporting emerged as a subterranean system of communication through which information about individuals was collected, classified, and controlled. The institutionalizing of consumer behavior and identity, facilitated by credit reporting, profoundly changed how individuals are conceptualized and communicated with in a wide variety of economic and social contexts.

One of these contexts is target marketing. It is here that this study draws upon the institutional perspective of Joseph Turow, whose investigations of target marketing consider the logic and social implications of consumer segmentation.[62] As Turow has argued, modern marketers do not simply address already existing customers; they draw upon statistical and demographic data to construct ideal, often narrowly defined, audiences for their messages. These "industrial constructions of society" are significant because they reinforce existing divisions (by race, income, age, or gender, for example) and serve to isolate individuals in ascribed niches that are valued differently and kept out of conversation with one another. Discriminatory marketing is thus implicated in issues of identity and representation, as "segment-making media" encourage individuals to think of themselves as part of ever-shrinking and insular consumer communities. Target marketing was revolutionized by database computing in the 1970s and 1980s, however, the drive to identify and classify consumers was well underway by the 1920s. Early credit bureaus did not compile marketing data (though contemporary credit reporting firms do), but the store credit departments that

[62] Joseph Turow, *Breaking Up America: Advertisers and the New Media World* (Chicago: University of Chicago Press, 1997); "Segmenting, Signalling and Tailoring: Probing the Dark Side of Target Marketing," in *Critical Studies in Media Commercialism,* ed. Robin Andersen and Lance Strate (New York: Oxford University Press, 2000), 239-249; and *Niche Envy: Marketing Discrimination in the Digital Age* (Cambridge, MA: MIT Press, 2006).

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provided the bureaus with much of their information did. Eager to maximize their promotional expenditures, retailers turned to their in-house credit records to identify their most profitable customers. Early filing and punch card systems were developed to track the age, gender, marital status, occupation, buying preferences, and credit standing of individual customers. These "customer control" technologies were cumbersome by modern standards, but the logic behind them was the same. The intersection of credit management and sales promotion during the 1920s and 1930s reveals the early stirrings of discriminatory marketing and the systematic disaggregation of the American mass consumer.

Limitations

As already noted, the historical study of consumer credit reporting is hampered by a lack of clearly defined bodies of evidence, an obstacle that has no doubt discouraged scholars from addressing the topic. Under ideal conditions a study of this type would focus on one or several credit bureaus in a single geographic region over a narrow period of time. Unfortunately, the absence of neatly bounded archives makes this impossible. While tracing the development of credit reporting and financial identity over the period of a century and over a national canvass, distortions are inevitable. Consumer credit reporting did not emerge uniformly over time or in the same way in all places, urban or rural, on the East coast or in the Midwest. This study seeks to introduce and illuminate a pivotal but overlooked chapter in American

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cultural history. It is the beginning of a conversation, one with many rich connections and potential digressions, rather than its end.

Additionally, while using the descriptive term consumer credit reporting, the focus of this study is limited to retail credit—open book accounts, charge accounts, and installment purchases. The development of credit checking systems among banks and finance companies is excluded. This may seem peculiar given the importance of credit reporting to contemporary financial institutions. However, few Americans obtained personal loans for consumption prior to the founding of industrial banks and finance companies in the 1910s (illegal pawnbrokers and loan sharks, notwithstanding). Neither of these institutions, nor the personal loan departments of banks that emerged in the late 1920s, played a significant role in the development of credit reporting. This was partly because the sums lent were so small as to obviate the expense of credit investigations, and partly because loans received for durable items, especially automobiles, could be recouped through repossession in the event of default.

Also, while focusing on the techniques developed by early-twentieth-century credit professionals to collect and evaluate individual credit risk, this study does not address a related function that they performed: collections. From the beginning, credit and collections were two sides of the same coin. Credit managers were as concerned with allocating credit as they were with recovering unpaid debts, and many credit reporting organizations provided collection services for their subscribers. The history

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of collections, as a specialized practice and emergent industry, deserves its own study and it thus omitted here.

Finally, while describing consumer credit reporting as a system of disciplinary surveillance, this study says little about its effect on the behavior or psychology of individual consumers. For better or worse, this is a history of consumer credit reporting seen largely through the eyes of those who founded it: professional credit managers and bureau operators. Any claims to powerful effects made by such sources must be taken with a grain of salt. Though every effort has been made to infer effects though readings of contemporary press accounts, the near silence of the American public on the matter of consumer credit reporting leaves little evidence with which to work. Were Americans resigned to consumer credit reporting? Ignorant of it? Too new to mass credit privileges to assert their rights over its regulation? These are open questions. This study does not address the efficacy of consumer credit reporting—that is, whether or not it "works"—but the ideological aspirations of its organizers and the formation of financial identity as a morally-laden concept with broad significance in contemporary American life.

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CHAPTER 1: The Birth of Systematic Credit Reporting

"There is probably no other country in which credit is so purely personal as in the United States," Francis Grund wrote in an 1837 account of American life and society. Grund, an Austrian-born political journalist who immigrated to the United States in the 1820s, was impressed by the moral rather than material basis of credit granting in the United States. In Europe, he observed in his Tocquevillian study, credit was reserved for those with ample collateral property, thus reinforcing Old World hierarchies and a class-bound distribution of wealth and opportunity. "In America the case is different. Men there are trusted in proportion to their reputation for honesty and adaptation to business. Industry, perseverance, acquaintance with the market, enterprise, in short, every moral qualification of a merchant increases his credit as much as the actual amount of his property." This, Grund concluded, was the true "genius" of the American credit system.[63]

The apparent egalitarianism of American credit was as much a product of practical necessity as it was of any political ideology. During the nineteenth century the United States was transformed into an increasingly complex credit economy. The roots of this transition extended deep into the colonial period, but the development of private banking institutions, lengthening inland trade connections, shortages of circulating currency, and burgeoning industrialization during the early republic all contributed to the expanded use and importance of credit relationships. "Credit is the vital air of the system of commerce," Daniel Webster told the U.S. Senate in 1834. "It

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[63] Francis J. Grund, *The Americans in Their Moral, Social, and Political Relations* (London: Longman, Rees, Orme, Brown, Greene, and Longman, 1837), 111-113, 117.

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has run deep and wide into our whole system of social life."[64] Credit—its nature and legitimacy—was central to hotly debated issues of national monetary policy throughout the nineteenth century. While many, notably bankers, investors, and upstart merchants, embraced the so-called "credit system" as a necessary tool of economic development, others opposed credit as a dangerous and unnatural contrivance that gave unfair advantage to the wealthy and, even worse, tempted economic disaster by encouraging rampant speculation. Evidence of such disasters was not difficult to find, as the panics of 1819 and 1837 demonstrated. Yet, what all sides in the debate came to understand was that credit, in addition to being an economic and institutional phenomenon, was also distinctly social. As nineteenth-century commentators often reminded their readers, credit is based, for good or ill, upon one person's faith in another's ability and willingness to pay in the future. "Credit, in commercial nations," a writer for *Hunt's Merchant's Magazine* observed in 1840, "is little more than public opinion."[65]

The proliferation of credit, which accelerated during the Jacksonian market revolution of the 1820s and 1830s, signaled the capitalist transformation of American society. This was a transformation characterized by great booms and busts. Summarizing witness accounts of the period, historian Marvin Meyers wrote: "Everywhere the observers of Jacksonian society discovered violent motion: in the continuous migrations; in the rise and transformation of communities; in the perpetual revolution of technics, trade patterns, and business organization; in wild business

[64] Daniel Webster, "The Continuance of the Bank Charter," *The Writings and Speeches of Daniel Webster,* vol. 7 (Boston: Little, Brown, 1903), 89, 92.
[65] "The Principles of Credit," *Hunt's Merchant's Magazine* 2, no. 3 (March 1840): 194.

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fluctuations, monetary instability, and the rapid rise and fall of private fortunes."[66] As urban concentrations on the eastern seaboard swelled during the early decades of the nineteenth century, and western migration brought growing numbers inland, American society began to exhibit telltale signs of modernity. Chief among them was a breakdown of social trust within the commercial sphere.[67] This had a profound impact on merchants and traders whose business depended upon lengthening chains of credit. Each spring and fall, tradesmen from all parts of the country converged on New York City and other coastal hubs, seeking (often on credit) merchandise from importers, manufacturers, wholesalers, and jobbers that they could resell in their home markets (again, often on credit). By offering liberal credit terms, merchants, in effect, became bankers first to one another and then to local customers and communities. Nineteenth-century communities were bound together tightly by networks of mutual obligation. The extent of such financial entanglements is vividly illustrated in a mid-nineteenth-century newspaper account. "I shall doubtless be able to pay you in a few days—a month at most," the cheerful recipient of credit goods reassured his creditor.

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[66] Marvin Meyers, *The Jacksonian Persuasion: Politics and Belief* (Stanford, CA: Stanford University Press, 1960), 122. See also Charles Sellers, *The Market Revolution: Jacksonian America, 1815-1846* (New York: Oxford University Press, 1991).

[67] The problem of trust (and its obverse, risk) as a defining feature of modernity occupies much of contemporary sociological theory, particularly in connection with the mediating role of institutions and technical expertise. See Anthony Giddens, *The Consequences of Modernity* (Stanford, CA: Stanford University Press, 1990), and Ulrich Beck, *Risk Society: Towards a New Modernity,* trans. Mark Ritter (London: Sage, 1992). Georg Simmel, among the first to underscore the importance of trust in modern financial relationships, notes the paradoxical interdependence of strangers in the burgeoning credit economy. See Simmel, "The Sociology of Secrecy and Secret Societies," trans. Albion W. Small, *American Journal of Sociology* 11 (1906): 441-498, esp. 445-446, and *The Philosophy of Money.* The risk management perspective is dominant among economists, who generally view credit reporting as a solution to the problem of imperfect or asymmetrical information in lending situations. See Margaret J. Miller, "Introduction," in *Credit Reporting Systems and the International Economy,* ed. Margaret J. Miller (Cambridge, MA: MIT Press, 2003), 1-21.

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> Squire Jones is expecting some money in a few days, and then he will be able to pay Tom Briggs for cutting that lot of logs. Tom cut them last spring, you know. –Briggs owes Muggs, the butcher, who owes Cripps the shoemaker, who owes Wiggins, the tanner, who owes me for ten cords of bark. When Jones pays Briggs, he will pay Simpson, who will pay Cripps, who will pay Wiggins; then Wiggins will pay me and I shall be able to settle for this little bill of goods. So you see the money *must* come in *time.*"[68]

Such local networks were one end of a very long chain that extended to the highest levels of commerce at the other—wholesalers, importers, manufacturers, banks, and financiers. But as many discovered, often through disaster, the traditional way of assessing a credit-seeker's trustworthiness—direct experience, word of mouth, and letters of recommendation—proved increasingly unreliable.[69] "Next door neighbors are perfect strangers in the city; whereas in the country, the lineage of every family within ten miles is as well known as that of one's own kindred," a journalist noted in 1838. "The repositories of all traditionary information—the old people—are versed in the occupations, way of life, characters and tempers, of all their neighbors for half a century back."[70]

Beginning in the 1840s a new institution of mass surveillance, the commercial credit reporting agency or "mercantile agency," emerged to facilitate safe business relationships in a world increasingly inhabited by strangers.[71] These private-sector

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[68] "You Trust? . . . Of Course!" *Wellsborough (PA) Agitator,* 27 December 1855, 2.
[69] On recommendation letters and their connection to bookkeeping, clerical writing, and notions of moral accountability, see Thomas Augst, *The Clerk's Tale: Young Men and Moral Life in Nineteenth-Century America* (Chicago: University of Chicago Press, 2003), esp. 219-232. The crisis of social identity in nineteenth-century America, articulated in advice manuals that promoted "'transparency' of character" (xvi), is well described in Karen Halttunen, *Confidence Men and Painted Ladies: A Study of Middle-Class Culture, 1830-1870* (New Haven, CT: Yale University Press, 1982).
[70] "Inquisitiveness," *American Monthly Magazine* (March 1838): 276-277.
[71] The first (and, for many years, only) history of nineteenth-century credit reporting is James D. Norris, *R.G. Dun & Co., 1841-1900: The Development of Credit-Reporting in the Nineteenth Century* (Westport, CT: Greenwood Press, 1978). For an excellent recent account, see Rowena Olegario, *A*

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organizations brought thousands of U.S. citizens—merchants, traders, manufacturers, and artisans—into national networks of social monitoring. Though the development of modern surveillance is typically associated with the rise of the nation-state, American credit reporting was among the most totalizing and invasive systems of surveillance to emerge anywhere in the nineteenth-century world.[72] The model for these early agencies was established in 1841 by Lewis Tappan, an evangelical Christian and noted abolitionist who ran a silk wholesaling business in New York City with his brother Arthur.[73] Emerging nearly bankrupt from the panic of 1837, an economic crisis precipitated by a cascade of defaulted debt, Tappan launched The Mercantile Agency—a name that became generic for such institutions—to implement a national

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Culture of Credit: Embedding Trust and Transparency in American Business (Cambridge, MA: Harvard University Press, 2006). Company-sponsored histories include Edward Neville Vose, *Seventy-Five Years of The Mercantile Agency R.G. Dun & Co. 1841-1816* (Brooklyn, NY: R.G. Dun, 1916), and Roy A. Foulke, *The Sinews of American Commerce* (New York: Dun & Bradstreet, 1941). A superb description of Tappan's agency and its contribution to emergent nineteenth-century notions of identity is provided in Scott A. Sandage, *Born Losers: A History of Failure in America* (Cambridge, MA: Harvard University Press, 2005), 99-158. Scholarly essays include R.W. Hidy, "Credit Rating before Dun and Bradstreet," *Bulletin of the Business Historical Society* 13 (1939): 81-88; Lewis E. Atherton, "The Problem of Credit Rating in the Ante-Bellum South," *Journal of Southern History* 12 (1946): 534-56; Bertram Wyatt-Brown, "God and Dun and Bradstreet, 1841-1851," *Business History Review* 40 (1966): 432-450; James H. Madison, "The Evolution of Commercial Credit Reporting Agencies in Nineteenth-Century America," *Business History Review* 48 (1974): 164-186; Rowena Olegario, "'That Mysterious People': Jewish Merchants, Transparency, and Community in Nineteenth-Century America," *Business History Review* 73 (1999): 161-189; and Rowena Olegario, "Credit Reporting Agencies: A Historical Perspective," in *Credit Reporting Systems and the International Economy*, ed. Margaret J. Miller (Cambridge, MA: MIT Press, 2003), 115-159.

[72] See Jane Caplan and John Torpey, eds., *Documenting Individual Identity: The Development of State Practices in the Modern World* (Princeton, NJ: Princeton University Press, 2001). The editors acknowledge the limitations of a state-based focus in this "embryonic" field of inquiry and recommend a broader perspective that includes the commercial sector (4).

[73] Tappan's model did not emerge sui generis. On American precursors, see Norris, *R.G. Dun & Co., 1841-1900*, 10-14; on earlier English trade societies, see Olegario, *A Culture of Credit*, 32-35; on credit networks in early modern Europe, see Laurence Fontaine, *History of Pedlars in Europe,* trans. Vicki Whittaker (Durham, NC: Duke University Press, 1996), chap. 6; Craig Muldrew, *The Economy of Obligation: The Culture of Credit and Social Relations in Early Modern England* (New York: St. Martin's, 1998); and Philip T. Hoffman, Gilles Postel-Vinay, and Jean-Laurent Rosenthal, *Priceless Markets: The Political Economy of Credit in Paris, 1660-1870* (Chicago: University of Chicago Press, 2000).

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system of credit checking. "This AGENCY," he announced in an 1843 advertisement, "was established . . . for the purpose of procuring by resident and special agents, information respecting the standing, responsibility, &c., of country merchants . . . . It is not a system of espionage, but the same as merchants usually employ—only on an extended plan—to ascertain whether persons applying for credit are worthy of the same and to what extent."[74] As one agency advocate explained in 1858, "False and fraudulent representations by a purchaser are mercilessly exposed by the Agency; plausible swindlers are detected; the weak and incompetent trader described, and the extravagant checked."[75]

As a system of mass surveillance, the mercantile agency functioned as a system of surveillance and social control by textualizing absent bodies. Like the nineteenth-century nation-state, it sought to render the individual legible.[76] Such legibility centered upon texts: handwritten reports, correspondence, ledgers, notes and, later, printed reference volumes and newsletters that compressed an individual life into a brief statement of creditworthiness, ultimately represented by a numerical value. At the core of Tappan's reporting system was a library of imposing ledgers in which all known businesses in the U.S. were documented along with detailed reports on the personal character, financial means, and local reputations of their proprietors.[77] This

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[74] "Mercantile Agency," *New-York City and Co-Partnership Directory for 1843 & 1844* (New York, [1843]): n.p.
[75] "The Mercantile Agency System," *The Banker's Magazine and Statistical Register* 7, no. 7 (January 1858): 548.
[76] On legibility as a technique of state control and social engineering, see Scott, *Seeing Like a State,* esp. 1-83.
[77] Between 1841 and 1890, Tappan and his successors filled more than 2500 volumes of credit reports (preserved in the R.G. Dun archive, Baker Library, Harvard Business School, Cambridge, Mass.). Many

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information was tightly controlled. Until coded reference books appeared in the late 1850s, subscribers—wholesalers, merchants, bankers, and insurance companies—received it only in the offices of the Mercantile Agency, and only as read by a discreet clerk who summarized it from the ledgers; copies were not available, and no written traces other than the subscribers' notes could leave the premises.

After Tappan relinquished his stake in the agency in 1854, his system was continued by several associates, including Robert Graham Dun, who took over in 1859 and ran the firm as R.G. Dun and Company. Tappan's agency was the first to achieve wide success, but it was not the only one in existence. Its chief rival was The Bradstreet Company, founded in 1849 by John M. Bradstreet, a former dry goods merchant based in Cincinnati, Ohio. In 1855 Bradstreet moved his base of operations to New York City, and the two companies competed aggressively until 1933, when they merged to form Dun and Bradstreet, one of the preeminent commercial credit rating firms in the world today. By the late nineteenth century specialized reporting firms were formed to serve a number of industries, such as manufacturers of iron and steel, jewelry, furniture, shoe and leather, and construction materials.[78] In the lumber trade, for example, the John W. Barry Company published "Barry's Book," which listed some 35,000 retail lumbermen and 2000 wholesale dealers. "This concern has a system of interchange of information peculiar to itself," a Chicago journalist wrote in 1896, "which is so thorough and comprehensive that a retail lumberman out in Dakota

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nineteenth-century agencies, including Tappan's, reported the credit standing of individuals outside the United States, notably in Canada.

[78] Wahlstad, *Credit and the Credit Man*, 106-115.

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village cannot stand the milkman off for half a dollar's worth of tickets without every wholesale lumberman in the country being apprised of the fact before night."[79]

The American mercantile agency system represented a radical new technology of institutional surveillance. Credit reporting served a different purpose than other forms of bureaucratic centralization and communication that emerged during the mid-nineteenth century, notably those associated with the railroad and telegraph.[80] The mercantile agency's raison d'être was to collect information about people. In the absence of certified financial statements, the basis of corporate credit assessment today, nineteenth-century commercial credit reporting was a study of individuals rather than faceless organizations. As nineteenth-century businesses were typically sole proprietorships or small partnerships, commercial credit reporting entailed investigations into the integrity of these particular persons. Moreover, the information processed by these agencies was not primarily for internal recordkeeping or administrative use, but for commodification and distribution.[81] In this light, the mercantile agency can be seen as a distant harbinger of the modern information economy.

The mercantile agency system of the 1840s introduced an entirely new way of identifying, classifying, and valuating individuals as economic subjects. What Tappan and his successors invented was not just a highly coordinated system of disciplinary

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[79] "The Mercantile Agencies: They Have Grown Indispensable to Business," *Chicago Tribune,* 15 March 1896, 6.
[80] Alfred D. Chandler, Jr., *The Visible Hand: The Managerial Revolution in American Business* (Cambridge, MA: Harvard University Press, 1977); Beniger, *The Control Revolution*; and JoAnne Yates, *Control Through Communication: The Rise of System in American Management* (Baltimore, MD: Johns Hopkins University Press, 1989).
[81] Sandage aptly refers to mercantile agencies as "identity brokers" and notes their role in fostering the commodification of identity during the nineteenth century (*Born Losers,* 149).

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surveillance, but the very idea of financial identity itself. This new technology of identification became a key infrastructural component of the modern credit economy and, in turn, produced its own category of social reality. Within the mercantile agency's integrated network of recordkeeping and transcription—an example of what Foucault termed "disciplinary writing"—financial identity served as the primary unit of analysis.[82] Such disembodied textual representations fostered a new epistemology of risk, one that converted the financial means and reputation of individuals into quasi-empirical facts.[83] The purported facticity of financial identity not only imposed parameters of normative behavior, but also offered the tantalizing possibility of rational calculation. Here, the development of American credit reporting can be viewed in the broader context of nineteenth-century quantification, particularly the new sciences of statistics and accounting.[84] The same ideals of objectivity and transparency that stimulated the quantification of populations, social phenomena, and commercial transactions were also manifest in the development of financial identity as a site of individual accountability.

The national credit reporting apparatus forged during the ante-bellum market revolution constituted a new regime of economic objectification, one that facilitated the penetration of market values and commercial morality into the everyday lives of nineteenth-century Americans. Importantly, the surreptitious operation of these private

[82] Foucault, *Discipline and Punish,* 170-288; and *Power/Knowledge,* 71-75, 146-165.
[83] Poovey, *A History of the Modern Fact.* A similar process of financial objectification was at work in the nineteenth-century life insurance industry; see Zelizer, *Morals and the Markets.*
[84] See Patricia Cline Cohen, *A Calculating People: The Spread of Numeracy in Early America* (New York: Routledge, 1999); Porter, *Trust in Numbers*; and Ian Hacking, *The Taming of Chance* (Cambridge: Cambridge University Press, 1990). See also Daniel J. Boorstin's discussion of "statistical communities" in *The Americans: The Democratic Experience* (New York: Vintage, 1973), 165-244.

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agencies incited vigorous opposition among many Americans, resistance evident in numerous published denunciations, legal battles, and legislative efforts to curtail the mercantile agency system. The concept of financial identity that emerged in the 1840s is the direct precursor of consumer credit identity, and the privacy debates that flared around its early development remain with us today. Above all, the history of nineteenth-century financial identity reveals the *moral* underpinnings of all credit reporting systems, including those in which financial behavior and performance—socially determined markers of trustworthiness and economic legitimacy—are obscured behind the veil of quantification and technical neutrality.

The development of the mercantile agency system

Until the early nineteenth century, commercial activity was essentially local and credit assessment was largely an informal, embodied practice based on personal observation and conversation with neighbors and associates. Such direct experience provided a measure of security (perhaps illusory) that one knew who one was dealing with. "The most trifling actions that affect a man's credit are to be regarded," Benjamin Franklin instructed. "The sound of your hammer at five in the morning, or eight at night, heard by the creditor, makes him easy six months longer; but if he sees you at the billiard-table, or hears your voice at a tavern, when you should be at work, he sends for his money the next day."[85] Thus the judicious creditor actively surveilled his neighbors, looking and listening for evidence of integrity or, contrarily, sloth and

[85] Quoted in Max Weber, *The Protestant Ethic and the Spirit of Capitalism,* trans. Talcott Parsons (New York: Charles Scribner's Sons, 1958), 49.

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vice. Such information culled from prying eyes and ears was distilled in community opinion, which could be tapped as needed. Knowledge of an individual's property and financial assets was fundamental, but equally important was knowledge of his or her character. It was not simply a matter of whether one had the means to repay one's debts, but whether one was the sort of person who felt sufficiently constrained, by conscience or social obligation, to do so. Not everyone did. Legal remedies for collecting debts were imperfect, and the passage of a federal bankruptcy law in 1841 provided the insolvent with generous legal and financial protection. Not surprisingly, jilted creditors sought more penetrating and reliable information about the financial reputation of would-be borrowers, especially those they did not know.[86]

When credit information could not be obtained through personal knowledge or the word of a trusted acquaintance, letters of recommendation were accepted as surrogates. Written by clergymen, lawyers, bankers, and business associates, these open-ended testimonials vouched for the honesty of their bearer, providing a modicum of security in the absence of contradictory evidence. Such letters became more common as the geography of American commerce expanded. Seeking to drum up new business in the South, the Tappans advertised their willingness to extend credit terms to all who could produce "respectable letters."[87] Unfortunately, such letters were not difficult to obtain (through either persistence or collusion), and the Tappans suffered great losses when they trusted a system vulnerable to misrepresentation. Tappan's

[86] On the ante-bellum credit system and the impact of the 1841 Bankruptcy Act, see Edward J. Balleisen, *Navigating Failure: Bankruptcy and Commercial Society in Antebellum America* (Chapel Hill, NC: University of North Carolina Press, 2001), esp. 146-151.
[87] Atherton, "The Problem of Credit Rating," 536.

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"strange mercantile agency" may have seemed "a curious and somewhat thankless office" to one observer in the summer of 1841, but its appeal to "those merchants, who have suffered bitterly from dishonest men" was apparent.[88]

Commissioned investigations were embraced as a more dependable way to sound out distant strangers. Individual storekeepers and lawyers in the South would sometimes provide local credit information to eastern wholesalers, but this was rarely shared or systematic.[89] In the early nineteenth century, some large firms hired traveling reporters to canvass various areas of the country for information about businessmen who sought credit relationships, an approach that was both slow and expensive. One notable exception was Thomas Wren Ward, a retired Boston attorney who worked for Baring Brothers & Company, a London-based financial house.[90] Hired in 1829 to report on the firm's U.S. interests, Ward traveled from Maine to Louisiana to inquire into the standing of local businesses. This labor-intensive endeavor centered almost entirely on personal consultations. As Ralph Hidy has observed, "Merchants were averse to writing particulars about their neighbors and competitors. They would tell much more in private conversation, but that method involved constant travel."[91] Ward's good reputation and network of acquaintances gained him access to the candid opinions of his contacts, which he dutifully submitted to Baring Brothers until 1853. His terse reports, the first of their kind, summarized the

[88] "Strange Mercantile Agency," *North American Review and Daily Advertiser,* 27 July 1841, n.p.
[89] Atherton, "The Problem of Credit Rating," 535-536.
[90] Sheldon P. Church provided credit reports for several New York City dry goods wholesalers as early as 1827 and served as a traveling reporter in the South in the 1840s. See *The Commercial Agency: Its Origin, Growth, &c.* (New York: McKillop & Sprague, 1874), 3-4; Thomas F. Meagher, *The Commercial Agency "System" of the United States and Canada Exposed* (New York: n.p., 1876), 5; Foulke, *The Sinews of American Commerce,* 333-334, 366-368.
[91] Hidy, "Credit Rating before Dun and Bradstreet," 84.

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subject's capital and character. For example, "William Goddard [of Boston]—Safe and handsome property. $60,000 upwards. Very particular—energetic in business—has influence—apt to like strongly and dislike strongly."[92]

The mercantile agency system implemented by Tappan represented a major innovation in that it pooled the resources of the business community in a centralized, subscription-based reporting service. Key to its success was the use of unpaid local correspondents instead of lone traveling reporters. Most members of this vast network were attorneys who filed reports in exchange for referrals to prosecute debt collections in their communities. Commenting on the superiority of the local correspondent over the traveling reporter, Tappan wrote that, "the local agent . . . having his eye upon every trader of importance in his county, and noting it down as it occurs, every circumstance affecting his credit, favorably or unfavorably, becomes better acquainted with his actual condition than any stranger can be."[93] Tappan's agency had over 300 correspondents in 1844 and nearly 700 in 1846.[94] By the early 1870s this number soared to more than 10,000.[95] As business writer Jesse R. Sprague noted in 1943, "Lewis Tappan, it might be said, was first to apply the principles of mass production to credit reporting."[96]

The correspondent's primary task was to convey the local standing of individuals in situ. "Hence," a contemporary account explained, "the main object with

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[92] Quoted in Foulke, *The Sinews of American Commerce,* 363.
[93] Quoted in Norris, *R.G. Dun & Co., 1841-1900,* 22.
[94] Wyatt-Brown, "God and Dun and Bradstreet," 444, 447.
[95] *The Mercantile Agency: Its Claims Upon the Favor and Support of the Community* (New York: Dun, Barlow, 1872), 6.
[96] Jesse R. Sprague, *The Romance of Credit* (New York: D. Appleton-Century, 1943), 111.

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the agency is, to furnish THE HOME STANDING of the merchant obtained from intelligent and reliable sources, THERE. . . . There, and only there, can [w]e learn whether he owns property, and is a man of good character—whether he does a legitimate or a speculative business—and whether he is competent, steady, and attentive, or otherwise."[97] In essence, the correspondent was to extract and reproduce the individual's local reputation for a national audience. During the early years of the mercantile agency—indeed, until at least the 1860s—public records or personal statements were not a major component of these reports.

So what then was the basis of the correspondent's assessment? Personal opinion, informed hearsay, rumor, and anecdotes judiciously culled from local news and conversation. To modern observers these sources appear perilously subjective. But as Tappan indicated in the prospectus quoted above, his system was "not one of espionage, but the same as merchants usually employ—only on an extended plan." As this method was based primarily upon personal knowledge and communal opinion, the system was merely an attempt to formalize and elaborate these time-honored and trusted ways of knowing. "Particularly in the early years," as James H. Madison has noted, "correspondents relied on their general, personal knowledge of business conditions in the town or area of their responsibility. Most of their reports simply stated the subject's general reputation in the community."[98] Typical of such reports is the following excerpt:

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[97] "The Mercantile Agency," *Hunt's Merchant's Magazine* (24 January 1851): 47-48.
[98] Madison, "The Evolution of Commercial Credit Reporting Agencies," 171.

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Oliver Hutchins [New York City] Shoes
Apr 28/52 Has been in bus[iness] 10 yrs. Is a hard scrubbing, Indus[trious], money m[a]k[in]g man; prud[ent] & econom[ical]. [I]s s[ai]d to have made money & to be w[orth] eno[ugh] to m[a]ke him g[oo]d for all he wants. He owns R[eal] E[state] & is out of debt.[99]

At a fundamental level these reports served just two purposes, both of which were predictive: estimating the individual's chance of success in business and gauging the likelihood of securing repayment, particularly in the event of failure. Toward this end, the key information was encapsulated in what would later be formalized as the "three C's" of credit reporting: character, capacity, and capital. Each category had its own implicit indicators. For character: the individual's work habits (hard working? conscientious?), local reputation (well liked? trusted?), and personal life (married? alcoholic? gambler? philanderer?). For capacity: age, experience in business, past employment, and known history of successes or failures. For capital: assets, liabilities, and property owned by the individual, as well as assets potentially available through well-to-do family or business connections who might rescue an individual in default.[100] When information in one category was not available, which was often the case, additional details in another might serve to compensate. Thus, for example, where little information was known of the subject's debts or property, a few extra words might be said about his or her habits or family connections.

The heart of the mercantile agency system was the library of ledgers into which the correspondents' reports were transcribed.[101] According to an observer who

[99] "New York," Dun archive, vol. 189, 242.
[100] On character and capacity, see Olegario, *A Culture of Credit*, 80-118.
[101] For descriptions of nineteenth-century business writing and the constraints of ledger systems, see Yates, *Control Through Communication*; Martin Campbell-Kelly, "Data Processing and Technological

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visited the New York office in 1851, "Upwards of thirty men are constantly occupied in the details of this office alone, condensing, copying, and giving out reports, carrying on the correspondence, &c., &c. Their records are contained in more than 100 books, of the size of the largest leger [sic], extending to 600 and 700 pages each."[102] The following is a contemporary account of the agency's operations:

> Step into one of these offices and you see before you a row of heavy folio volumes lying at regular intervals upon a long desk, something in the manner of the newspapers in a hotel reading-room. A young man enters and hands to one of the clerks a slip of paper on which is written the name of a firm and place of business. The latter receives the paper, glances over it and proceeds to open one of the books. In a few moments he takes a pen, jots down something and passes it to the young man aforesaid, who perhaps finds written the following: "Peter Mullen, --------, --------- Co., Illinois. Has done business in the same store for the last thirty-five years—made some money—owns a lot in Chicago heavily mortgaged—is the oldest of two children—has lately married his second wife—is professionally a Methodist, and enjoys a general reputation for honesty."[103]

The ledgers were organized by location (county and state) and each entry began with the proprietor's name, line of business, and in some cases a street address. To conserve space, reports were rendered in a small hand and abbreviated language, often lacking punctuation or capitalization to separate sentences. The entry for each business was arranged as a single running paragraph, with updates in the series preceded by a small blank space, the date, and a code number or initials designating the source of the report. Such coding was not simply a matter of expediency, but used to protect the identities of the local correspondents who, if discovered, might be

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Change: The Post Office Savings Bank, 1861-1930," *Technology and Culture* 39 (1998): 1-32; and Charles W. Wootton and Carel M. Wolk, "The Evolution and Acceptance of the Loose-Leaf Accounting System," *Technology and Culture* 41 (2000): 80-98.

[102] "The Mercantile Agency," 50.

[103] "The Dry Goods Trade," *New York Times,* 8 March 1856, 10. A variation of the Peter Mullen example appears in "Beauties of the Credit System," *Brooklyn (NY) Circular,* 14 August 1856, 120, the major difference being its reproduction of the dating style used in the agency ledgers and the addition of Mullen's Whig political affiliation.

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stigmatized by their communities. Though local reputation served as a widely trusted indicator of creditworthiness, its formalization in written reports was often resisted as a breach of propriety. This sentiment was reflected by Edward Payson Bradstreet, a friend and distant relative of John Bradstreet who declined an offer to work for Bradstreet's fledgling agency because he "did not like the plan of constantly nosing into other people's business."[104] Indeed, one anxious agency correspondent went so far as to request preprinted return envelopes in which to mail his reports, explaining, "I fear my handwriting will be recognized at the post-office, and thus my utility will be cut off."[105]

Since the ledgers were updated as reports arrived, they evolved organically and were not arranged alphabetically or by any universal principle of classification (although in some instances sections were organized by trade). A single volume might contain entries dating from the 1840s through the 1870s. Thus a complex system of numerical indexing and cross-referencing was implemented to locate businesses and their proprietors within and among many separate ledger volumes, and to track individuals as they bought and sold businesses, worked under different names or with partners, or moved to new locations. Multiple page numbering and indexing systems were often juxtaposed, with pointing fingers drawn to indicate cross-referencing. Within the entries, key pieces of information, especially sums indicating known assets, were occasionally glossed with brackets to accent hard data or what might be viewed as the true bottom line of an individual's credit status.

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[104] C.W. Steffler, "The Evolution of the Commercial Agency: The Story of Bradstreet's," *Commerce and Finance* 17, no. 8 (22 February 1928): 426.
[105] "Beauties of the Credit System," 120.

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The New York-based mercantile agency established by Tappan opened its first branch office in Boston in 1843, followed by Philadelphia in 1845 and Baltimore in 1846. By 1870 the agency had almost thirty branch offices, including several in Canada and one in London.[106] Each time a branch was established, a new set of ledgers was hand-copied from an existing set. New copies were also produced to replace older sets that had fallen into disrepair. With the agency's expansion reports were submitted to the nearest branch, where a copy was made and then forwarded to New York, which served as the central repository. Except when news of some dramatic development—fire, natural disaster, or financial debacle—might have a direct impact on creditors in other districts, branch offices did not send reports to one another. While correspondence between reporters, branches, and the main office was conducted by mail, news of "serious embarrassments, assignments, and failures" was immediately telegraphed to the New York office.[107] The telegraph, despite its obvious advantages, was generally reserved for emergencies due to its cost. Seeking a competitive edge, however, at least one major wholesaling firm strung its own direct telegraph line to one of the mercantile agencies, establishing a system of real-time credit authorization. Thus "while one partner is showing off the silks and shoddy-mixed broadcloths" to a prospective customer, an 1857 account explained, another "clicks a few strokes, and learns—'owns farm worth $8000 clear, failed once five

[106] *The Mercantile Agency: Its Claims Upon the Favor and Support of the Community,* 5.
[107] "The Mercantile Agency System," 547.

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years ago, good—,' and returns to assist in bowing and assuring the stranger that he can have the goods on any terms he chooses."[108]

In 1875 R.G. Dun placed an order for 100 Remington typewriters, making the company an early adopter of this new office technology. Branches were instructed to duplicate typed reports on tissue paper and transmit them among the sixty-five offices then in operation.[109] Typed reports soon replaced the handwritten ledger as the core of the agency's information storage and retrieval system. Commenting on the "Spenserian" beauty of the agency's early handwritten ledgers, one company historian noted that the copyists "looked upon the introduction of the typewriter as an offense against the chirographic art."[110] Yet even the copyists, whose exemplary penmanship signaled physical presence and the aura of personality, were subsumed in the disembodying machinery of the credit reporting industry.

By the early 1870s these credit reporting organizations were operating on a massive scale. "A stranger going into one of these agencies during business hours is struck by the stupendous machinery at work before him," a contemporary observer marveled. "Rows of desks, private rooms, particular departments, scores of busy clerks, hundreds of interested searchers, are around an on all sides of him. A constant stream of busy men, young and old, is flowing in and out all day, and every

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[108] "Magnetic Communication for Individual Purposes," *Scientific American* 12 (28 February 1857): 197; see also "The Telegraph," *DeBow's Review and Industrial Resources, Statistics, Etc.* 16 (1854): 165-169.

[109] Initially, tissue-paper copies were pasted into the handwritten ledgers, but their fragility soon led to their being pasted onto sheets of manila paper; these were sent to the various branches, which arranged them alphabetically and by location, and placed them in special binders. See Vose, *Seventy-Five Years of The Mercantile Agency,* 125-132; and Norris, *R.G. Dun & Co., 1841-1900,* 138-139.

[110] *The Centennial of The Birth of Impartial Credit Reporting—An American Idea* (New York: Dun & Bradstreet, 1941), 30.

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manuscript volume, of which there are hundreds, seems to be the subject of eager examination."[111] Describing the internal activities of Dun's Chicago office in 1896, another writer counted as many as 200 employees, among whom was "a little army of typewriter girls."[112] A visitor to the office of Dun's archrival, Bradstreet, was similarly impressed by the size of the firm's workforce, but even more so by its composition. "There are, indeed, many establishments in the country—factories, machine shops and the like—where more individuals find work, but how many private corporations are there which require the services of a thousand brain workers?"[113]

Crisis of control: narrativity and dissemination

The development of nineteenth-century communication technologies has been characterized as a "crisis of control" borne of major shifts in economic production and distribution.[114] The emergence of the mercantile agency during the 1840s certainly reflected anxiety over the changing conduct and scale of commercial affairs. But the crisis of control that it sought to solve—the problem of rationalized credit assessment—spawned two new crises directly related to the system of textualization itself. These centered around two problems: how to transmute qualitative data into quantitative fact, and how to control the release of such information to subscribers. While the idea of codifying the local reputations of merchants seemed straightforward,

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[111] "Agencies," *Brooklyn Eagle,* 15 November 1873, 2.
[112] "The Mercantile Agencies: They Have Grown Indispensable to Business," 6.
[113] "Business Credıts," *Philadelphia Inquirer,* 28 March 1879, 7.
[114] Beniger, *The Control Revolution*, 121-287. Although his deterministic perspective is problematic, this basic observation is not thereby invalidated. Following Chandler (221-222), Beniger includes credit reporting among the litany of innovations he cites (130).

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the use of narrative credit reporting to achieve this end proved vexing. Early mercantile agency reports illustrate the difficulty with which correspondents struggled to convert their local knowledge into meaningful risk assessments. Their reports were, for better or worse, highly subjective and often vague, deliberately so in cases where information was lacking and accurate statements of creditworthiness could not be ventured. Isolating relevant information proved a complex process, in part because local opinion was embedded in rich social contexts that when stripped away left individuals looking rather pallid and one-dimensional at one extreme, or hopelessly complex and contradictory at the other. In the case of Philadelphia paper dealer Charles Dull, for instance, the correspondent's report indicated that he was a sound credit risk but an unlikable fellow.

> Mar 20/50 Have known him personally 10 yrs. there is a g[oo]d prej[udi]ce as among the trade – enjoys generally a poor reputation as a man, but is gen[erall]y sup[pose]d to have money – owns a g[oo]d Prop[erty] in an adjoining vil[lage] where he lives – if he gives his note he will no doubt pay it.[115]

What was a prospective creditor in a distant city to make of this? When deployed to qualify or contextualize a complicated life or personality, the narrative mode inevitably opened rather than closed the range of potential meanings and interpretations. In this regard, the legible subject was still quite blurry.

As a form of predictive data, early credit reporting often missed the mark. While it was fairly easy to identify the extremes of the business community—the up-and-up and the ne'er-do-well—it was the vast middle range that proved troublesome. Entrepreneurial activity was by its nature precarious and risky, and even the most

[115] "Pennsylvania," Dun archive, vol. 131, 101.

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promising individuals might defy expectation. Consider Alfred Herrenschmidt, the son of a wealthy French leather dealer who arrived in New York City in 1852 and received a glowing credit report:

> When he came here he had ab[ou]t 15^{000} mostly in G[oo]ds & has facilities to do an est[eeme]d bus[iness]; his fa[ther] is s[ai]d to be w[orth] 150^{000}. There is no reason why he sh[oul]d not succeed. He is of g[oo]d char[acter] & hab[it]s & det[ermine]d[.] w[orth]y of a reason[a]ble cr[edit].

Alas, two years later Herrenschmidt was out of business and reported to have fled to Strasbourg.[116] Likewise, a more middling prospect, the industrious Oliver Hutchins cited above, subsequently failed several times—and continued to receive generally sympathetic credit assessments because he made an effort to repay his creditors—before finally going out of business in 1860.

To the nineteenth-century mind, the inadequacies of credit reporting were not to be found in polysemous texts, but in the fallible instruments of transcription: the correspondents. Since most of the agency's reporters were unpaid attorneys, critics argued that this work could attract only the inexperienced, inept, or predatory. "Fit tools for this kind of work," one observer wrote, "are usually found in the briefless young lawyer" who in his eagerness to gain favor with the mercantile agency and drum up business was prone to exaggeration. "[B]riefless lawyers shall have as much business as their mischief can make."[117] According to Thomas Meagher, a mercantile agency defector who published what was perhaps the most thoroughgoing damnation of the system, "The substantial men in a community never sink to this work. It can

[116] "New York," Dun archive, vol. 189, 240.
[117] "Traits of Trade—Laudable and Iniquitous," *Hunt's Merchant's Magazine and Commercial Review* (July 1853): 51.

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only be performed . . . by the ill-at-ease, struggling, acrid spirits of the place—the meddlesome, mischief-making busy bodies, whose moving springs are envy, greed, uncharitableness, or disappointed ambition."[118] The perceived utility of the mercantile agency, implicit in its success, would seem to contradict such claims of widespread incompetence, but clearly some correspondents were better than others. Indeed, the ranks of such correspondents included several future U.S. presidents, not least of whom was Abraham Lincoln.[119] Even so, as bellwethers of local opinion—itself hardly a stable or monolithic entity—correspondents wielded enormous unchecked power. The possibility that private grudges might color reports, however subtly, was a legitimate concern. As late as 1890 the use of unpaid attorneys was still cited as a source of unreliability. According to Peter Earling, a credit manager who approved of the system as a whole, "we necessarily have to contend with frequent negligence, inaccuracy, and incompetency, and sometimes even personal favoritism or prejudice" as a result of such "gratuitously" rendered services.[120] In rural communities, where divisions along political or religious lines skewed impressions, accusations of prejudice were common. "I find that in most country places there are two factions in the business community," one reporter observed in 1883. "And when the local commercial reporter belongs to one faction the other fellows will swear that he doesn't give them a fair send-off."[121]

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[118] Meagher, *The Commercial Agency "System,"* 18.
[119] Vose, *Seventy-Five Years of The Mercantile Agency,* 36-38. Presidents Chester Arthur, Grover Cleveland, and William McKinley also worked as correspondents.
[120] P.R. Earling, *Whom to Trust: A Practical Treatise on Mercantile Credits* (Chicago: Rand, McNally, 1890), 32.
[121] "Commercial Credit," *Chicago Tribune,* 1 September 1883, 5.

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These flaws and others were remedied to some extent by the introduction of full-time credit reporters during the 1860s and an increasing reliance on quantitative data, instead of personal opinion, as the basis of reports. During the 1870s, company balance sheets were requested as evidence and business owners were provided with preprinted financial statement forms to submit to reporters.[122] Additionally, full-time reporters in larger cities began to specialize in a particular trade or area of commerce, thus improving their ability to gauge the prospects of those involved in such activities. Full-time reporters were also employed to corroborate the accounts of local correspondents in cases of glaring inconsistencies, an important step toward quality control. This system, one advocate concluded, "must certainly approach as near perfection as is practicable under any circumstance."[123]

Efforts to compel business owners to submit signed financial statements were resisted or ignored well into the 1890s, however, and without them agencies could only pretend to objectivity. At the turn of the century, the deficiencies of the reports came under the scrutiny of the National Association of Credit Men, an organization formed in 1896 to represent the interests of newly professionalized credit managers. Though careful not to antagonize the agencies it viewed as allies, the association immediately organized a committee for the "improvement of mercantile agency service" and registered its deep dissatisfaction with the accuracy, speed, and lack of

[122] "'Statements' as an Aid in Determining Credit," *The Mercantile Agency Annual for 1873* (New York: Dun, Barlow, 1873), 2; Foulke, *The Sinews of American Commerce*, 374.
[123] "The Mercantile Agency System," 547.

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reliable financial data in the reports.[124] As one member argued in 1897, "I should suggest stripping the reports of all unnecessary verbiage along the line of guessing and estimates, and confine the information as strictly as possible to facts."[125] Rebuffed by representatives of both Dun and Bradstreet, the association began to compile its own statistics to support its case, and in 1900 conducted a survey that reflected poorly on the agencies. Among its findings, the study revealed that the information in nearly 60 percent of reports received from Dun and Bradstreet either did not include a financial statement or was over a year old.[126]

While credit reporting firms were under pressure to improve the quality of their reports, the problem of controlling the information they contained remained an ongoing struggle. This difficulty involved three separate issues: unauthorized sharing between subscribers and non-subscribers, outright theft by competitors, and the threat of libel suits. Tappan's mercantile agency had fewer than fifty subscribers in its first year of operation, but by 1851 this number had grown to nearly 2,000.[127] Subscribers paid a prorated fee based on their annual sales and were entitled to an unlimited number of credit inquiries. As noted above, this information was available only at the agency, and only in verbal format. When new information was received by the agency,

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[124] See "First Annual Convention: National Association of Credit Men," reprinted in *Golden Anniversary Credit Congress, Souvenir Program* (New York: National Association of Credit Men, 1947), 222-223. For reports presented at the association's annual conventions, see "National Association of Credit-men," *Business: The Office Paper* 17, no. 7 (July 1897): 213; "Credit-men's Associations," *Business: The Office Paper* 18, no. 6 (June 1898): 379; and "Fourth Annual Convention of the National Association of Credit-Men at Buffalo, June 6,7, and 8," *Business: The Office Paper* 19, no. 6 (June 1899): 375-376. See also Olegario, *A Culture of Credit,* 190-196.

[125] F.J. Hopkins, "Suggestions on Mercantile Agency Reports," *Business: The Office Paper* 17, no. 11 (November 1897): 331.

[126] "Fifth Annual Convention of the National Association of Credit-Men at Milwaukee, June 12, 13, and 14," *Business: The Office Paper* 20, no. 7 (July 1900): 337-338.

[127] "The Mercantile Agency," 49.

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a subscriber whose particular interests were affected might receive a "call slip" inviting him to visit the office. There the material would be read to him from carefully positioned ledgers behind a screened counter. Initially the agency did not compile credit reports on its subscribers, but this policy was later reversed when overseas wholesalers demanded credit information on all U.S. interests.[128]

From the start, nineteenth-century credit reporting was a secretive endeavor. When filing reports for Baring Brothers in the 1830s, Thomas Wren Ward entered his comments in a "Private Remarks Book" and disguised the names and credit status of individual firms in numerical codes to protect against the "prying eyes" of "inquisitive sea captains carrying the mail" to London.[129] Tappan's subscribers were not only forbidden to disclose information from the proprietary reports but encouraged to conceal their identity as subscribers to the service. "Tappan soon discovered that despite all his efforts, subscribers could not keep the information to themselves."[130] While the leaking of information to non-subscribers reduced the agency's subscriptions, a greater problem involved libel suits brought against the agency by scandalized credit seekers whose businesses were adversely affected by negative reports. The issue in question was whether such credit reports should be legally protected as privileged communication between the agency and its subscribers.

The first major libel suit was entered in 1851 by John and Horace Beardsley of Norwalk, Ohio. The Beardsleys claimed that they had been barred from purchasing goods in New York because a report filed by a local correspondent informed the

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[128] Norris, *R.G. Dun & Co., 1841-1900,* 25.
[129] Hidy, "Credit Rating before Dun and Bradstreet," 85.
[130] Norris, *R.G. Dun & Co., 1841-1900,* 26.

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agency that John Beardsley's wife was about to file for divorce and alimony. The report anticipated that this development would reduce Beardsley's real estate assets and put the partners out of business.[131] During the first trial, Tappan's successor, Benjamin Douglass, steadfastly refused to disclose the identity of any agency correspondents in Norwalk, an act of defiance that landed him in jail for twenty days. A second libel suit was brought against the agency in 1854 by Waterman L. Ormsby, a New York engraver who charged that he had been slandered by a report stating that he was a counterfeiter and had left his wife for a prostitute. This case was decided in favor of the mercantile agency on the grounds that the report, though unfavorable to Ormsby, was without deliberate malice and had been furnished to a subscriber on terms of strict confidentiality.[132] The Beardsley case was initially settled in favor of the plaintiff, but in 1870 the U.S. Supreme Court reversed the decision on a technicality. Though these and other suits were decided in favor of the agencies, the legal basis of commercial credit reporting in privileged communication took additional decades to solidify.[133] For the agencies, such protracted litigation underscored the importance of secrecy and control in the dissemination of their proprietary information.

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[131] *Reports of the Four Leading Cases Against The Mercantile Agency for Slander and Libel* (New York: Dun, Barlow, 1873), 1-125. For a more detailed account of the Beardsley case, see Sandage, *Born Losers,* 164-178.

[132] *Reports of the Four Leading Cases,* 183-186.

[133] For a summary of this legal debate, see Louis M. Greeley, "What Publications of Commercial Agencies are Privileged," *American Law Register* 35 (November 1887): 681-693. During the 1890s at least four bills—two in the Illinois General Assembly, one in North Dakota, and another in the U.S. Congress—were proposed to check the activities of the mercantile agencies. See "Aimed at the Agencies," *Chicago Tribune,* 11 March 1891, 6; "It Affects Commercial Agencies," *Chicago Tribune,* 7 March 1895, 12; and H.R. 3355, 55th Cong., 1st sess., *Congressional Record,* 30 (1897): 1307.

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From narrative to number: the credit rating reference book

The principle of privileged communication used in defending these suits was predicated, at least in part, upon the argument that subscribers received their reports orally and within the private confines of the agency office. As a result, subscribers were faced with the continual inconvenience of visiting the agency. Growing market demand and competition between the major agencies eventually led to the publication of reference books with abbreviated credit ratings. The first of these, *Bradstreet's Improved Commercial Agency Reports,* was published in 1857 and contained the names of some 17,000 individuals and firms in nine cities.[134] Bradstreet had begun experimenting with the publication of coded update sheets several years earlier. These consisted of abstracts from his full reports with a separate numerical key indicating words and phases to be inserted into the text by the subscriber. For example, "1 6 8 11 14 17 21 25 following the dealer's name stood for 'making money,' 'economical,' 'business not too much extended,' 'does not pay large interest,' 'good moral character,' 'credits prudently,' and not sued.'"[135] Bradstreet's reference book further reduced the report to a numerical summary indicating the overall credit standing of the individual or firm.

R.G. Dun initially resisted the idea of publishing a reference book, as the owners were loath to open themselves to new libel suits or risk losing control of their valuable information by putting it directly into the hands of subscribers. However, the great popularity of Bradstreet's book encroached upon Dun's business and compelled

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[134] Steffler, "The Evolution of the Commercial Agency," 427.
[135] Norris, *R.G. Dun & Co., 1841-1900,* 51.

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the company to respond with its own reference book in 1859. This 519-page volume included more than 20,000 names and employed a four-part rating system that provided separate numerical ratings for three different types of creditors and a final column summarizing the subject's overall credit standing. The top ranking was A No. 1 ("credit unlimited") followed by 1 ("unquestioned"), 1 ½ ("strong"), 2 ("good"), 2 ½ ("very fair"), 3 ("fair"), and two lower grades, 3 ½ and 4, so poor as to be beneath description. The ratings were further qualified through the use of pluses and minuses.[136] According to the book's preface, ratings were "based upon the historical facts upon our records, often running back eighteen years, regarding the business training, the moral and business fitness, the capital, the nature, extent, and hazards of business, &c."[137] A second edition, published in installments in 1860, was 250 pages longer with more than 30,000 names, each subdivided into six trade classifications. R.G. Dun published another, slightly smaller, edition in 1861 before the outbreak of the Civil War interrupted its production. Each edition was bound in heavy leather and equipped with a lock to prevent unauthorized usage.

R.G. Dun returned to publishing the reference book in 1864, in an edition that included a redesigned rating system whose major innovation was the ranking of "pecuniary strength"; its top category (A1+) identified individuals or firms with capital estimated at one million dollars or more.[138] This marked a radical break from

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[136] "Key to Markings," *The Mercantile Agency's Reference Book, of the United States and British Provinces: Containing Ratings of the Principal Wholesale Merchants (together with Some Retailers) and Manufacturers, for the Year 1859* (New York: B. Douglass & Co., 1859), in Vose, *Seventy-Five Years of The Mercantile Agency,* 83.
[137] "Preface," *The Mercantile Agency's Reference Book*, in Vose, 84-85.
[138] Capital ratings consisted of A1+ ($1 million or more), A1 ($500,000 to $1 million), 1 ($250,000 to 500,000), 1 ½ ($100,000 to $250,000), 2 ($50,000 to $100,000), 2 1/2 ($25,000 to $50,000), 3 ($10,000

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previous rating systems: for the first time capital was disconnected from character and capacity, and articulated in its own explicit terms. A second column, "general credit," implicitly captured character and capacity in a parallel ranking from A1 ("unlimited") to 3 1/2 ("fair"). As James D. Norris has observed, "Dun's innovation in the 1864 *Reference Book*—the inclusion of capital worth as well as general credit ratings—transformed credit-reporting to general credit ratings and allowed subscribers to make comparisons between firms and to adopt uniform rules and regulations on granting credit."[139] Though in theory an individual or firm might receive a low "general credit" rating despite enormous capital, in practice there was a strong correlation between credit ratings and assets. This was deliberate. In a note to the New York City office, Robert Dun instructed, "There should be a constant effort to keep the credit marking in close relation to the capital marking."[140] In 1868 the numbers used for "pecuniary strength" were changed to letters to avoid confusing them with the "general credit" column, and in 1877 a system of symbols was added to classify businesses into various trade classifications. Except for these minor modifications, the credit rating system established in 1864 remained virtually unchanged into the twentieth century.

In addition to simplifying the practice of credit rating and making ratings readily available for subscribers, reference books also solved, at least to outward appearances, the difficulty of interpreting narrative reports. Though subscribers were encouraged to call at the office for full reports (a service denied to those who only

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to $25,000), and 3 1/2 ($5,000 to $10,000); see "Key to Markings," *The Mercantile Agency's Reference Book* [1864], in Vose, 92.

[139] Norris, *R.G. Dun & Co., 1841-1900,* 87.

[140] Quoted in Norris, 93.

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purchased the book), the reference books quickly attained an independent authority of their own. The early annual editions suffered from rapid obsolescence, but by the early 1870s they were published quarterly and supplemented with regular newssheets and pocket-sized editions for individual cities so that the apparent locus of credit authority shifted from the hidden ledgers to the published volumes. In reducing individuals to numerical values (weighted in favor of capital), the textualization of credit risk became increasingly abstract and, in contrast to earlier modes of credit assessment, disembodied and impersonal. This system of numerical ranking and classification paralleled the late nineteenth-century movement toward scientific business management.

Despite the veneer of objectivity provided by the credit rating system—particularly as affected by the separation of capital from personality—ambiguities abounded. The "vagueness" and "looseness" of the credit rating keys was fodder for Meagher, who lambasted the logic of the capital estimates ("the millionaire and the $20,000,000 millionaire are `all one' to the agency") and the meaningless terms employed to designate creditworthiness (what is the difference, he asked, between "very good" and "high"?).[141] For all of Meagher's bluster and sensationalism in exposing the incompetence of the mercantile agency, his opposition hinged on a more profound observation. "Anything approaching a basis for a credit formula is plainly out of the question in commercial transactions," he concluded. "No system can be devised . . . to overcome, or accurately anticipate, conditions and circumstances so

[141] Meagher, *The Commercial Agency "System,"* 29-30.

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complex and variable."[142] In short, Meagher saw the mercantile agency's effort to textualize and control the individual as a gross charade. The alphanumeric credit ratings, in his view, merely obscured the inherent deficiencies of the entire system, a system based upon gossip and pseudo-science. His vitriol reflected a deep-seated skepticism not only toward the quantification of credit risk, but the legitimacy of credit rating itself. Worse still, as a totalizing system of surveillance, those involved in commerce and trade were increasingly beholden to its judgments. In 1868 R.G. Dun's reference book included credit ratings for 350,000 individuals and firms. This number surpassed 500,000 in 1872 and continued to climb each year, reaching one million in 1886.[143]

Financial identity and disciplinary surveillance

By the mid 1850s the mercantile agency system had evolved into a sophisticated network of mass surveillance that tracked businessman and -women throughout the nation. This system of surveillance involved constant monitoring and revision, and its scope was total in that its objective was to identify all individuals who might seek commercial credit for whatever reason. "A thousand folios include a page or two or more about you and your affairs," an unnamed "Merchant of Boston" warned in 1853. "Go where you may to purchase goods, a character has preceded you, either for your benefit or your destruction."[144] That business reputation was disconnected from local relationships was viewed positively by advocates of the

[142] Ibid., 7, 6.
[143] Vose, *Seventy-Five Years of The Mercantile Agency,* 98.
[144] "Traits of Trade—Laudable and Iniquitous," 52.

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system, who contended that such remote centralization actually freed the credit-seeker from carrying letters of recommendation or conducting business in person. "[The businessman] is known to the whole list of the agency's subscribers," noted one such advocate.

> He has the range of the entire market in all the cities where these offices are established; the communication between them being such, that what is known to one is known to all. He need not even leave home to make his purchases. His order is as good as his presence, and will always be promptly met, to the extent of what his intelligent neighbors regard as safe and prudent.[145]

The textualized individual inscribed in the ledgers and reference books became a surrogate for the individual himself. While defending the mercantile agency in the Ormsby libel suit, the agency's attorney observed, "Under the Mercantile Agency system no effort is necessary on the part of the proposed buyer to bring with him a character. The character which exists among his neighbors travels with him."[146] Such textualized identities may have expedited commercial transactions and facilitated trust, but inevitably they were imperfect reductions of total lives and social contexts. Capital was reified as a marker of creditworthiness and, despite the agency's best efforts, character—a much more perplexing quality—was always prone to rumor-mongering and prejudice.

More than simply identifying and tracking individuals, however, the information inscribed in the mercantile agency's "thousand folios" represented a system of disciplinary surveillance that sought to regulate business behavior under its omnipresent gaze. "In business or out, have your reputation spotless, your character clean," a business magazine reminded its readers. "Commercial agencies record every

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[145] "The Mercantile Agency," 50.
[146] *Reports of the Four Leading Cases,* 170.

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movement made from the time one enters business. If not fair and upright in all your dealings, you will be greatly hampered; if honest and trustworthy, your credit may in time be unlimited. Creditors will have nothing to do with a person tricky and unscrupulous; merchants and bankers extend credit according to their confidence in one, therefore, pay bills promptly; the delay of a day may weaken your credit."[147] Commenting on credit reporting in the South, Atherton indicates that "no-change" reports were as important as those detailing dramatic shifts because it "would demonstrate to eastern merchants that all storekeepers were constantly under observation."[148]

Among the virtues of the system, according to its supporters, was its ability to frighten merchants into good behavior. The system, one writer noted with approval, "tends to promote a high standard of mercantile honor, to check speculation and extravagance, to enhance the value of punctuality and good character, and to make it the interest of every trader to be temperate, industrious, economical, and desirous of an unspotted reputation."[149] While the text served as the locus of disciplinary surveillance, it was the correspondents who served as its unsleeping eyes and ears. "The credit reporter's job bears some resemblance to the news reporter's with one exception," according to a centennial history of the mercantile agency. "[T]he credit reporter's story is never finished. He writes a continuous story, and a factual one, concisely recording the credit history of each business concern as long as it remains in

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[147] [Benjamin Wood], "Solid Facts," *Business: The Office Paper* 19, no. 4 (April 1899): 228.
[148] Atherton, "The Problem of Credit Rating," 542.
[149] "The Mercantile Agency," 51.

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business."[150] For advocates of the mercantile agency system, continuous surveillance fortified the trustworthy and deterred the malignant. "It is no discredit, even to an honest man, to say that he is safe under the wholesome restraints, and jealous vigilance of society," wrote one supporter. "[P]rudence, like the other virtues, is all the better for being watched."[151] As another reflected at the end of the nineteenth century, "the mercantile agency might well be termed a bureau for the promotion of honesty."[152]

Despite the halo of beneficence donned by the agencies, it is clear that the subjects of their surveillance felt otherwise. Opposition and resentment ran deep. "These institutions," an 1856 newspaper account observed, "are regarded by country merchants with something like the affection bestowed by slave-owners on conductors of the underground railroad."[153] Though welcomed by many in the business community,[154] the mercantile agency elicited strong resistance from those who abhorred the remote, seemingly inescapable system of monitoring that it entailed. "The systematic plan of espionage adopted and perfected by the `Mercantile Agencies,' is far from being generally popular," a Boston merchant noted. "[T]he whole proceeding bears upon its face the most diabolical jesuitism that has ever cursed the world."[155] During the mid-1850s one journalist described credit reporting as "an organized system of espionage, which, centered in New York, extends its

[150] *The Centennial of The Birth of Impartial Credit Reporting,* 20-21.
[151] "The Mercantile Agency," 51.
[152] "The Mercantile Agencies: They Have Grown Indispensable to Business," 6.
[153] "The Dry Goods Trade," 10.
[154] *The Mercantile Agency: Its Claims upon the Favor and Support of the Community* reprints seventy-five "commendatory letters" from businessmen in Boston and the New England region, each attesting to the accuracy and indispensability of the agency's information.
[155] "Traits of Trade—Laudable and Iniquitous," 51.

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ramifications to every city, village, and school district in the Union. Spies are regularly employed by this institution to travel throughout the country, and secretly obtain precise information on the property, the associations, the business, the family, and the personal habits of every man engaged in trade."[156] While this persistent hostility is often underplayed or dismissed by historians of the mercantile agency, it is important to note. Certainly wholesalers in major trading centers believed they had much to gain by patronizing the agencies, but smaller merchants and jobbers often did not. As one journalist explained, "Most men see their commercial hobbies with lover's eyes, and the very possibility of having them subjected to hostile scrutiny is revolting."[157] The historical trajectory of this privacy debate is worth noting in light of more recent concerns about computerized consumer surveillance and the role of credit bureaus as centralized repositories of sensitive personal information. A glimpse into the past here places this issue in a much longer historical context.

For some, opposition to the agencies was a matter of principle. The distrust implied by national networks of credit reporting bred hostility and resentment rather than confidence and good will, the cornerstones of healthy commerce according to the optimistic ethos of nineteenth-century American business. A recurring criticism of the agency system was the threat implied by non-participation, as those who refused to subscribe believed they would receive poor ratings in retribution. "What they desire," a Brooklyn reporter observed, heaping scorn on the agencies, "is to drive the man within their own inclosure, and force him to become a subscriber to their

[156] George G. Foster, *New York Naked* (New York: DeWitt and Davenport, 1850), 119.
[157] "Checks upon Over-Trading," *New York Times*, 29 October 1859, 4.

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institution."[158] The system, once insinuated into the community, was thus viewed as a self-justifying cash cow that bullied merchants into participation. From a producerist perspective, the agencies were condemned as parasitic middlemen that merely compiled and resold a community's collective knowledge, creating nothing new themselves. This "scheme," as one contemporary account explained, "consisted only of getting something from the business-men for nothing and retailing it back to them again for money."[159] The idea that information could beget information, a phenomenon not unlike that of money lent at interest, was distasteful to some. The idea of an information economy—one in which knowledge might be collected, packaged, and sold as a commodity—was apparently inconceivable. Yet, by the end of the nineteenth century, the concept of financial identity, implicit in the prodigious ledgers of the major mercantile agencies, was firmly established in the commercial sphere and would serve as a model for new efforts to control the proliferation of "consumptive" credit.

Within the pages of the mercantile agency's books, local social relationships were abstracted, enumerated, and disembodied as textual data, providing a bridge between orality and textuality as individuals were brought into a network of institutionalized surveillance. This rationalized system for identifying, tracking, and predicting the life chances of individuals based upon economic behavior and performance, in turn, led to new categories of personal identification and economic subjectivity. In 1898, Cannon, then president of the NACM, emphasized the

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[158] "Agencies," 2.
[159] "Commercial Credit," 5.

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indispensability of credit before an audience of young men and women at the Packard's Business College in New York. Recalling Edward Everett Hale's 1863 story "The Man Without a Country," Cannon said, "Since I perused this story I have often wondered if I could write one, having for its title, `A Man Without Credit.' I have pictured in my mind what such a man would be—a man who would neither give nor receive credit for any one. Did you ever stop to think what such a condition of affairs would mean in your life? You could hardly exist."[160]

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[160] James G. Cannon, *Character: The Basis of Credit* (New York: J.S. Babcock, 1898), 5.

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CHAPTER 2: Nineteenth-century Origins of Consumer Credit Reporting

Systematic credit reporting originated in the commercial sphere, but the sprawling credit system that it sought to regulate was by no means confined to the world of "productive" credit. Contrary to the popular mythology of Yankee thrift and Victorian financial conservatism, consumer credit was ubiquitous in nineteenth-century America. Cash, the coveted medium of instant debt cancellation, was perpetually scarce due to shortages of circulating currency and, in the hinterlands, long delays between income-producing harvests. As a result, households often incurred small debts with local shopkeepers that were settled when hard money was available, often as many as six to twelve months later. "A river of red ink runs through American history," as Lendol Calder has observed, debunking the "myth of lost economic virtue."[161] Though nineteenth-century moralists, like their Puritan forebears, continued to warn their fellow citizens against the wiles of debt, for many it simply could not be avoided. During the Panic of 1837 one observer complained that the credit system had not only "swallow[ed] up the whole business of society, in all of its departments," but had also "gradually extended to all the minor concerns of life, so as even to include the daily consumption of personal necessities."[162] The spread of installment selling during the second half of the nineteenth century, often viewed as the take-off point of modern consumer credit, merely expanded the scope and impersonality of a system already in place.

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[161] Calder, *Financing the American Dream,* 26.
[162] "The Moral of the Crisis," *United States Magazine, and Democratic Review* 1 (1 October 1837): 108. The ubiquity of retail credit in Jacksonian America is also noted in B.F. Foster, *The Merchant's Manual, Comprising the Principles of Trade, Commerce, and Banking* (Boston: Perkins and Marvin, 1838), 46-48.

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Credit morality and reality

The morality of debt and the legitimacy of the credit system itself were vigorously debated throughout the nineteenth century.[163] But this debate did not pit strict abstinence against devil-may-care laxity. In fact, many moralists, including church officials, regarded debt with a much more permissive attitude than is typically assumed. As a writer for the Boston *Christian Watchman* noted in 1840, "It is not necessary, that all debts, of every description, for example, should be immediately paid. Neither is it necessary that we should pay, at the time of purchase, for every thing we buy."[164] In other words, it was not debt itself that should be condemned, but those who violated the moral imperative of timely repayment. During the 1830s a prominent New York Presbyterian clergyman similarly side-stepped the sinfulness of debt to exhort the virtue of punctuality. Praising the practical advantages of credit relationships and reassuring his audience that his remarks were "not intended to forbid men from entering into pecuniary responsibilities, or using their credit in the way of lawful business," the reverend argued that the real evil of was slow pay, which robbed creditors and the community of precious time in the collection of innumerable small debts. The lesson of the sermon was not to eschew credit but to recognize the broad social consequences of financial bad faith. Credit properly used was not the bane of society, as might be expected, but a force for the improvement of social relationships.

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[163] See Calder, *Financing the American Dream,* 37-107. For an account of American credit relationships during the eighteenth century, see Bruce H. Mann, *Republic of Debtors: Bankruptcy in the Age of American Independence* (Cambridge, MA: Harvard University Press, 2002). See also Daniel Horowitz, *The Morality of Spending: Attitudes Toward the Consumer Society in American, 1875-1940* (Chicago: Elephant, 1992), 1-29, for useful discussion of nineteenth-century attitudes toward consumption.
[164] "Pay Your Debts," *Christian Watchman* 21 (17 April 1840): 61.

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"The punctual payment of debts, *promotes confidence between man and man.* Mutual confidence is the strong ligament which binds together the social compact. Society would dissolve without it. . . . The regular payment of debts, has a most happy effect upon society, in its best interests."[165]

When retail credit was denounced, it was often not on moral grounds at all, but more prosaically as a source of price inflation. Goods purchased on credit were more expensive, it was repeatedly argued, because sellers tacked on a premium to cover the losses inevitably incurred by delinquents. Thus "the good paymasters must suffer for the bad, as they do wherever Credit is given," a New York newspaper explained in 1845, and the "customers of retail Stores" who ran up personal accounts were just as guilty for the credit system as any big city merchant.[166] A mid-century newspaper story relates how a well-meaning but ignorant "young mechanic" was taught this lesson by his wife, who received his jar of credit-bought peach preserve with something less than gratitude. "I know something about this credit business, and it is not a fair thing," she reproved. "Do you not know that all traders can afford to sell cheaper for cash than credit?"[167] Along these lines, an editorialist reasoned in 1867 that dealers sold their goods at prices ten to twenty percent above their real market value "merely because he knows that one in five, or, at best, one in ten, of this customers are vagabonds, who do no labor, and have no visible means of living, and

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[165] Nathan Beman, "Punctuality in the Repayment of Debts," *American National Preacher* 11, no. 11 (April 1837): 172.
[166] "Cash and Credit," *Workingman's Advocate,* 15 March 1843, 1.
[167] "A Domestic Story. Just Charge It," *Wellsborough (PA) Agitator,* 7 December 1854, 1.

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will never pay him."[168] In this way credit was viewed as a collective harm rather than simply a source of individual folly or vice. Indeed, one of the arguments for the implementation of consumer credit reporting would be that it promised to purge dishonest debtors from the pool of eligible buyers, thus keeping prices stable and equitable.

Nineteenth-century retailers were wise to the fact that people often spent more liberally if granted credit terms. Instead of walking away from an eye-catching item that could not be purchased with cash in hand, a credit customer was granted the privilege—or curse—of instant gratification. "The temptations to expenditure are great," a Connecticut consumer noted in 1874, "when money is not required, and the sum is simply smilingly put down to the `little' account; and it is surprising how such accounts swell into the incredible and astounding sum total."[169] While on the surface such arrangements were mutually beneficial—retailers sold more merchandise to eager consumers and simultaneously kept them away from competitors—it also made the line between harmless indulgence and outright profligacy more difficult to perceive. In other words, when was too much really too much? Many retailers and consumers proved themselves poor judges of spending capacity. This question was complicated by the fact that credit by its very nature was a gamble on the future. The most promising debtor with the best of intentions was always subject to unforeseen disaster, whether in the form of injury, illness, or unemployment. Thus, for some, the temptation wrought by retail credit was its most damning quality. As one detractor

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[168] "Evils of the Credit System," *Chicago Tribune,* 8 May 1867, 2.
[169] "Unpaid Bills," *Middleton (CT) Daily Constitution,* 21 January 1874, [1].

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reasoned, "In the Lord's Prayer we say, `Lead us not into temptation, but deliver us from evil.' What greater temptation can be offered a poor, weak mortal than to be escorted through a magnificent establishment, invited to feast his eager eyes upon artistic wares, and to purchase the same without regard to his ability to pay?"[170]

The risks associated with retail credit, like those for commercial credit, remained manageable while embedded in local networks of interpersonal trust. In 1840 the most populous U.S. city was New York, with just over 300,000 inhabitants (about the size of Toledo, Ohio, in 2000), and the next three largest cities—Baltimore, New Orleans, and Philadelphia—each had less than a third of New York's population. Chicago, which by 1890 was the second largest U.S. city behind New York, had fewer than 5000 inhabitants by 1840.[171] The bustling seaboard metropolises may have been dizzying to the country bumpkin, but they were not so large as to preclude functional credit relationships between neighborhood retailers and their local customers. Unlike urban wholesalers and manufacturers whose interpersonal trade relationships were attenuated by expanding geography during the 1830s and 1840s, retailers in cities and towns remained in close contact with their customers. They did not serve an onslaught of out-of-town strangers, a situation faced by urban manufacturers and wholesalers during the buying seasons, and the sums owed to them, though perhaps exasperating to collect, were comparatively small in most cases.

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[170] John J. Cummins, "Retail Credits from Moral and Financial Points of View," *Business: The Office Paper* 19, no. 1 (January 1899): 47.
[171] Campbell Gibson, "Population of the 100 Largest Cities and Other Urban Places in the United States: 1790-1990," Population Division Working Paper No. 27 (Washington, DC: U.S. Bureau of the Census, June 1998).

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The necessities of everyday life, even in large cities, were provided by neighborhood shopkeepers—grocers, butchers, bakers, and druggists—who, in turn, drew upon their familiarity with local people and conditions to gauge the creditworthiness of their customers. This was an imperfect system, to be sure, one that could reinforce undeserved reputations and prejudices for better or worse. Yet this age-old way of knowing through direct interaction and local opinion was the basis of retail credit assessment for most of the nineteenth century. As long as retail credit was conducted on a local basis, retailers had little incentive to develop systems of credit reporting information. Within such local contexts, the credit reports offered by the mercantile agencies might even be regarded as irrelevant, as they were by a Georgia columnist in 1874. "A man's character is fixed and settled for him at home. The mercantile agency may rate home at Z if they choose; but if all who know him at home can say, `I never knew that man to owe a dollar which he did not pay promptly on demand'—he will not need the endorsement of the agency. He has a credit far more solid than any agency can give him."[172]

An 1869 guide to storekeeping illustrates both the unremarkable practice of retail credit selling and its limitations just after the Civil War. The author, Pennsylvania native Samuel H. Terry, went to New York in 1842 to work as a dry goods jobber and, after running his own business for more than a decade, retired to rural New Jersey in 1864 to set his experiences down for the benefit of other

[172] "The Economy of Debt," *Macon (GA) Weekly Telegraph,* 28 December 1875, n.p.

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retailers.[173] Commenting on the absence of any existing guides, Terry observed that "in all our libraries, whether public or private, we look in vain for any hand book or text book wherein one may learn something about the occupation of a retail dealer," something he found curious considering "probably one-tenth of the community are more or less engaged in the business."[174] His popular manual, republished in numerous editions during the 1880s, includes an entire chapter devoted to credit selling. While acknowledging the simplicity and safety of running a cash-only business—notably its tendency to offer customers lower prices and retailers peace of mind, "there being fewer circumstances to create difficulties between the dealer and his customers, such as refusals of credit, dunning, sueing, and the like"—Terry indicates its rarity in practice.[175] "As the retail business is conducted, it is almost impossible to do an exclusive cash business, and as every dealer doing business is desirous of selling as many goods for cash as he can, it follows that practically all retailing is more or less a combination of both cash and credit sales."[176] The desire to drive up sales through credit selling came with obvious risks, not least of which was the problem of judging the creditworthiness of one's customers. Emphasizing the importance of communal knowledge, Terry noted, "A dealer who has for a year had daily opportunities for hearing of and seeing the transactions of any particular individual in the community ought to be able to decide at once whether he is

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[173] When a bad investment forced Terry out of retirement in 1872, he went to work for A.T. Stewart & Co., taking over its silks department for himself after the landmark department store closed in 1876. "Publishers Notice" in Samuel E. Terry, *How to Keep a Store: Embodying the Conclusions of Thirty Years' Experience in Merchandising,* 17th ed. (New York: Fowler & Wells, 1891), iii-iv.
[174] Samuel H. Terry, *The Retailer's Manual: Embodying the Conclusions of Thirty Years' Experience in Merchandising* (Newark, NJ: Jennings Brothers, 1869), 15.
[175] Ibid., 150.
[176] Ibid., 179.

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sufficiently responsible to be credited with goods, and to what amount."[177] Such confidence in the sufficiency of direct appraisal would be shaken in the next two decades.

By the early 1870s the risks associated with retail credit became glaringly apparent to retailers in urban centers, just as it had to credit-granting wholesalers during the 1840s. While for wholesalers the initial source of the problem was increasing distances between commercial centers and inland traders, for retailers it was the increasing density and mobility of populations in their own home community, which made strangers out of neighbors. As Terry was quick to note, credit risk grew as one moved down the chain of dependencies, not only because the number of environmental and financial contingencies multiplied, but because more potentially dishonest people were added to the equation. Selling on credit to a farmer, for example, necessitated only the honesty of the farmer, while selling to a mechanic who relied upon the farmer for money required the honesty of both. Credit sales to a third link in the chain would further elevate the risk, "as it would now require that all three should be honest," and so forth on down the line. [178] At the same time, many small-time retailers, particularly grocers and butchers, were under growing competitive pressures in their own communities. This, coupled with the travesty of gauging the trustworthiness of strangers on sight, placed them in a precarious position. Loath to jeopardize a sale with prying questions about a customer's income or employment, such retailers often threw caution to the wind, relying wholly upon their instincts and

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[177] Ibid., 159.
[178] Ibid., 162.

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impressions. "One of the greatest evils with which the retail merchant has to contend is the credit system," a Chicago writer howled in 1874, "and, until there is a radical change in society, credit-customers will be the merchant's bane."[179]

The growing number and increasing mobility of Americans in established seaboard centers, as well as in flourishing interior cities such as Cincinnati, Chicago, St. Louis, and San Francisco—all among the ten largest U.S. cities by 1870—stretched the interpersonal basis of retail credit to the breaking point. Echoing the sentiments of many merchants, a business writer observed the increasingly disconnected and disembodied relationship between creditors and their credit customers. "In earlier and simpler, and perhaps happier, times, creditors and debtors came nearer together. Merchants and customers became friends; they looked into each others' eyes and discussed resources, advantages, and prospects. But in late years, this pleasant and beneficial contact has become less frequent. We have no personal acquaintance with a large proportion of the people we deal with."[180] Within these cauldrons of urban defamiliarization, transience, and competition the first groping toward organized consumer credit reporting emerged. The impetus to institutionalize credit relations was one reaction to what historian Robert Wiebe has called the "distended society" of late-nineteenth-century America.[181] By the end of the 1880s consumer credit reporting agencies of some type existed in major urban centers throughout the nation, from New

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[179] "The Other Side," *Chicago Tribune,* 21 April 1874, 10.
[180] Goddard, *Giving and Getting Credit,* 30.
[181] Robert Wiebe, *The Search for Order, 1877-1920* (New York: Hill and Wang, 1967). Wiebe comments on the "quantitative ethic" that such disorientation and estrangement elicited, including credit and banking relationships. "In a Christian nation what were the rules and who kept them? . . . For lack of anything that made better sense of their world, people everywhere weighed, counted, and measured it" (43).

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York to New Orleans and as far west as California. Writing in 1886, a Chicago journalist noted that "retail commercial agencies, such as the wholesale trade has enjoyed for years, have been established in many of the principal trade centers, modeled after the Bradstreet and Dun agencies, only differing in the fact that they report private individuals and families instead of merchants engaged in active business."[182]

The proliferation of consumer credit during the late nineteenth century was almost entirely relegated to the world of goods. Cash loans backed by collateral (whether merchandise, real estate, or equipment) were widely available for commercial use, but loans for personal consumption were denied to the vast majority of Americans until the second decade of the twentieth century. Restrictive usury laws made personal loans unprofitable and unappealing for legitimate bankers, except as a quiet and generally short-term privilege of the wealthy. Under such circumstances Americans of modest or little means were forced to turn to pawnbrokers or illegal loan sharks when pressed for cash, neither of which, for obvious reasons, participated in the development of credit reporting.[183] But the fact that bankers, the principal brokers of commercial loans, were absent from the development of nineteenth-century credit reporting is worth mentioning. Ironically, bankers, those most clear-eyed and exacting of money handlers, were among the last—after wholesalers and retail merchants—to implement systematic procedures for managing credit risk. Incredibly, late-nineteenth-

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[182] "New Business Methods," *Chicago Tribune,* 23 October 1886, 9.
[183] For discussion of pawnbrokers and loan sharks, see Calder, *Financing the American Dream*, 42-55. See also, Louis N. Robinson and Rolf Nugent, *Regulation of the Small Loan Business* (New York: Russell Sage Foundation, 1935), and John P. Caskey, "Pawnbroking in America: The Economics of a Forgotten Market," *Journal of Money, Credit, and Banking* 23, no. 1 (February 1991): 85-99.

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century banks were not even considered a reliable source of credit information. The author of an 1895 guide to credit assessment relates a striking anecdote in this regard. "It is an old saying in the business world that `if you wish to know anything about a bank's customer, don't ask the bank.'"[184]

Retail credit reporting systems

Nineteenth-century credit reporting took two basic forms: the black list and the affirmative-negative system. The black list was simply a catalog of names belonging to individuals with overdue bills. Such lists, the archetypal credit report, had long been compiled by diligent (or perhaps spiteful) merchants to identify slow- or non-paying individuals in their community. As a rudimentary and wholly negative system of financial identification, its sole purpose was to quarantine delinquent individuals and the worst credit risks from the pool of potential customers. Privately compiled and consulted by shopkeepers, black lists remained a system of informal recordkeeping rather than a source of shared credit information until the late nineteenth century. This lack of cooperative communication among nineteenth-century retailers can be attributed in large part to their resistance to disclose the details of their financial strength, which might be inferred by the quantity of bad debts on their books. It was not the privacy of credit customers that needed protection, but that of the merchants themselves, who sought to shield themselves from the scrutiny of their colleagues and competitors. A long list of delinquent customers reflected poorly on both the merchant's judgment in giving, and backbone in collecting.

[184] Goddard, *Giving and Getting Credit,* 20.

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"Anything like a black list is held in abhorrence by the American people," a New York journalist proclaimed in 1888 (in response to a harebrained scheme to black list poets). But it was apparently taken for granted that retailers kept such lists, and tolerated as long as they remained strictly private and confidential. "The shopkeepers to be sure, are believed to keep a little list of names under their counters which helps them to avoid bankruptcy; but that is kept secretly. Even the persons named on it do not know that their names are there, and can only guess that their neighbors have not been overlooked. Like the books of the commercial agencies, that list is safely guarded, and no one openly complains of it."[185] When confidentiality was breeched, however, public outcry might be expected. This was the case in Corsicana, Texas, a small town south of Dallas, where in 1885 the community became "exercised" upon learning that a black list had been published. Noting that "the names of some of the most prompt and best paying citizens" were erroneously included on the list, a Dallas reporter dismissed the ill-advised enterprise as folly. "These lists have been tried in many places for years past, but were soon abandoned."[186]

While retailers tended to keep their black lists to themselves, American newspaper publishers advertised them to shame delinquent subscribers into payment. During the 1830s and 1840s printers took to publishing the names of those with unpaid debts in the pages of their paper. As the publisher of a New York newspaper explained in 1834, "There is, we presume, no description of men in business, who suffer more from the `credit system,' or who have poorer facilities for availing

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[185] "Blacklisting Poets," *New York Times,* 1 July 1888, 4.
[186] "Corsicana," *Dallas Weekly Herald,* 12 March 1885, [4].

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themselves of the benefit of what is justly due them, than the publishers of newspapers."[187] Such subscription-based publications, which included many religious newspapers, vigorously defended their right to embarrass the egregiously negligent with "gentle personal hints" and "printer's duns." Under the headline "Is a Black List Proper?" the editor of the Boston's *Trumpet and Universalist Magazine* answered, "Yes; what would the printer do without it?—There are people in the community who get their news by sponging publishers of papers . . . . Now, when we believe men are reprehensibly slack, careless, criminally forgetful, or dishonest, we will expose them."[188] In 1830 the Albany *Microscope* was reported to have produced an especially gruesome black list, confined to a dark "Bastille looking" corner of the page and illustrated with the image of a disgraced man in stocks. "The artist has taxed his utmost skill in pourtraying [sic] around the pilloried figure a due proportion of dead cats, bones, mud, eggs that had seen better days . . . and the various et ceteras with which those who are called to the unenvied distinction of the pillory are wont to be saluted."[189] This practice continued throughout the nineteenth century as desperate publishers struggled to stay afloat. "Well, ain't you a pretty set?" a Pennsylvania newspaper mocked its delinquent subscribers in 1869. "Sorry to put you on the *Black List,* but pay up."[190] For all of the satisfaction that might have been gained by exacting

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[187] A.T. Scott, "Newspaper Credit," *The Free Enquirer* 1 (15 June 1834): 265.

[188] "Is a Black List Proper?" *Trumpet and Universalist Magazine* (7 June 1845): 203. See also "The Black List," *Atkinson's Saturday Evening Post,* 12 March 1831, 3; "Justice of the Black List," *Evangelical Magazine and Gospel Advocate* (22 March 1834): 95; and "Pay for Your Newspaper!" *Haverhill (MA) Gazette,* 31 January 1840, [3].

[189] "A Typographical Pillory," *Workingman's Advocate,* 21 August 1830, 3

[190] "To Delinquents." *Columbia (PA) Spy,* 6 March 1869, 3. For examples of proposed reforms during the late nineteenth century, see "The Newspaper Cash System," *Huntingdon (PA) Globe,* 25 August

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such humiliation, the black list was hardly a thoroughgoing mechanism of credit control. As chronicles of the damned, they were reactionary and punitive rather than preemptive and predictive.

The affirmative-negative system, by contrast, operated on an entirely different principle. Instead of singling out and excluding known dead beats, it sought to identify and track the financial habits of entire populations of individuals, whether at the level of city, county, state, or nation. This was the system pioneered by Lewis Tappan in the 1840s and ascendant in the commercial sphere. The advantage of such totalizing, continually updated surveillance was that it permitted creditors to make much finer distinctions between classes of borrowers. Instead of noting only derogatory items such as financial distress, disreputable dealings, or vices such as gambling, philandering, or drinking, the affirmative-negative system also recorded evidence of an individual's honesty, financial assets, and history of prompt payment. Simple black lists failed to register the difference between the slow payer who, though perhaps aggravating, eventually settled their obligations and the professional deadbeat who never had any intention of making good. While the true deadbeat represented only a small fraction of all credit customers, slow payers represented a significant element of the retail credit business. Thus, to summarily damn such customers was to unnecessarily drain the pool of potential customers. The affirmative-negative system monitored all information pertaining to an individual's payment habits and credit standing, both positive and negative, in an effort to gauge the limit of their

1869, 3; and "Business Principles Applied to Newspapers," *Wellsborough (PA) Agitator,* 10 July 1872, 3.

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creditworthiness. By calculating this limit—the maximum amount of credit that an individual could reasonably be expected to repay—those selling on credit hedged against the future in the hope of maximizing sales and profits. Each consumer was treated as a unique case, one that could be isolated, classified, and analyzed separately. When during the late nineteenth century the affirmative-negative system was adopted by retail credit reporting organizations, the concept of financial identity, previously relegated to business owners and the self-employed, began to extend into the general population. Laborers, journeymen, mechanics, clerks, and a whole host of wage-earning employees—all formerly invisible to the commercial credit reporting regime—suddenly acquired a second self in the form of financial identity. More importantly, the affirmative-negative system was believed to be capable of exerting a powerful disciplinary force, as it had in the commercial sphere. While the black list could perform a similar function—the mere suggestion that merchants were compiling a black list would frighten at least some delinquents into settling their bills—the fact that they tended to be irregularly compiled, updated, and enforced diminished their effect. The affirmative-negative system, on the other hand, kept all consumers under perpetual surveillance, thus encouraging them to pay their debts with regularity and promptness in order to maintain local credit privileges.

Early organization

Unlike the history of commercial credit reporting, which is well preserved thanks to the self-aggrandizing endeavors of Dun & Bradstreet, the early development

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of its consumer counterpart is far more difficult to reconstruct with precision. The first retail credit reporting operations were either too short-lived or insignificant to produce institutional archives, making the order and pattern of their diffusion difficult to track. A pamphlet published by McKillop and Sprague, a New York commercial credit reporting agency, described the disorganization of retail credit reporting with mocking derision in 1874. "Two or three unsuccessful attempts have been made to carry the system down to the retail trade, and one or two to improve the system, but these have been so feeble as to render further allusion to them unnecessary."[191] Still, by the mid-1880s the presence of such organizations in major U.S. cities was well established. These nascent information-sharing organizations sprang up throughout the U.S. in a striking variety of forms. Some were private agencies modeled directly on the mercantile agencies, some were non-profit associations organized along trade lines, and still others were dubious offshoots of collection and detective agencies. All of these varied considerably in their methods of reporting as well, from the compilation of simple black lists to comprehensive reference books based upon the affirmative-negative system. Since there was little or no coordination among retailers in different cities, each new association emerged sui generis, seemingly oblivious to the success or failure of other credit reporting ventures. Each was a veritable island unto itself, and the impression of so many organizations coming and going is that of so many individuals reinventing the wheel.

Despite such confusion, it is likely that the first credit reporting organization devoted specifically to consumers was established in Brooklyn in 1869. This date and

[191] *The Commercial Agency: Its Origin, Growth, &c.*, 7.

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place of origin is provided in a 1927 textbook on retail credit bureaus in which the author, an early twentieth-century expert on the subject, attributes priority to Herman T. and Conrad E. Selss.[192] That the first retail credit reporting organization would emerge in Brooklyn is not surprising. One of fastest growing and most populous American cities during the late nineteenth century, Brooklyn jumped from the seventh largest U.S. city in 1850 to third largest in 1860 (behind New York and Philadelphia), a ranking it retained until its incorporation as a borough of New York in 1898. A Brooklyn directory confirms that Conrad Selss operated a mercantile agency in 1878, and four years later a local newspaper reported that "Mr. C.E. Selss, of the Mercantile Agency" was elected president of the Brooklyn Board of Trade.[193] But beyond this no records of the Selss enterprise seem to exist. A curious volume found in the New York Public Library may offer an additional clue. This slim credit rating book, published by the "Retail Mercantile Agency" for the years 1874-1875 and placed in Brooklyn by an early pencil notation, may have been the work of the Selsses. The volume contains the names and addresses of more than 4000 individuals, each with "confidential" ratings corresponding to the following key:

> "B" denotes a person who pays cash; "A"—one who pays promptly; "C"—one, who, through carelessness, allows his or her account to remain unpaid when due, though perfectly responsible; "K"—one who is unfortunate and cannot pay when accounts become due, or who seems indifferent about them, but responsible; "&"—will not be rated; inquiry must be made at the office; we do this in justice to all concerned.[194]

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[192] J.R Truesdale, *Credit Bureau Management* (New York: Prentice-Hall, 1927), 13. Truesdale's account was repeated two years later in Norris A. Brisco, *Retail Credit Procedure* (New York: Prentice-Hall, 1929) and this date and place, though not always mentioning the Selsses, subsequently took the form of an origin story for the profession. See also Flinn, "History of Retail Credit Company," 49.
[193] *Lain's Brooklyn Directory,* 1878 (Selss is misspelled Sells); "At a Meeting Held on Thursday," *Brooklyn Eagle,* 20 April 1882, 2.
[194] *Retail Mercantile Agency* ([Brooklyn, NY]: n.p., [1874-1875]), n.p.

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While the priority of the Selss agency cannot be corroborated, it can still be said with certainty that one of the earliest, if not the first, retail credit reporting agency in the U.S. was established in Brooklyn in 1869. The Dealers' Mutual Protective Agency, a for-profit firm unconnected with the Selsses, offered a range of business services, including credit reporting, bill collection, accounting, and detective work. The agency's "preventative department," according to an advertisement, existed "for the purpose of protecting the trade against a certain class of customers who are continually requesting credit but never intend to pay. This class is composed of a genteel appearing set of swindlers, male and female, who, with their oily tongues, insinuating manners and great show of bogus wealth, always succeed in victimizing the trade. They move from locality to locality, remaining long enough in each to run up bills with the grocer, butcher, baker, and all others willing to trust." The agency boasted that retailers—as well also hotels, boarding houses, and landlords—could "save hundreds, yes, thousands of dollars each year" through its services. And in addition to investigating retail customers and prospective tenants, the agency's detective department also doubled as an employee screening program "It is of utmost importance to the Trade to discover who among their employees are honest and who are dishonest. . . We assert that of ten Retail Dealers, eight are being victimized by their employees, and of those eight six are ignorant of the fact."[195]

By its second year the agency had compiled a list of some 8430 "contumacious debtors" in Brooklyn alone. These "dead beats," according to a news article, consisted

[195] Dealers' Mutual Protective Agency, advertisement, *Brooklyn Eagle,* 18 February 1869, 2.

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of many with the means to pay, including "the gentry who live in brown stone houses," but who evaded their financial obligations through legal loopholes or by placing their property in another's name.[196] The difficulty of exacting payment from such crafty debtors prompted the agency to hold an open meeting in March 1870, during which the organization's general superintendent, C.H. Baxter, oversaw the drafting of a legislative proposal to submit to the state assembly in Albany.[197] The meeting, it seems, was sparsely attended and nothing came of it. However, one of Baxter's proposals, a call for wage liens against retail debtors, drew harsh criticism in the local press.[198] The next year the Dealers' Mutual Protective Agency apparently folded. During a summer lull in 1872 a reporter for the *Brooklyn Eagle* sought to do a story on the agency and learned from an informant that the agency had made "a splendid run" but ultimately failed to make good on its promise to collect difficult bills.[199] It is not clear whether this agency published a reference book or how credit information was ascertained. The emphasis on delinquents suggests that the agency's credit reporting endeavors consisted of little more than compiling black lists from their subscriber's collection requests.

But just as this Brooklyn agency quietly closed its doors, another firm, the Retail Dealers' Protective Association (RDPA), opened across the East River in New York City. The RDPA, in addition to being one of the earliest retail credit reporting organizations in the U.S., was the longest lasting; it remained in continuous operation

[196] "The Dead Beats," *Brooklyn Eagle,* 8 March 1870, 2.
[197] "Reform in Debt Collection in Brooklyn," *New York Times,* 8 March 1870, 5.
[198] H.P., "The Dealers' Credit System—The Wages Lien Law in the Old Countries," *Brooklyn Eagle,* 14 March 1870, 2; "The New York Citizen Reformers," *Brooklyn Eagle,* 15 March 1870, 2.
[199] "People Who are in Debt," *Brooklyn Eagle,* 18 August 1871, p. 2.

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until 1931, when bankruptcy finally sunk it.[200] Though the RDPA apparently left behind no archival repository, the prefatory letters in its annual reference books provide much information concerning its history, development, and operation.[201] The first edition of its *Commercial Register,* published in 1872, contained the names of 50,000 individuals living or working in New York and Brooklyn. Modeled on the mercantile agency system in its use of the affirmative-negative system and annual publication of coded reference books, the RDPA communicated the creditworthiness of individuals through the use of a rating key:

1. Undoubtedly responsible.
2. Pays punctually.
C. Reported as habitually paying cash, and deemed responsible.
3. Regarded as responsible, but does not always pay punctually.

Individuals who received contradictory reports or whose credit was so poor as to be ranked below 3 were given an asterisk, indicating that the subscriber should make an inquiry at the agency office for more information. By 1880 the RDPA was answering up to 20,000 special inquiries per year.[202] The simplicity and stability of the RDPA's rating key was viewed as a selling point. Except for the elimination of the "C" rating in 1887, it remained essentially the same for more than a half century.

While adopting the system of the commercial credit reporting agencies, the RDPA introduced a key innovation: the use of direct ledger experience. Ledger experience—a retailer's own record of his or her customers' payment history—

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[200] "Bankruptcy Proceedings," *New York Times,* 14 May 1931, 44; and "Bankruptcy Proceedings," *New York Times,* 27 May 1931, 51.
[201] Many of these early volumes are available at the U.S. Library of Congress, Washington, DC.
[202] "To Our Members," *Commercial Register,* 1881-1882, 9th ed. (New York: Retail Dealers' Protective Association, 1881), n.p.

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represented a running transcript of each individual's financial behavior. When pooled with the records of other retailers, it offered a medium through which an individual's pattern of promptness, struggle, or indifference in meeting credit obligations might be discerned. Compared with the use of distant correspondents and in-house investigators, both of which could never be more than imperfect intermediaries, the information recorded in the firsthand experiences of merchants was considered far superior. As a prefatory letter in the RDPA's first edition explained, "The ratings are not mere opinions, but the recorded experience of business men who have had dealings with the persons reported, and fairly express their knowledge of them."[203] According to the agency, the individual ratings in the second edition were based on reports submitted by as many as twenty different retailers.[204] To summarize this information and calibrate ratings, the reference books included three columns in which the highest, lowest, and average rating of an individual could be listed (though in many cases individuals received only a single rating).

The use of ledger experience signaled a major development in the history of American credit reporting, one that set retail credit reporting organizations apart from those monitoring credit in the commercial sphere. The 1874-1875 rating book published by the Retail Mercantile Agency in Brooklyn seems to have similarly incorporated the use of ledger experience.[205] Retailers had long known that knowledge

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[203] Letter dated June 1872, *Register for New York, Brooklyn, & Vicinity* (New York: Retail Dealers' Protective Association, 1872), n.p.
[204] Letter dated May 1873, *Register for New York, Brooklyn, & Vicinity,* 1873-74 (New York: Retail Dealers' Protective Association, 1873), n.p.
[205] A note beneath the key suggests that the published ratings were based on "reports" submitted directly by retailers; *Retail Mercantile Agency,* n.p.

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accrued through their own interactions with customers was far more valuable than any information culled by second-hand investigators, but the problem had always been to get them to share such information with each other. The RDPA encouraged wary retailers to contribute their ledger experience by offering a fifty percent discount to subscribers who provided "full co-operation." Such cooperation involved providing the agency with "a full list of their customers with their addresses and business, as far as known, and rating them as per instructions on the blanks furnished by the association," and providing revisions and corrections as requested.[206] In its annual reports, the RDPA went to great lengths to impress upon retailers the merits of its ratings and its impartiality as an institution. Distinguishing itself from the mercantile agency system, the RDPA asserted, "This Association does not interview for information, and does not accept statements or opinions as a basis for credit, but gives you the experience of the dealers who previously sold the party, with such other facts as are necessary to enable you to form a correct judgment."[207]

Ledger experience also had the happy effect of inoculating credit reporting agencies such as the RDPA against charges of bias or injustice in their ratings. As mere compilers of information submitted by the community of retailers, they argued, the agency did not manufacture facts but distilled their essence for the use of its membership. Responding to those who angrily protested their rating, the RDPA

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[206] "Terms and Conditions of Membership in the Retail Dealers' Protective Association," *Commercial Register,* 8th ed. (New York: Retail Dealers' Protective Association, 1880), n.p, Subscriptions to the RDPA's register were prorated based upon a subscribers annual business volume. In 1880, for example, a subscribers with annual volume above $100,000 were charged $100 per year, while those making between $25,000 and $100,000 paid $100, and those doing less than $25,000 paid $50.
[207] "Gentlemen," *Commercial Register,* 1882-83, 10th ed. (New York: Retail Dealers' Protective Association, 1882), n.p.

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countered, "To all such as these we have but one reply: *'We do not rate anyone.'*"[208] Moreover, the blame for incomplete or erroneous ratings was placed squarely on the retailers themselves, who were said to have introduced error by failing to report new information or by refusing to participate altogether. But in holding the retailers responsible, no one in particular was accountable, thus giving the ratings an aura of objectivity and truth that emanated from outside of the reporting agency.[209] In this way, the agency presented itself to the public as a neutral medium of communication that received and transmitted the collective wisdom of unnamed retailers in a given locality. Ratings, in other words, were merely a neutral quantitative record of the individual's own financial behavior, for which they alone were responsible. Since reports were provided to the agency in strict confidence, a disgruntled customer could only guess at the source of his or her poor rating. And like the mercantile agency system in the commercial sphere, the RDPA touted its disciplinary effect on both retailers and their customers. "It is a well established fact that the publications and working of this Association has had the double effect of making the retail dealer, who is a member, more careful in giving credit, and his customer more anxious to make a good record by meeting his bills promptly."[210] The RDPA took pride in the discomfort it caused the inveterate dead beat. "There is a great deal more known about a man than

[208] "Gentlemen," *Commercial Register,* 1883-84, 11th ed. (New York: Retail Dealers' Protective Association, 1883), n.p.; italics in original.
[209] See Theodore M. Porter, "Information, Power, and the View from Nowhere," in *Information Acumen: The Understanding and Use of Knowledge in Modern Business,* ed. Lisa Bud-Frierman (London: Routledge, 1994), 217-230.
[210] "To Our Members," *Commercial Register,* 8th ed., n.p.

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he fancies," the agency asserted. "Then let everybody so conduct himself that nothing can be known about him of which he will have any reason to be ashamed."[211]

The RDPA repeatedly described itself as a "conservative" institution and took every opportunity to remind its subscribers that its ratings were not infallible and that any unjust rating would be promptly rectified. "We employ a large corps of experienced and intelligent reporters and clerks in collecting and recording such information," the RDPA explained in 1881. "The facts which come into our possession are carefully sifted and analyzed, and as we have no possible interest in the individuals reported on, the conclusions which we present are free from all bias of personal interest of prejudice."[212] As proof of its legitimacy, the RDPA boasted that the organization had been in operation for more than a decade and no legal action had ever been brought against it. "It would be a miracle if in all the past twelve years no mistakes had been made, but it is none the less remarkable that during that time we have escaped all litigation." Noting that few commercial credit reporting firms could claim as much, the RDPA added, "we cannot but think that we have been peculiarly fortunate, or else that our system is better than that of the others."[213] If the RDPA was not harried by litigants, however, it did have to contend with the unauthorized use of its proprietary information. Like the mercantile agency of R.G. Dun, the RDPA could hardly control the dissemination of its reports and ratings once placed in the hands of subscribers. In 1886 the RDPA was reduced to scolding its members for sharing information with non-subscribers, a "growing evil" that stymied the enlargement of

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[211] "Gentlemen," *Commercial Register,* 1882-83, n.p.
[212] "To Our Members," *Commercial Register,* 1881-82, n.p.
[213] "Gentlemen," *Commercial Register,* 1883-84, n.p.; italics in original.

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the association's membership. "It is a matter of every-day occurrence when canvassing to be told by a dealer that he does not need to subscribe because he gets the information from a friend who does without charge."[214] And like the leading commercial credit reporting agencies, the RDPA also had to contend with imitators bred of its own success. In 1883, for example, a firm calling itself the Retail Dealers' Protective Association issued a reference book for the city of Chicago.[215] Though this ephemeral venture—which, it turns out, was also a swindle—posed no direct competition to the New York RDPA, others closer to home did, thus prompting the RDPA to warn its members against "irresponsible parties" that regularly set up cut-rate operations under similar sounding names.[216]

The RDPA was the most successful for-profit retail credit reporting firm in existence during the 1870s and 1880s, but others soon emerged on the scene. The American Mercantile Union was founded in 1876 and over the next two years published reference books for at least two cities, Springfield, Ohio, and Lowell, Massachusetts. According to the firm's 1886 reference book for San Francisco and Oakland, a "branch agency" of the American Mercantile Union existed "in every city of note throughout the United States."[217] While the American Mercantile Union displayed national aspirations, many others, such as the Retail Dealers' Mutual Benefit

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[214] "To Our Members," *Commercial Register,* 1886-87, 14th ed. (New York: Retail Dealers' Protective Association, 1886), n.p.
[215] *Confidential Reference Book, 1883-84* (Chicago: Retail Dealers' Protective Association, n.d.).
[216] "Gentlemen," *Commercial Register,* 1883-84, n.p.
[217] "Preface," *Confidential Reference Book for San Francisco, Oakland and Vicinity* (San Francisco, CA: American Mercantile Union, 1886), n.p.

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Protective Association of Nashville, Tennessee, were local in their orientation.[218] In 1881 an organization called the Mercantile Union published a reference book in Philadelphia. The proprietors, Ammet R. Clarke and J.H. Culbertson, seem to have been eager to emulate the RDPA—so eager, in fact, that the preface to their book plagiarized directly from that of the RDPA's latest edition. While employing the affirmative-negative system and compiling ratings at least nominally based upon ledger experience, however, the Mercantile Union's rating key, with its fourteen different classifications, had none of the RDPA's parsimony. Clarke and Culberston, it seems, were an unscrupulous pair. During a trial in which three duped subscribers were sued for nonpayment, one of the defendants loudly denounced the Mercantile Union's proprietors as "swindlers."[219] There was truth in this angry outburst. Two years later Clarke and Culberston established another agency, the RDPA in Chicago, and absconded with the subscription fees after publishing a single reference book.[220]

Protective associations

During the 1870s and 1880s a growing number of retailers began to form their own "protective" associations. These associations—typically established along trade lines and limited to a specific town or city—sought to regulate prices, credentialing, and the quality of their respective products and services. But foremost among their purposes was the policing of credit relationships. In 1871, for example, at least three

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[218] *Confidential Reference Book of the Retail Dealers' Mutual Protective Association* (Nashville, TN: Retail Dealers' Mutual Benefit Protective Association, 1885), n.p.
[219] "Mercantile Union," *Philadelphia Inquirer*, 8 July 1881, 3.
[220] "Failed to Protect," *Chicago Tribune*, 6 September 1884, 8.

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new trade organizations, one representing milk dealers, tailors, and retail coal dealers, were formed in Philadelphia. In the case of the milk and coal dealers, members agreed to provide the association with a list of their delinquent customers for the purpose of keeping a black list. The tailors, evincing their desire to replicate the system of the "General Information Society of London," promised to protect its members through "the diffusion of information in regard to delinquent and doubtful customers."[221] In Chicago, the national financial crisis of 1873 spurred at least a hundred of the city's retail grocers to meet for the purpose of forming a protective association. The organization, dubbed the Grocers', Butchers', and Marketmens' Exchange, was to center upon the compilation of a shared black list.[222] Though such associations usually reflected a guild-like homogeneity, in some cases they brought together a motley assortment of interests, as was the case in St. Louis, where grocers, real estate agents specializing in boarding houses, and physicians organized in 1878 for the purpose of devising a cooperative black list.[223]

Among these various trade groups, retail grocers were the most active. As providers of basic provisions, they dealt with the greatest number and variety of customers. And positioned on the frontline of the swelling consumer credit economy, they suffered worse than others from delinquent customers. During the late nineteenth century medium to large cities were served by thousands of local grocers. In the early 1880s, for example, a New York newspaper placed the number of grocers in New

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[221] "Merchant Tailors' Exchange," *Philadelphia Inquirer,* 17 October 1871,, 3; See also "Milk Dealers," *Philadelphia Inquirer,* 3 June 1871,, 2; and "Retail Coal Dealers," *Philadelphia Inquirer,* 30 November 1871, 3.
[222] "Green Grocers," *Chicago Tribune,* 30 September 1874, 5.
[223] No title, *New Orleans Times,* 12 February 1878, 4.

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York and Brooklyn at 10,000, an estimate that may have been imprecise but is not improbable.[224] These neighborhood retailers often performed an unwanted social service role. Where no family help or charitable safety net existed, distressed local people depended upon trusting retailers for the necessities of life. "Men who are out of work; men who do work, but are unable to collect their pay,—must live. Having no money, they go to the store, and ask for credit until they can obtain their wages. The merchant lets them have what they want, thinking that he will some time get his pay, and trusting to the men's honesty and ability to collect what is due them for work."[225] At the inaugural meeting of the Chicago Grocers', Butchers', and Marketmens' Exchange, a fracas erupted when one grocer read a rambling diatribe against the credit system and proposed its immediate abolition. Another merchant rejected this "foolish proposition," noting that he served many "honest people" and "could not do such a cruel thing to them on such short notice." Citing the hardships wrought by the current financial panic, he added, "In this time of financial stringency, when people of ordinary means had not the currency wherewith to pay their running expenses, it would be an act of meanness to shut down credit."[226]

While offering the public a welcome degree of convenience and in some cases a lifeline, credit sales were the source of much hardship for local merchants with razor-thin profit margins. As a defender of such retailers noted, the workingman might "imagine that the grocer, the dry-goods merchant, the dealer in meats and poultry, are making such large profits," but in reality they often scrapped along and struggled to

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[224] "New York," *New York Times,* 23 May 1882, 8.
[225] "The Other Side," *Chicago Tribune,* 21 April 1874, 10.
[226] "Green Grocers," 5.

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make ends meet.[227] In particular, they found themselves at the whim of fickle debtors and, unhappily, in a perpetual battle to collect small sums spread throughout the neighborhood. Some complained that the credit system forced them into "public slaves," as they were too desperate to deny credit and perpetually abused by delinquent customers. "We may ask," a Chicago grocer wrote in 1873, "Why in the world do we trust? There is no reason why, only our own anxiety to do business and grasp at trade." And adding insult to injury, as this writer observed, the credit standing of local grocers and butchers suffered in the eyes of the greater business world as a result. "I find, upon looking through the commercial reports, that the retail grocers of Chicago are the poorest, and have the smallest amount of credit of any class of business men in the city."[228]

Worse still, the grocer's generosity was not always appreciated. Open book accounts encouraged more liberal spending, and grocers (as well as other retailers) were accused of preying upon the vanity of their customers in offering to trust them. "[A]n open, running, unsettled account with some merchant, is about the worst calamity that can possibly happen to a farmer, laboring man, or mechanic, in moderate circumstances," one writer declaimed. "You feel quite flattered when the merchant tells you smilingly: 'No matter about the money, take the goods along; we'll make that all right sometime.' You feel like hugging the generous man for his kindness as you carry away the bundle of goods which you have purchased on credit, and which he

[227] "The Other Side," 10.
[228] R. Hamilton, "Troubles of the Retail Grocers," *Chicago Tribune,* 25 September 1873, p. 2.

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would have sold 25 per cent. cheaper for cash."[229] Others viewed the extension of credit as a quiet conspiracy hatched by lazy and unscrupulous retailers. "Grocers, butchers, and other storekeepers who supply families with the daily necessities of life, encourage and sometime literally compel their regular customers to let their accounts stand for a month or more at a time," a Brooklyn editorialist complained. The preference among storekeepers for monthly and quarterly payments, according to the writer, allowed them to bury phantom charges in lengthy invoices and to abet dishonest housekeepers who slipped items in for themselves.[230] And, as usual, the tolerance if not outright promotion of credit sales among retailers was also blamed for driving up prices. Such complaints, whether launched by disgruntled merchants or customers, typically concluded with calls for the imposition of a cash-only policy.

By the mid 1880s grocers' associations were established in many Eastern cities and as far west as California, where the Los Angeles Grocers' Protective Association was formed in 1879.[231] One of the largest of these associations was that of the New England retail grocers', which brought together local groups from throughout Massachusetts, New Hampshire, Connecticut, Rhode Island, and Maine. Established in 1882 (and renamed the Central Retail Grocers' Association in 1884), it had approximately 1100 members by its second year of existence.[232] At the same time or shortly thereafter associations were formed in Chicago, New York, Brooklyn, St.

[229] "The Credit System," *Waynesboro (PA) Village Record,* 4 April 1872, 1.
[230] "The New York Citizen Reformers," 2.
[231] "The Los Angeles Protective Association," *San Francisco Daily Evening News.* 26 September 1879, n.p.
[232] "New England Grocers," *Boston Globe,* 9 January 1883, 6.

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Louis, Richmond, Syracuse, Rochester, Buffalo, and Philadelphia.[233] These associations, especially in Boston and New York, came together in massive annual celebrations attended by parades, brass bands, and family festivals. When the 800 predominately German members of the New York Retail Grocers' Association convened in 1884, they "enjoyed themselves as only Germans can" and extended their beer-swilling conviviality to a delegation of Massachusetts grocers, whose arrival was enthusiastically greeted "with a roar of artillery."[234] Though grocers' associations were the most visible and numerous, allied trade groups developed similar protective societies. In Charlotte, North Carolina, for example, the butchers banded together in 1889—three years ahead of the city's grocers—to compile a black list for their protection against "trusting parties who will not pay their bills."[235]

Softening the cut-throat competition within the local trade, these associations fostered a cooperative spirit that was key to the development of effective credit reporting networks. Indeed, chief among their objectives—in addition to regulating prices, business hours, the adulteration of food, and resisting the incursions of wholesalers and peddlers—was the protection of the trade from delinquent customers. In nearly every case this was achieved by compiling a black list for the exclusive use of its members. When the retail grocers of Aberdeen, South Dakota (a newly incorporated town with fewer than 5000 people) organized in 1888, for example, they

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[233] "Retail Grocers," *Chicago Tribune,* 24 August 1881, 5; "Retail Grocers Combining," *New York Times,* 19 June 1882, 8; "Grocers' Association," *Brooklyn Eagle,* 9 June 1882, 4; "A Protective Association," *St. Louis Globe-Democrat,* 15 January 1882, 3; *Constitution and Rules, Richmond Retail Dealers' Association* (Richmond, VA: Carlton, McCarthy & Co., 1883); "The Buffalo Grocers," *New York Times,* 25 April 1886, 1; "Retail Grocers Organizing," *Philadelphia Inquirer,* 22 April 1886, 3.
[234] "Grocerymen at Play," *New York Times,* 14 August 1884, 5.
[235] "The Butchers Organized," *Charlotte (NC) News,* 3 January 1889, [1]; "A Grocers' Union," *Charlotte (NC) News,* 30 March 1892, [4].

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promptly compiled a "list of delinquents who prey upon the trade" in an effort to prevent its members from unwittingly offering credit to "Mr. Bad Pay."[236] These black lists took the form of printed handouts that were distributed directly to members, thus accounting for their apparent rarity (I have yet to locate one), or a single master ledger maintained by the association. The latter was the system in use among the Protective Association of Grocers in Long Island City, New York, which kept "a fair-sized account-book, with a mourning-border, containing the list of names" of delinquent customers.[237]

There were exceptions to such fixed or limited circulation black lists. One example, attributed to the merchants of Oshkosh, Wisconsin, was a black list published around 1872. This slim thirty-page volume contained the names of some 500 individuals and their respective debts, each of which was listed on a separate line so that the number of outstanding debts, rather than simply their sum, could be ascertained by the reader. While most individuals were listed with only one or two unpaid debts, some had as many as nine, from which degrees of financial neglect and abuse might be inferred.[238] An even more noteworthy exception is *M'Cready's Credit Register,* a reference book published in Boston during the 1880s by John C. M'Cready. As a representative of the New England Retail Grocers' Association, M'Cready capitalized on his affiliation with the organization and his role as traveling representative for its official publication, the *New England Grocer.* His *Credit*

[236] "A Retail Grocer's Association," *Aberdeen (ND) Daily News,* 18 March 1888, [3].
[237] Untitled, *San Jose (CA) Mercury,* 27 February 1886, [4].
[238] *Black List* (Oshkosh, WI: n.p., [1872?]), located in the pamphlet collection of the Wisconsin Historical Society Library and Archives, Madison, WI.

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Register, which was produced under the association's aegis for the use of "retail dealers and country store merchants," contained the names of individuals (listed alphabetically by New England town) and the amount of their outstanding debts, along with a code number (1, 2, or 3) and in some cases an asterisk. The meaning of the cipher is indecipherable without access to the key, but the inclusion of debts strongly suggests that the register was essentially an elaborate black list, and that the codes referred to the individual's circumstances and disposition toward paying.[239] M'Cready's retitled reference book, the *Commercial Reporter,* and his self-styled "Credit Register and Collector System" lasted until at least 1887.[240]

If grocers and butchers were at the forefront of retail credit reporting systems, physicians were equally hard pressed. Doctors were among the earliest adopters of consumer credit reporting, perhaps even preceding the organized efforts of grocers and neighborhood retailers. These professionals had long suffered at the hands of patients who took their solicitude for granted and failed to compensate them. Even more than grocers, who incurred losses by feeding the destitute, physicians abided by moral obligations that prohibited them from denying their services to anyone. Complaining of the penury into which American physicians were sunk as a result of uncollected bills, a Boston editorialist noted in 1840 that "the medical practitioner goes everywhere, at every hour, night or day, without knowing even the character of this

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[239] *M'Cready's Credit Register, for Retail Dealers, and Country Store Merchants,* 2nd ed. (Boston: Alfred Mudge & Son, 1884). This rare volume is in the general collection at the University of Delaware Library. M'Cready, served as the traveling representative of the New England Retail Grocers' Association and oversaw the publication of its official organ, the *New England Grocer.*
[240] "Local Lines," *Boston Globe,* 27 May 1885, 2.

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patient, and much less anything about his ability to pay for medical services."[241] Nineteenth-century physicians were resigned to the fact that some under their care might be too poor to ever pay them, but they resented those who took advantage of their charity, particularly those who put them off with endless excuses while attending to other financial obligations and even "family superfluities."[242]

The dilemma that physicians faced, as one editorialist noted in 1872, was that of differentiating between the "real delinquents," those who were truly indigent, and the "doctor-swindlers."[243] "The butcher, the grocer, or the baker may, without incurring ill will, refuse to give credit to persons who ask an accommodation. In like manner all other business men may refuse to adopt the credit system," a correspondent to the *Brooklyn Eagle* observed in 1873. "But the doctor, Ah! the doctor! What a `cruel, heartless man,' he would be, if he asks for his pay as soon as his services are rendered."[244] The "dishonest class," as this writer noted, was not those in dire financial straits but former patients who frequented the opera and frittered away their money on luxuries instead of settling with their doctor. "The physicians should devise some plan for self protection in such cases. The members of the medical societies should hand in the names of these dishonest delinquents to be recorded in a book for the purpose, at a monthly meeting, so that the members could draw off the names of such as are

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[241] "Fees of Physicians," *Boston Medical and Surgical Journal* 21 (29 January 1840): 404.
[242] R.C., "Medical Fees," *Boston Medical and Surgical Journal* 22 (12 February 1840): 13.
[243] "Black Lists," *Philadelphia Medical Times* 3 (21 December 1872) 185.
[244] "Doctors," *Brooklyn Eagle*, 1.

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notoriously dishonest, that they may be made to appreciate the value of medical attendance when next in need of it."[245]

In fact, the physicians of Millville, a small town in southern New Jersey, had already done this in 1869. Employing a collection agent to enforce payment, the physicians pledged to record the names of patients who were six months overdue "on a Black List, of which each Physician shall have a copy." Individuals added to the list were not to be removed until they settled their bill or unless they were exempted by "an order from an overseer of the poor."[246] Several years later the Manhattan Collecting Company, a for-profit venture in New York, published a reference book for the use of "Physicians, Dentists & Retail Dealers."[247] Though the book included a rating key, which gave the impression of an affirmative-negative reporting system, it was little more than a modified black list. Of the more than 1300 individuals listed in the main reference and its supplement, only seventeen were given a positive rating of "Paying up," and none was listed as "Paid up." Instead, the entire reference was devoted to three categories of delinquency: those who had apparently moved away; those deemed able, but unwilling to pay; and those considered too poor to pay. As medical professionals began to organize during the 1870s, they adopted the black list as their medium of choice.

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[245] Ibid.

[246] "A Good Move," *Medical and Surgical Reporter* (Philadelphia, PA) 20 (13 February 1869): 136.

[247] *For Reference: Published for the benefit of Physicians, Dentists, & Retail Dealers, by the Manhattan Collecting Company* (New York: E.V. Armstrong, 1873).

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Bureaucratic nightmares and cash-only dreams

Though information-sharing networks run by fellow merchants were the most promising, particularly in their incorporation of direct ledger experience, they also proved the most difficult to maintain. This was the case for several reasons. First, retailers remained deeply mistrustful of one another. Even facing throngs of unknown customers, many retailers preferred to suffer their debtors quietly and alone rather than share information with their competitors. Such hard-headed isolationism gave way over time, but retailers instinctively bristled at the notion of cooperation, an idea that must have seemed especially counterintuitive in an environment of tightening competition. Additionally, some retailers apparently resisted the idea of credit reporting out of fear of alienating their customers. As a Nashville, Tennessee, reporting agency noted in 1885, "Some retail dealers object to this mode of self-protection, because, forsooth, their customers may become offended if their habits of non-paying their debts are made so public." This logic, the agency argued, was invalidated by the fact that many trusting retailers had "brought themselves to bankruptcy, and their wives and their children from a comparative state of affluence to abject poverty," as a result of their heedless goodwill.[248]

At a strictly administrative level, credit reporting organizations were extremely time- and labor-intensive enterprises. The task of collecting, compiling, and regularly updating and distributing credit information was no mean feat. To give a sense of the stupendous effort involved, the preparation of a single reference book published by the

[248] *Confidential Reference Book of the Retail Dealers' Mutual Protective Association* (Nashville, TN: Retail Dealers' Mutual Benefit Protective Association, 1885), n.p.

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RDPA in 1880 involved the deletion of 20,000 names, the addition of 20,000 new names, and changes to 45,000 existing ratings and addresses. "The 70,000 names contained in the register," the RDPA reported, "must be carefully copied and compared with all the latest directories, household and business addresses corrected, errors in spelling and alphabetical arrangement of names made right, old ratings erased or changed, and new ones inserted, all to be done in a very limited time."[249] Even in a city a third the size of New York, the effort needed to operate an effective affirmative-negative reporting system was daunting. Thus it is no surprise that most early cooperative credit reporting organizations consisted of simple black lists, the least burdensome system of information sharing.

These obstacles were compounded by the laxity with which many merchants administered their business records. "No man can know too much about his business, and the majority of men don't know enough," a representative of the Sioux City Bureau of Credits complained in 1898.[250] Small retailers earned special repute for their managerial ineptitude, a problem that became evident, ironically, as commercial credit reporting firms moved to require business owners to submit signed financial statements attesting to their capital and assets. Many retailers kept only skeletal records of their transactions and understandably resisted such efforts, as these statements were legally binding documents that could be used against them as evidence of fraud if they subsequently failed. Noting the "astonishingly universal" ignorance of double-entry bookkeeping among American businessmen, Samuel Terry

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[249] "To Our Members," *Commercial Register,* 8th ed., n.p,

[250] George Conway, "Financial Information," *Business The Office Paper* 18, no. 1 (January 1898): 52.

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pleaded that any form of coherent recordkeeping—"whether it be notched sticks, chalk scores, pencil memorandums, or 'single entry' books"—was far better than nothing.[251] Informality bred omission and loss. Sales records were easily forgotten when busy clerks allowed familiar customers to walk off with "a hoe, or a scythe, or a shovel, or some such article" with only verbal instructions to charge the item to their account.[252] Attesting to the inevitability of such errors, one long-time retailer reminisced, "Why, when a man's busy and customers waiting for him, it's the most natural thing in the world for him to forget to charge a sale. The more anxious he is to hustle and wait on customers, the more apt he is to forget."[253] Many small retailers were unable or unwilling to commit themselves to careful bookkeeping and some had not taken stock of their merchandise in years, as horrified creditors came to realize. In 1897 New York banker James G. Cannon delivered an influential speech on the subject of "individual credits" in which he summed up the state of retail credit procedure at the end of the nineteenth century. "I believe that very few retail merchants, if called upon for an opinion as to the basis of their credits, could give a specific or intelligent answer," Cannon scoffed. "He will often 'size up' a man on the spot and sell him a bill of goods without even knowing the party's full name, or, relying, perhaps on his supposed ability to judge something of his means or affairs because he is an acquaintance, he will trust him without any investigation as to his financial worth."[254]

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[251] Terry, *The Retailer's Manual,* 250.
[252] Ibid., 245.
[253] Frank Farrington, *Talks by the Old Storekeeper* (Delhi, NY: Merchants' Helps Publishing Co., 1906), 47.
[254] Cannon, *Individual Credits,* 6-7.

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But at a deeper level, and perhaps more significantly, many small retailers harbored a lingering desire to impose a strict cash-only policy, one that would banish troublesome credit for good. Experience could not have given them much hope. Merchants who put their foot down and insisted on running a cash business found it a Sisyphean task. "[T]he day always comes," a Chicago journalist explained, when the established cash customer "either left their money at home or change for a $20 bill cannot be made, resulting in a charge being made upon the books, and then—well, its is always the same story: the charges commence to accumulate, and—as he dresses well, is a clever talker, and has always paid cash in the past—the retailer thinks he is making a solid customer by his chivalry, and when the account becomes due and is presented the debtor says: `All right, I'll send this in tomorrow or the next day.'"[255] Even after advocating a strict cash-only policy to free the shopkeeper from the tyranny of slow credits, a frustrated Chicago grocer admitted, "I must say that I have not got the nerve to do it. I cannot stand by and see my good customers walk over to my neighbor just for the reason that I will not accommodate them with a little credit, and he will."[256] In this way many merchants, especially small independent retailers, felt compelled to offer credit terms though they were ill equipped to handle the administrative responsibilities that such transactions required. One of the great drawbacks of credit selling was the additional labor, both physical and mental, that it entailed. Credit sales burdened the retailer's mind with "the agitation and exciting questions of the responsibility of customers" and the problem of collections, all of

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[255] "New Business Methods," 9.
[256] Hamilton, "Troubles of the Retail Grocers," 2.

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which distracted him from the more important business of buying and selling goods. Citing the anxiety and emotional "wear and tear" wrought by credit, one retailer reflected in 1898, "Would I not be happier and in better condition financially, as well as physically, if I should cut off the credit part of my business entirely?"[257]

In 1876 a group of retail grocers in Atlanta conspired to ban credit sales for an entire year in reaction to legislation that prohibited them from garnishing the wages of laborers, mechanics, and journeymen.[258] Another attempt to curtail credit was reported in Boston, where that city's grocers were said to have defied naysayers and cultivated a cash-only policy of "enormous" proportions by 1885.[259] An informal survey of Chicago retailers revealed nearly unanimous support for cash-only policies. "The credit business is the old flint lock of our forefathers," one merchant argued; cash was the truly progressive medium of the technological age, "the rapid-firing repeating rifle of modern mercantile warfare."[260] Apocryphal stories of credit resistance also circulated in local papers throughout the nation. One related a California grocer's novel way of illustrating the additional cost of credit for the benefit of his customers. He divided his stock in half and sold goods for cash prices on one side and credit on the other; thus the customer was "made to realize the value of ready money."[261] Another described a barber's technique of intimidating credit seekers. When asked by a "suspicious-looking transient customer," if he offered credit terms, the Nevada

[257] John J. Cummins, "The Evil of Retail Credits," *Business: The Office Paper* 18, no. 11 (November 1898): 698.
[258] "Retail Grocers," *Atlanta Constitution,* 10 February 1876, 4.
[259] "The Grocery Trade," *Boston Globe,* 9 February 1885, 1.
[260] "The Cash and Credit Systems Compared," *Chicago Dry Goods Reporter* 27 (20 February 1897): 21.
[261] "Credit and Cash," *Atlanta Constitution,* 20 May 1876, 1.

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barber explained that dead beats had induced him to adopt a "new system" of bookkeeping. "Whenever I shaved one of these standbys I put a little nick in his nose with my razor and kept tally that way. They got so they didn't want to run bills."[262] Here the problem of accounting and financial identity was solved in one fell swoop, to the delight of resentful merchants.

The erratic development of consumer credit reporting thus reflected not only significant administrative obstacles and deeply engrained distrust among retailers, but also conflicting attitudes toward the legitimacy of consumer credit itself. Ultimately cash-only policies proved untenable over any period of time in either commercial or retail business. "While it is true that on a strictly cash basis a business can be run at lower prices and quicker profits," a banker conceded in 1897, "it is also true that the class of customer who can pay cash for everything they need either for domestic and personal use or for business purposes, is a comparatively small one."[263] But the emotional appeal of cash seems to have prevented at least some retailers from fully embracing *any* system of credit reporting, for to do so would have signaled surrender to the credit system and the permanent dashing of their cash-only dreams. The underlying popular longing for a cash-only utopia invariably came to the surface during the many financial crises of the nineteenth century and persisted well into the twentieth century. During the 1920s cash-only policies were still adhered to by some merchants. Arguing the benefits of retail credit to an audience of skeptical Colorado grocers and butchers, a representative of a Colorado Springs credit bureau noted that

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[262] "The Barbers Book-Keeping," *Washington Post,* 5 July 1882, 2.
[263] "The Abuse of Credit," *Bankers' Magazine* 55, no. 1 (July 1897): 13.

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"Credit ties up trade. It makes regular customers."[264] Even more, credit customers bought more and were inclined to develop personal loyalty, whether bred of convenience or good will, to the store where they were granted credit. The credit purchases of regular credit customers also reduced fluctuations in the retailer's income. Credit encouraged greater spending by reducing the customer's "sales resistance," as a Hollywood, California, retailer unabashedly noted.[265]

By the end of the nineteenth century many retailers had come to terms with the necessity of the credit system and turned instead to the systematic management of its ever-present risks. In the closing years of the century, two of the three leading consumer credit reporting agencies of the late twentieth century were born: The Chilton Company, founded in Dallas by J.E.R. Chilton in 1894, which became TransUnion; and the Retail Credit Company, founded by in Atlanta by Cator Woolford in 1899, which went on to become Equifax.[266] "The word credit in the retail business is a sign to a dangerous road that has led many a merchant to disaster, but a road which must be traveled," Chilton remarked in 1904.[267]

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[264] O.B. Pratt, "Credit as a Business Builder," *Credit World* 14, no. 11 (July 1926): 7.
[265] R.C. Markley, "Credit as a Selling Device," *Credit World* 17, no. 10 (June 1929): 13.
[266] See Flinn, "History of Retail Credit Company"; and William Simon, *Pioneers of Excellence: A History of the Chilton Corporation* (Dallas, TX: Chilton Corporation, 1986).
[267] J.E.R. Chilton, "Improved Systems of Handling Retail Credit," *Chicago Tribune,* 17 June 1904, A4.

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CHAPTER 3: Professionalization and the National Credit Infrastructure

By the late 1890s formalized systems for evaluating the credit risk of individual consumers existed in metropolitan centers throughout the U.S, from New York to Chicago and Los Angeles, and in many smaller cities in the American northeast, mid-Atlantic, and Midwest. "The method of doing business by retailers has changed considerably during the last decade," a Chicago journalist observed in 1886. "Organizations have been perfected by which every grocer is in honor bound to furnish a list of all delinquents or dead-beats who seek to swindle him out of his just dues, and in every locality where there are a sufficient number of retailers to form an association for mutual protection against dishonest credit customers these organizations are springing into existence."[268] With few exceptions, including several attempts to build multi-state franchises, these organizations were private commercial agencies and merchant-run protective associations that worked independently and precariously in their respective home cities.

The disorganized and isolated character of retail credit reporting changed dramatically between 1890 and 1920. Two developments in particular, the professionalization of credit management and the founding of a national retail credit association, provided the foundation upon which the modern consumer credit bureau was built. The designation of credit manager emerged out of a broader movement toward professionalization during the late nineteenth century, one that included the creation of national associations representing three closely aligned occupations: banking (1875; American Bankers Association), law (1878; American Bar

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[268] "New Business Methods," 9.

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Association), and accounting (1887; America Institute of Public Accountants). The credit reporting agency was an influential arbiter of creditworthiness, but the real gatekeeper to the world of credit was the individual credit manager, whose job it was to personally interview credit customers and to keep perpetual watch over the store's existing credit accounts. This was a monumental task, one that required superior organizational skills and an ability to keep abreast of rapidly changing circumstances at the individual level and in the larger world of commerce. Though the professionalization of credit management was initiated by commercial creditors—wholesaling and manufacturing firms rather than retailers—retail credit experts soon followed. By the 1920s the credit department was a commonplace feature of department stores and installment houses, and national public relations campaigns urged American consumers to "guard their credit as a sacred trust."

The credit man and the science of credits

During the last decade of the nineteenth century a shadowy new figure emerged on the American business scene: the credit man. These "ten-talent men," as one contemporary described them, were experts in the nascent "science" of credits, a specialization that encompassed the entire range of credit management—from risk assessment to bookkeeping, law, and collections.[269] Credit men, and the credit departments they inhabited, grew out of the increasing volume and complexity of credit relationships in the commercial sphere, particularly in larger wholesaling and

[269] Fred W. Smith, "Our Larger Opportunities," *Business: The Office Paper* 20, no. 8 (August 1900): 376.

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manufacturing firms where one of the owners or a trusted clerk began to specialize in the handling of credit management. Though this division of labor had long existed informally—Lewis Tappan, for example, played the untitled role of credit manager in his brother's company before founding the Mercantile Agency in 1841—it was during the 1880s that such credit experts began to receive formal recognition. By then the profitability of many commercial houses depended heavily upon credit sales, making the work of a skilled credit man indispensable. Credit managers at some of the largest firms handled tens of thousands of individual credit accounts and commanded impressive salaries—as much as five to ten thousand dollars a year—for their efforts. In 1883 a Chicago reporter inquired about these new business experts. "They're pretty sharp fellows, ain't they?" he ventured. "Sharp! Well I should say so," a man familiar with their work replied. "Why, he has the whole responsibility of selling millions of dollars worth of goods out all over the empire on credit!"[270]

As gatekeeper to the world of credit, the credit man wielded enormous power over the lives and fortunes of individuals. From his desk in one of the firm's back offices he single-handedly determined the creditworthiness of all customers and continuously tracked their accounts. While seeking to please his employer and the company's commissioned salesmen with large receipts, he was simultaneously constrained by the specter of defaulted bills and financial loss, all of which fell directly at his feet. A competent credit man was generally expected to keep losses at or below one percent of the firm's annual credit sales. Thus he was forced to steer an anxious course between reckless generosity and stultifying conservatism. Neither

[270] "Commercial Credit," 5.

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extreme was profitable; either too many good customers were turned away or too many bad risks accepted. "The Credit-man's position is beyond question the most unpopular one in the house," one writer noted. "He is between three fires. The customer wants long credit, the salesman wants all the orders he takes filled, and the house wants no losses."[271] The credit man's dilemma was summarized in a Shakespearean parody that made the rounds in the trade press during the 1890s:

> To sell or not to sell;
> That is the question.
> Whether 'tis better to sell the goods
> And take the risk of doubtful payment,
> Or, make sure of what is in possession,
> And, by declining, hold them.
> To sell; to ship; perchance to lose—
> Aye, there's the rub;
> For when the goods are gone,
> What charm can win them back
> From slippery debtors.[272]

By the late nineteenth century the subject of credit was treated in a voluminous body of writing by business leaders, scholars, politicians, and social critics. Yet amid this cacophony of condemnation, approval, and equivocation, the merchant could find little practical instruction. Credit ethics and the importance of character figured prominently in many popular compilations of maxims for aspiring men of business, a genre of mercantile pedagogy pioneered in America by Benjamin Franklin, but none treated credit and its day-to-day regulation as a topic unto itself.[273]

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[271] Frederick W. Standart, "The Salesman and the Credit-Man," *Business: The Office Paper* 19, no. 2 (February 1899): 116.
[272] "On Credit," in Earling, *Whom to Trust*, 200-201; attributed to *British and Colonial Printer and Stationer.*
[273] See, for example, Freeman Hunt, *Worth and Wealth: A Collection of Maxims, Morals, and Miscellanies for Merchants and Men of Business* (New York: Stringer & Townsend, 1856).

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In 1890 this gap was filled by Peter R. Earling, a credit manager for the Chicago household goods manufacturer L. Gould and Co. Earling's 300-page treatise, *Whom to Trust,* was the first comprehensive guide to credit management. Citing "the total absence of literature and lack of information on a topic of such vital importance," Earling promised to share the fruit of his special knowledge with a broad audience, one that included wholesale merchants and manufacturers as well as bookkeepers, accountants, cashiers, bankers, lawyers, and traveling salesmen. While noting the obvious significance of his book for those working in a formal "Credit Department"—which, he added, are "found only in the larger houses"—the omission of "credit men" from Earling's long list of prospective readers, and its rarity as a descriptive term in the text itself, suggests the ill-defined nature of the occupation at the time of his writing. Like other early advocates of systematic credit analysis, Earling argued that most commercial losses were the result of poor management and imprudence, and thus preventable through the application of sound principles of analysis. "It is not expected that this volume will be all-sufficient in itself," Earling conceded, "but it will at least furnish the fundamental principles, and the processes of reasoning employed in determining questions of credit."[274]

Earling's book seems to have galvanized interest in the development of rational credit management, and in 1892 a new periodical, *The Lawyer and the Credit Man,* was launched to address their specific interests. The link between credit professionals and attorneys was a natural one, as the obverse of credit was collections, an activity that often involved legal intervention—or its threat. Three years after the

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[274] Earling, *Whom to Trust,* 15.

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publication of *Whom to Trust,* Earling helped organize the first formal meeting of bankers and business men devoted to the subject of credits. The Congress of Mercantile Credits held at the 1893 World's Fair in Chicago proved to be a momentous event. The onset of a severe national financial crisis a month prior to the congress only reinforced its urgency and significance. If the panic of 1837 prompted the development of systematic credit reporting, the financial crisis of 1893 provided the impetus for professionalized credit management. Reflecting on the depression of the 1890s, one reporter noted, "The average credit man felt as if the weight of the world was upon his shoulders, and, so far as his employers were concerned, it often was."[275] Even the president of the Chicago exposition, Harlow N. Higinbotham, a respected credit manager at Marshall Field, attended. The congress's three sessions included papers bearing on various aspects of credit management, but one theme dominated: the need for mutual cooperation among creditors. Though the afternoon proceedings of June 24 coincided with a much anticipated high-stakes horse race, a burning commitment to credit reform prevailed. "Considering the Derby's attractions the mercantile men had cause for elation in the considerable audience attending yesterday's session." The addresses, which "were among the best yet heard" according to a contemporary report, "were nearly all on the question of cooperation among business-men to secure a better credit system and to diminish the causes of failures."[276] At the conclusion of the evening session, resolutions for the formation of an official organization of mercantile credit professionals were adopted and a

[275] "Keeping Credit Accounts, " *Washington Post,* 4 November 1900, 22.
[276] "Means of Stopping Failures," *Chicago Tribune,* 25 June 1893, 13.

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committee was appointed to begin drafting its constitution and bylaws. "In this congress," a credit professional later reflected, "there was a germ of a great movement and we look upon it as the seed which later eventuated into an organization of great importance to the country's economic welfare." This organization was the National Association of Credit Men (NACM).

Founded in 1896, the NACM quickly became the driving force behind the professionalization of credit management. At the inaugural meeting held in Toledo, Ohio, some 150 business men convened to espouse the principles of cooperation and mutual trust. They hailed from fourteen states, predominantly in the northeast and Midwest (with the exception of Louisiana, the South was unrepresented) and included delegates from at least nine local credit men's associations already established in New York, Cincinnati, Detroit, Minneapolis, Sioux City, Kansas City, St. Louis, St. Joseph (Missouri), and New Orleans. Amid much fanfare the mayor of Toledo welcomed the delegates and A.O. Kittredge, editor of *Business* magazine, presented the assembly with an honorary gavel engraved with the scales of justice holding "character" and "capital" in its balanced pans.[277] The primary obstacle in organizing was an entrenched competitive hostility among creditors. "We have been afraid to trust the credit man next door, thinking he would not be honest in giving us information concerning our applicant for credit," convention chairman W H. Preston admitted, reassuring the delegates that even the most wary would come to realize that his competitor was "a pretty good fellow" after spending some time together. Indeed,

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[277] "Minutes of First Convention of Credit Men, Toledo, Ohio, June 23, 1896," in *Golden Anniversary Credit Congress, National Association of Credit Men, Souvenir Program,* (New York: National Association of Credit Men, 1947), 208.

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companionship ensued "as soon as delegates' badges had been pinned to their coats," according to one account.[278] The importance of forging personal relationships among themselves was also stressed by Earling, who was in attendance. At the end of the convention's first day he chafed at the formality of the proceedings and interjected that the convention's primary object should be to facilitate personal interactions among its members. "While I have been here seven or eight hours today, I have become acquainted with very few."[279]

Despite Earling's grumbling the convention was a huge success.[280] The NACM quickly attracted wide support and a large membership.[281] Eighteen local associations were founded during its first seven months of existence.[282] By 1899 the NACM's mission seemed to touch upon all aspects of commercial activity. "In dealing with the subject of credit and its infinite ramifications, we have boundless jurisdiction," an association official marveled. "There is hardly any phase of merchandising and trade intercourse that does not bear a striking relation to credit. The great difficulty, therefore, is not how much we can do, but how little."[283] In their mission to impose order on the chaos of credit, the apostles of systematic credit management embraced a new ethos of standardization and method in their work. Looking back on the financial spasms of the nineteenth century, the associated credit men took it upon themselves to modernize, and presumably stabilize, the American credit system through the

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[278] Report on the National Association of Credit Men, *Business: The Office Paper* 16, no. 7 (July 1896): 287.
[279] "Minutes of First Convention of Credit Men," 210.
[280] Ibid., 200.
[281] For discussion of the NACM at its early activities, see Olegario, *A Culture of Credit,* 174-200.
[282] F.R. Boocock, "To the Credit-Men of this Nation," *Business: The Office Paper,* no. 128 (January 1897): 55.
[283] "Secretary Boocock's Address," *Business: The Office Paper* 19, no. 5 (May 1899): 316-317.

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application of rational administration. System, method, organization, cooperation—these were the watchwords of the movement's progressive aspirations. The "practical realization of intelligent theories," an NACM official promised a gathering of hardware dealers in 1897, would replace the "miasmic swamp of irregularity and deceit" that had long characterized credit relationships.[284] As another association member told an audience in Rochester, New York, "There never was a time when concerted action of credit men against studied deception, fraud and dishonesty was so imperative as it is to-day."[285] During its first decade the NACM advocated for national bankruptcy legislation, pressed mercantile agencies such as R.G. Dun and Bradstreet to improve the quality of their credit reports, advocated for the use of signed financial statements, and codified the organizational structure and protocols of the modern credit office. By 1923 the NACM had a national membership well over 31,000 individuals, dwarfing that of the American Bar Association with its 19,500 members in the same year.[286] Though formed to serve the interests of commercial credit grantors—wholesalers, manufacturers, and bankers—the NACM's membership included retailers and credit managers whose firms worked in both commercial and retail sales.

Few issues preoccupied the newly professionalized credit manager as much as their own qualifications. The first self-proclaimed credit men emerged from the

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[284] F.R. Boocock, "Practical Realization of Intelligent Theories," *Business: The Office Paper* 17, no. 12 (December 1897): 373.
[285] Daniel B. Murphy, *The Objects and Possibilities of Credit Men's Associations* (New York: National Association of Credit Men, 1900), 6.
[286] J. Harry Tregoe, "Pioneers and Traditions of the National Association of Credit Men," in *Golden Anniversary Congress: Souvenir Program* (New York: National Association of Credit Men, 1947), 86, 88. For ABA membership data, see "Minneapolis Meeting Shows Association's Strength," *American Bar Association Journal* 9 (1923): 599.

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accounting and cashier's departments of their respective firms, where they became proficient bookkeepers and developed a broad knowledge of business finance. "When in 1875 I obtained my first position in commercial life," one credit manager quipped, recalling his unwitting entrance into the profession, "I was expected to be everything from a Bookkeeper to a Porter, and incidentally also a Credit Man."[287] Guided by practical experience and working in isolation from each other until the mid 1890s, these pioneering autodidacts turned their focus from the narrow confines of the ledger book to the full-time problem of estimating individual creditworthiness. As graduated clerks, the new credit expert was well attuned to the firm's daily operations and, more significantly, intimately acquainted with the payment habits and behaviors of its various customers. It was typically in the crucible of the counting room that the credit man learned the fundamental principles of credit. Yet, the credit manager's work was so varied and all-encompassing that some found it impossible to summarize. As one credit man explained in 1900, "We have no catechism, doctrine ordination; no code of administration or practice—no license or charter. . . . Whoever hires us, tells us his rules, and we are *prima facie* credit men." The same speaker admitted that he had once been mistakenly apprehended by a group of plainclothes patrolmen and, interrogated as to his occupation, could only hand the skeptical deputies his business card and suggest that they stop by his office to see him in action. "I could not tell them what I did, and couldn't now," he conceded.[288]

[287] W.G. Sluder, "How and Why I Became a Credit Man," *Credit World* 8, no. 5 (January 1920): 12.
[288] W.A.H. Bogardus, *The Strength of the Credit Man is Knowledge* (New York: National Association of Credit Men, 1902), 3-4.

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The credit man's work was difficult to explain not only because it was relatively new and unfamiliar to the general public (ironically, the patrolmen mistook the credit man for a confidence man), but because it brought together so many disparate domains of knowledge, from accounting and law to agriculture, retailing, manufacturing, and banking. In short, the credit man was expected to have a grasp of all spheres of activity with even the slightest bearing on the future financial condition of his customers, from local weather conditions to national monetary policy. News of a poor growing season might prompt a credit manager to tighten credit limits for the firm's rural customers, while knowledge of retailing might sharpen his assessment of a shopkeeper's aptitude, and thus his ability to make good on a debt. Such broad practical training, Higinbotham opined, was best gained through "a boyhood on a farm, a few years in the typical 'general store' of the average village, a period of service in the country bank and a thorough drill in the cashier's department of a wholesale house."[289] To speak of the early credit man as a specialist, in this regard, is misleading. He was actually a preeminent generalist. "The credit man," one writer remarked, "ought to be the most practical all-around man in the business."[290] In their limitless search for clues to guide them, the credit man was an "inveterate fact hunter" with a voracious appetite for information.[291]

Yet the qualifications of the ideal credit man, as laid down in countless disquisitions on the subject in early trade periodicals and textbooks, reveal that the

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[289] Harlow N. Higinbotham, "Tales of the Credit Man," *Saturday Evening Post* 172 (23 June 1900): 1198.
[290] Bogardus, *The Strength of the Credit Man is Knowledge*, 6.
[291] Samuel L. Sewall, "The Ideal Credit Man," *Business: The Office Paper* 2, no. 6 (June 1896): 53.

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credit specialist was no mere scientist or bureaucrat, no "lightning calculator" or "mathematical prodigy."[292] In fact, while systematic credit management touted the superiority of standardization and organizational efficiency, the ideal credit man stood out more than anything for his unique personality. He was uniformly described as judicious, temperate, naturally inquisitive, thorough, decisive, and polite. With so much information coming from conversations—with customers as well as sales representatives, who in their interactions with customers often gleaned useful personal details—he was eminently tactful. "The credit man has often to ask and do many things which are unpleasant and embarrassing both to himself and to the debtor," one writer explained. "If he can do these things in such a way as to keep the customer's good will and even make himself the latter's confidant and advisor, so that the customer will voluntarily keep him informed of his condition—that is tact."[293] In addition to putting credit customers at ease while asking probing questions about their family finances, the credit man needed to exercise great diplomacy when rejecting a credit applicant. "The ideal credit man of my mind's eye," one writer shared, "is a genial fellow with pleasant voice and smile, with a bearing and manner that take none of the decision, but all of the sting, out of that harsh word 'No,' and thus saves many a cash order for his house."[294] Likewise, in dealing with sales personnel who often regarded the credit man as an adversary for denying credit requests and killing their

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[292] Higinbotham, "Tales of the Credit Man," (23 June 1900): 1199.
[293] F.F. Peabody, "The Man for the Credit Desk," in *Credits, Collections and Finance: Organizing the Work, Correct Policies and Methods, Five Credit and Collection Systems* (Chicago: A.W. Shaw, 1917), 27.
[294] Sewall, "The Ideal Credit Man," 53.

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commissions, he bridged such differences and enlisted them in common cause through overtures of friendliness and respect.

But while a pleasing personality could perhaps be cultivated by anyone, the best credit men, as often noted, were possessed of innate qualities of mind and intuition that defied imitation. One of these gifts was a prodigious memory. As information professionals who managed thousands of individual accounts and sought significance in the most trifling details of everyday life, the credit man with a capacious memory was at a distinct advantage. Even while advocating for systematic recordkeeping, James G. Cannon, one of the leading figures of the NACM, remarked that "a trained and accurate memory" was the credit man's "main qualification."[295] The credit man's legendary feats of recall provided many amusing anecdotes, including one involving an Irish merchant from Kansas who forsook his usual suppliers in Chicago and St. Louis to purchase stock in New York. After introducing himself to the credit man of a New York house, the Irishman, who presumed himself a stranger, was instantly judged creditworthy.

> "All right," said the credit-man, "get what you want. I know you well enough." "But d'ye you know anything good about me," asked the Irishman. "O, yes; you're all right. You pay your bills promptly, and you've got considerable property." And, seeing that his man could bear a little humor, he added: "You take your regular sour-mash, and can draw it pretty fine in a bargain, but you pull for business, and get there." "Begad," said the Irishman to me afterward, "he soized me up like a book, but domme if I wouldn't like to know how he caught on."

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[295] James G. Cannon, *Credit, Credit-Man, Creditor* (New York: J.S. Babcock, 1896), 10. Lewis and Arthur Tappan were similarly hailed for their acute memories. See C.W. Steffler, "The Evolution of the Mercantile Agency," *Commerce and Finance* 17, no. 12 (21 March 1928): 637.

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The credit man, it turns out, had once read a credit report on the Irishman and "remembered it."[296] Other stories recounted spectacular acts of detection. For example, one longtime credit manager with a natural gift for recalling faces described how during an interview with a new credit applicant he recognized the man as a former customer who had defaulted and skipped town. "Looking him squarely in the face I said in quiet tones: `Your name is not Smith; it is Jacob Blank. You ran away from Clark Street twelve years ago.' Instantly the face of the man turned ashen, his legs began to shake under him, and before any of us could reach him he fell to the floor in a state of absolute collapse."[297] A good memory not only vanquished frauds, it also served as a valuable humanizing trait when drawn upon to enhance the personal dimension of business relationships. Memory, after all, was an element of tact. "The man of tact must have a good memory," one writer explained, "otherwise he will make errors and blunders; he must remember peoples weaknesses and their sensitive spots, in order to avoid them; he must remember their interests and hobbies, in order to fraternize with them; he must remember their strength and their pride, in order to appeal to their vanity."[298] For those without an inborn talent for memorizing their accounts, it was a skill whose development was encouraged. "Become so well acquainted with your new customer that when his name is mentioned, all the important facts surrounding his case come instantly to mind," one writer recommended.[299]

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[296] "Commercial Credit," 5.
[297] Harlow N. Higinbotham, "Tales of the Credit Man," *Saturday Evening Post* 173 (14 July 1900): 19.
[298] Peabody, "The Man for the Credit Desk," 26-27.
[299] Frank H. Main, "Important Sources of Information in Respect to New Accounts," *Business and the Public Accountant* 21, no. 8 (August 1901): 302.

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But above all the ideal credit man was a keen judge of human nature. Even as credit analysis moved in the direction of textual abstraction and quantification, the information that the credit man trusted most was that acquired through direct consultations with his customers. "His main task," one writer noted, "is to recognize artificial and superficial and false appearances when he meets them—and the average credit man meets plenty of them!"[300] Well into the twentieth century the personal interview remained the preferred mode of credit investigation. This was particularly true among retailers who unlike commercial creditors did not have recourse to financial statements in making credit decisions about individual consumers. During these face-to-face encounters, described in the next chapter, the credit man relied upon his interpersonal skills to lay bear the credit customer's true character. "The ideal credit man," one expert noted, "deals largely with character, and should therefore be preeminently a safe and sane judge of human nature."[301] What is especially striking about the development of rational credit management is its tension between science and subjectivity. This was nowhere more apparent than in the seemingly contradictory qualifications of the credit professional himself. It was in the specialized work of the credit man that the underlying tensions of credit management—textual versus interpersonal knowledge, system versus discretion, reason versus intuition—were dramatized most tellingly.

The successful credit manager did not simply rubberstamp orders that checked out with official sources; he abided by his instincts even in cases where, contrary to

[300] Donald Scott, "Credit Man Has Difficult Work, Requirements for Position Many," *Chicago Tribune,* 19 June 1913, D3.
[301] H. Victor Wright," Qualifications of an Ideal Credit Man," *Credit World* 6, no 1 (June 1915): 33.

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trusted endorsements or favorable credit reports, he had "a feeling—perhaps rather vague and indefinable—that the man is not what he claims and that his request for credit should be denied."[302] This was the crucial moment when the credit man was forced to choose between facts and impressions. The credit man's ability to judge human nature was supreme, surpassing all of the institutional and technological advantages of modern credit reporting at the turn of the century. As one expert asserted, "The compilers of the books, the collectors of information, the phone and all cannot save you—it's Judgment."[303] Many experienced credit men claimed to have developed a reliable sixth sense, or "credit sense." The credit man's sixth sense was an internal voice that "feels what may not be tangible or visible; that warns him of danger when all would appear to be smooth sailing; and yet again that whispers, 'This is your man—Trust him.'"[304] Rationalizing the mental logic behind such snap judgments, the author of an early credit text noted that gut feelings were not capricious, but the culmination of numerous unconscious observations, rapidly weighed and considered. Mere physical appearances were often enough to convince a creditor one way or the other. "Every face is either 'a history or a prophesy,'" one writer instructed, "and we are reasonably justified, therefore, in paying heed, in the matter of estimating credit, to what we call our 'intuitions.'"[305] Even Higinbotham endorsed the intuition as "a kind

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[302] Higinbotham, "Tales of the Credit Man," (23 June 1900): 1199.
[303] H.B. Richmond, "The Credit Man's Mission," *Credit World* 5, no. 3 (February 1915): 4.
[304] Samuel S. Sewall, "The Ideal System," *Business: The Office Paper* 17, no. 4 (April 1897): 117. Even mail-order credit managers who assessed the trustworthiness of distant customers purely upon their written orders claimed to have developed "uncanny" powers of discernment. "I cannot tell you how we did it, but somehow, just by looking at an order, we seemed to judge its honesty" (H.L. Barker, "Why We Have No Credit Trouble," *System* 34, no. 2 (August 1918): 171). See also, William Maxwell, "Credit—The Sixth Business Sense," *Collier's* 55 (3 April 1915): 23-24.
[305] Goddard, *Giving and Getting Credit,* 84-85.

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of subconscious reasoning."[306] Earling concurred: "After all, our impressions of men and things seldom proceed from logical deductions. They are intuitional—and an ounce of intuition is worth a pound of logic when we come to reckon with human nature and its manifold ramifications."[307]

As the newly organized credit managers began to assert their professional legitimacy during the early twentieth century, a new qualification emerged: executive ability. Many business owners, still unsure of the credit man's role, allowed office managers and accountants to undermine their authority. Seeking to silence such "BACK SEAT DRIVERS," the credit manager of a San Francisco shoe store complained, "If you have a good credit manager in charge of your credit machine, then, in the name of common sense, in the name of good business, in the name of all that makes for efficiency, SHUT UP!"[308] To overcome such interference and to convince their employers of their value, credit managers worked hard to transform their status from that of gloried clerk to "high class executive."[309] Executive ability thus involved proving one's mettle as a trusted and decisive leader. Contrasting the "wishy-washy" credit man of old with the new credit executive, one writer noted, "We like to look upon the Credit Manager as a 'He-man,' clothed with full authority to say Yes or No, which will give him confidence in himself, make his handclasp more firm—his decision in Credit matters arbitrary."[310] Among retailers the prejudice

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306 Higinbotham, "Tales of the Credit Man," (23 June 1900): 1199.
307 Peter R. Earling, "The General Function and Work of a Credit Department," in *Credits and Collections: The Factors Involved and the Methods Pursued in Credit Operations; A Practical Treatise by Eminent Credit Men,* ed. T.J. Zimmerman, 2nd ed. (Chicago: System Company, 1904), 5.
308 E. Gamlen, "New Wine—Old Bottles," *Credit World* 15, no. 1 (September 1926): 30.
309 "To the Retail Merchant and Store Owner," *Credit World* 8, no. 7 (March 1920): 5.
310 David J. Woodlock, "Credit Men and Fish," *Credit World* 18, no. 4 (December 1929): 3.

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against credit managers stemmed from a view of their work as a necessary but fundamentally unproductive and costly expense. This attitude changed, however, when the value of customer information collected in credit departments was applied to target marketing during the 1920s and 1930s, as described in Chapter Five. Credit managers sometimes earned a reputation for assuming an off-putting air of self-importance. "One impression that frequently finds its way into the brain of the credit-man, and which places him in a dangerous position, is the impression that he *knows it all.*"[311] Self-confidence, it was suggested, was to be tempered with appropriate humility in the face of the welter of information that credit professionals daily contended with. The credit manager wielded considerable power over the lives of others, and this power might go to his head.

Still, beneath the optimism and can-do spirit and of these new credit professionals, a distinct note of melancholy lingered. "His days are days of tribulation and trouble, and his nights are nights of unrest," a credit manager in Sioux City, Iowa, lamented. "He is imposed upon by the unscrupulous, the rascal, and the dishonest, and there are none to extend him sympathy, and when, by chance or exercise of good judgment and untiring zeal, he succeeds in foiling his wily foe, there are not to applaud him."[312] If this was not demoralizing enough, the credit manager was actively disliked for his significant power as judge and jury. "In every line of business the Credit Man is always the target for abuse and condemnation," one writer noted, "and it is he who is so often pointed at with the familiar words, `See that hyena? He's the

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[311] I.E. Edgar, "Facts Versus Impressions," *Business: The Office Paper* 20, no. 3 (March 1900): 169.
[312] T. Homer Green, "The Credit-man," *Business: The Office Paper* 16, no. 7 (July 1896): 313.

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meanest man in the world,' by someone on whom his duty has compelled him to pass sentence. He may be the kindest-hearted man in the world, yet the duties of his position have placed him at the head of the list of 'scoundrels,' in the estimation of his friends—the enemy."[313] Under such circumstances many credit professionals were prone to wariness and a gloomy outlook.

The retail credit man

During the late 1880s and early 1890s credit specialists began to emerge in retail establishments, particularly in large dry goods stores, installment and mail order houses, and most importantly department stores. Grocers and butchers may have been the earliest to combine for retail credit protection, but it was in the large new department stores that consumer credit assessment first achieved systemization on a mass scale. Indeed, the development of retail credit management is intimately connected to the rise of the department store at the turn of the century.[314] Since the success of these spectacular emporia hinged upon the rapid turnover of large volumes of merchandise, liberal credit policies were often offered to attract customers and promote sales. When Louis Stern, proprietor of one of the most prosperous department stores in New York, was asked by a local reporter in 1889 if his firm offered credit, he was quizzical. "'Certainly, we give credit,' he said, 'And we are only too glad to have

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[313] Harry Joseph, "Declining Credit and Retaining the Good Will of the Person Declined," *Credit World* 5, no. 2 (January 1915): 12.
[314] The institutional history of the American department store has received relatively little scholarly attention despite interest in the rise of twentieth-century consumer culture. For a useful overview, see Susan Porter Benson, *Counter Cultures: Saleswomen, Managers, and Customers in American Department Stores 1890-1940* (Champaign, IL: University of Illinois, 1986), 12-30. See also Leach, *Land of Desire*; and Chandler, *The Visible Hand*, 224-239.

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the custom. Every big house has to do it.'"[315] Such universality was not really true; major New York dealers such as A.T. Stewart and R.H. Macy famously maintained cash-only policies, as did retail chain stores such as F.W. Woolworth, J.G. McCrory, S.S. Kresge (the future Kmart), and J.C. Penney that proliferated at the turn of the twentieth century.[316] But despite these important exceptions, credit sales were increasingly commonplace in the closing decades of the nineteenth century. At Chicago's Marshall Field, for instance, annual retail credit sales exceeded cash sales for the first time in 1880, and by a margin that grew ever wider over the next decade.[317]

While local grocers and butchers were overwhelmed by unknown buyers in their cramped store fronts, sprawling multi-storied department stores like Stern Brothers and Marshall Field literally invited crowds of strangers into their establishments. During the 1890s department stores began to develop formal credit departments and systems for approving and tracking the charge accounts of their customers. In 1889 a New York reporter found that "the credit system practiced by the big houses" was "nearly a perfect science." This system of "lightening inquiries" relied upon the work of an unidentified "uptown retail commercial agency" (possibly the RDPA), which listed and rated "the names of thousands of persons in this city and the suburbs" in its annual reference books. Thus, when the unknown "Mrs.

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[315] "Selling Goods on Time," *Quincy (MA) Daily Whig,* 17 September 1889, 3.

[316] See Godfrey M. Lebhar, *Chain Stores in America,* 3rd ed. (New York: Chain Store Publishing, 1963); and T.F. Bradshaw, "Superior Methods Created the Early Chain Store," *Bulletin of the Business Historical Society* 17, no. 2 (April 1943): 35-43.

[317] Robert W. Twyman, *History of Marshall Field & Co., 1852-1906* (Philadelphia, PA: University of Pennsylvania Press, 1954), 129.

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Moneypenny" asked to have her goods charged, the store's superintendent took down her name and references. "[W]hile a new customer is telling the superintendent or head of the firm about herself or her references, the house will have obtained her whole pedigree from a business standpoint without her knowledge, and before she leaves the store." If her name did not appear in the agency's rating book, then a quiet investigation was rapidly set into motion. "While she is talking a swift footed messenger, or perhaps the telephone, is put into play, and within a few minutes after Mrs. Moneypenny has announced herself an employe of the agency is hustling around all the dry goods stores to find out if Mrs. Moneypenny is known in any of them."[318] Other department stores employed their own investigators, or "runners," to check up on the background and reputation of their credit applicants. Recalling his start as a credit man for the New York department store H. O'Neill in 1885, a long-time credit manager at Bamberger's remarked that the runners worked together on friendly terms in contrast to the bitter rivalries of the store owners.[319]

It was also in large department stores that many consumers first became aware of their new status as economic subjects during the late nineteenth century. The experience of encountering such financial investigation for the first time is recorded in the following anecdote. Upon moving from Chicago to New York, a woman sought to open a credit account at a local dry goods dealer. The dealer, after politely asking the woman her name and address and reviewing her references, asked her to wait a moment while he investigated her references:

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[318] "Selling Goods on Time," 3.
[319] Irving C. Brown, "Forty Years of Credit Granting," *Credit World* 16, no. 3 (November 1927): 8.

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"The woman was not at all satisfied, and was inclined to be indignant. `It seems to me,' she said, `that there is a lot of fuss and red tape about this. I never had any such trouble in Chicago. Here are my bank book and check book. They ought to be sufficient to prove my trustworthiness.' `My dear madam,' said the superintendent, `I have not the slightest doubt that you are entirely trustworthy, and that we shall be very glad to give you credit. At the same time you must realize that we have to go about this business in a systematic way, and even while we are morally assured that a customer is entirely satisfactory we cannot omit the usual precautions. If we did we would slip up, and we could not afford to sell our goods as cheaply as we do.'"[320]

At the same time liberal credit policies were typical among installment houses, where costly durable goods such as furniture, household appliances, and musical instruments were moved into the eager hands of cash-poor buyers. "Gradually," an installment dealer recalled in 1887, "a different class of purchasers appeared," one very unlike the "shady characters" and risky boarding-house tenets who sought to purchase goods on time. "They were honest young mechanics, clerks, and bookkeepers who wanted to marry and have homes of their own, but who could not raise the required cash to furnish a house."[321] Deferred payment plans were not altogether new—land and housing were sold on such terms throughout the nineteenth century—but it became increasingly common during the 1860s after a national campaign initiated by the Singer Sewing Machine Company demonstrated its efficacy.[322] Technically speaking, installment sales differed from open book or charge accounts in that a modest down payment was required and, under the terms of a chattel mortgage, or hire purchase. The goods taken home by the customer were legally

[320] "References are Required," *Chicago Tribune,* 31 December 1894, 12.
[321] "The Installment Plan," *Chicago Tribune,* 28 August 1887, 3.
[322] For historical accounts of nineteenth-century installment selling, see Robert A. Lynn, "Installment Selling Before 1870," *Business History Review* 31, no. 4 (1957): 414-424; Edwin R.A. Seligman, *The Economics of Instalment Selling: A Study in Consumer's Credit,* Vol. 1 (New York: Harper & Brothers, 1927), 1-117; and Calder, *Financing the American Dream,* 156-183.

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owned by the installment dealer until the final payment was received. Armed with iron-clad contracts and the right of repossession, installment dealers were in a better position than many retailers who sold on credit. Unfortunately, these contracts were also the source of abuse. Predatory furniture dealers and "sewing-machine dens" lured the poor into impossible obligations and happily repossessed their merchandise when, inevitably, they missed a payment. Such schemes incited public outrage and colored installment selling with a tinge of disrepute during the late nineteenth century.[323] But for legitimate dealers who hoped to win the goodwill of their customers, confiscation hardly inspired community favor. These installment dealers, like other retailers, formed their own protective associations in cities such as Boston and New York and began to employ credit specialists to manage their accounts.[324]

The principles of sound credit management may have been universal, as representatives of the NACM often suggested, but retail credit specialists, in selling to the general public, faced challenges that those in the commercial sphere did not. Commenting on the lack of coordinated credit information among retailers, one business writer noted, "how much more difficult must be the task of the retail credit-man and financial manager, who, to a certain extent, must rely upon the general reputation of the applicant for credit, his appearance, his action, and his dress."[325] Indeed, in 1898 a Los Angeles retailer noted the difference between commercial and

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[323] See, for example, "Plundering the Poor," *New York Times,* 30 April 1875, 6; and "Glimpses of Gotham," *National Police Gazette,* 6 September 1879, 14. On the stigma of installment selling, see Calder, *Financing the American Dream,* 166-183.
[324] See "Retail Furniture Dealers," *Boston Globe,* 14 April 1887, 2; and "Piano and Organ Men Combine," *Chicago Tribune,* 18 September 1889, 6.
[325] Cummins, "The Evil of Retail Credits," 698.

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retail creditors: "Wholesale merchants can get such information from proper agencies, and it saves many a good sum to be able to get such information. Why not do the same with the retail trade?"[326]

National credit reporting infrastructure: 1900-1940

During the first two decades of the twentieth century both retail credit reporting (outside agencies that recorded and compiled credit information) and retail credit managers (in-house professionals who oversaw the allocation of credit to the store's customers) formed national associations to represent their interests. Though the credit managers would ultimately exert a far more important influence, the first stirrings toward a national consumer credit infrastructure came from the proprietors of privately-run retail credit reporting firms. In February 1906, a decade after the founding of the NACM, a handful of agency owners gathered in a New York City hotel to discuss the formation of a national association through which to exchange ideas and promote their collective interests. Six months later the inaugural meeting the National Association of Retail Credit Agencies was held in New York and its twelve attendees elected William H. Burr, an attorney and head of the Commercial Record Company in Rochester, New York, as its first president. In his address Burr cited individual honesty as the fundamental basis of retail credit, making a point of differentiating the work of the retail credit reporting agency from its counterpart in the commercial sphere. Whereas firms such as Dun and Bradstreet sought to peg the "the net worth of this or that concern," Burr observed, the retail credit reporting firm asked

[326] "For Protection," *Los Angeles Times,* 19 April 1898, 11.

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"what is his reputation and record and does he pay his bills promptly or slowly or does he not pay them at all."[327] In short, retail credit reporting was almost entirely based upon an assessment of the borrower's character and financial behavior. The next year the organization's name was changed to the National Association of Mercantile Agencies (NAMA) to eliminate confusion with other credit men's associations.[328]

The main difficulty that early retail credit reporting agencies faced, as discussed in the previous chapter, was soliciting enough membership to reach a critical mass to sustain itself. The success of such agencies, whether privately owned or run by merchants, depended upon the organizer's ability to convince enough local merchants to subscribe to the service and, more crucially, to contribute confidential information about their own customers for their collective benefit. In the absence of broad support, the organization was doomed to fail. This, in fact, was the fate of many credit reporting enterprises during the late nineteenth and early twentieth centuries. "The rocks are strewn with the wrecks of retail mercantile agencies," Burr noted ominously. In addition to fostering inter-agency cooperation, ferreting out "fake" agencies, and working to standardize retail credit reports, NAMA devoted much attention to the problem of currying favor in the business community and, relatedly, managing agency expenses so that their reports were generally affordable. This was a constant struggle; the overhead and labor-intensive work of collecting and compiling such information was difficult to economize. "Let me set it down as axiomatic," one writer declaimed, "that *cheap reports are impossible,* they cannot be thorough and

[327] Truesdale, "Agency Men Organize," n.p.
[328] "Fake Agencies," *Louisville (KY) Courier-Journal.* 15 August 1907, 8.

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reliable."[329] Shoddy reports merely drove away subscribers and eroded an agency's chance at success still further.

Though originally devoted to the problems of retail credit reporting, many of NAMA's members (never numbering more than two hundred) dabbled in commercial credit reporting to supplement their incomes. Prosperous commercial reporting firms such as Dun and Bradstreet were kept aloft by the subscriptions of large wholesalers and manufacturers, but retail reporting service was out of reach for many small-time storekeepers. In 1909 a NAMA leader who operated an agency in Richmond, Virginia, noted that his retail business was only a fraction of his commercial reporting activities, and a third less profitable. Retail credit reporting, he summarized, was "Skimmed Milk" compared to the "Double Cream" of commercial reporting.[330] This created something of an identity crisis for the organization, and it foundered during its fifteen-year existence. But while NAMA failed to win broad support among retailers—the cooperative spirit evinced by profit-motivated agencies seems to have rung hollow—it spawned an organization that did: the Retail Credit Men's National Association (RCMNA).

At the 1912 NAMA convention in Spokane, Washington, a splinter group of retail credit managers formed the RCMNA to represent their own professional interests. Its founding father and first president, Sherman L. Gilfillan, worked as a credit manager for L.S. Donaldson's department store in Minneapolis and was active

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[329] W.S. Rauch, "For the Good and Welfare of the Association: The Scope of Mercantile Agency Work," *Bulletin of the National Association of Mercantile Agencies* 1, no. 6 (October 1911): 282.
[330] G. Norris Shuman, "The Shuman System and Business Extension," *Bulletin of the National Association of Mercantile Agencies* 1, no. 2 (September 1909): 19.

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in that city's retail credit association (formed in 1904).[331] Striking upon the idea of a national association for retail creditors after attending the 1911 NACM convention in Minneapolis, he arrived in Spokane the next year to realize his vision with fellow delegates from Minneapolis and St. Paul, Rochester, New York, and Boston.[332] The RCMNA's primary objectives, as laid down in its original constitution, were to support the organization of local retail credit men's associations, to promote cooperation between retail credit managers and credit reporting agencies, and to facilitate the interchange of ideas and knowledge among retail credit professionals.[333] Annual membership was set at three dollars and included a subscription to its official journal, *Credit World,* which began publication immediately. Over the next several years the RCMNA and NAMA held joint annual conventions, but the former soon eclipsed the later. Citing the NACM rather than NAMA as its model, Gilfillan proclaimed, "Let us be to the retail world what the wholesale creditmen are to the wholesale world."[334] In 1919 the RCMNA established a permanent headquarters in St. Louis.

Like all prior ventures to form cooperative credit information networks, the RCMNA faced the daunting task of coaxing retailers out of isolation. Beginning with fewer than forty members at its inaugural meeting in 1912, the association grew to nearly 1000 members in 1916 and more than 10,000 by 1921.[335] Its success is a

[331] C.J. Allen, "Historical Sketch," *Credit World* 5, no. 3 (February 1915): 8-10.
[332] "Cut the Gordian Knot of Abuses, Woodlock Urges Credit Men," *Credit World* 7, no. 1 (3 September 1918): 9.
[333] "Credit Men Form Association Here," *Spokane (WA) Spokesman-Review,* (22 August 1912), 7.
[334] S.L. Gilfillan, "President's Annual Report," *Credit World* 4, no. 5 (October 1914): 8
[335] "Membership," *Credit World* 18, no. 10 (June 1930): 40.

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testament to the indefatigable boosting of its early leadership. During its formative years one official wrote some 800 letters to rally support, and another embarked on a 19,000-mile cross-country odyssey at the height of the 1918 influenza epidemic, visiting cities in eighteen states in the northeast, mid-Atlantic, mid-West, and most of the South to rally the formation of local RCMNA affiliates.[336] Members were urged to wear association lapel buttons and to hang framed certificates in their stores, advertising their solidarity to their peers while communicating to their customers that they were conducting business under the watchful eye of the credit manager's fraternity. "Now, brother creditmen, get together," a Los Angeles representative implored. "Call on your brother creditmen, form an association. Meet once a month or oftener. Make friends with one another. . . . You will soon be able to call your brother creditman and say `Bill, what do you know about Mrs. B., she wants credit here.'"[337] By 1918 the RCMNA had members in forty states and 230 cities throughout the U.S.[338] Though many worked for large retail firms, the association sought to bring together creditors from all walks of the retail trade. "This is not a department store or a dry goods organization," a *Credit World* advertisement insisted, "it is for *every man* in the country who extends retail credit."[339]

From the outset the RCMNA sought to distinguish itself from the NACM, to which many retail credit managers, including the RCMNA leadership, already

[336] Report of President Blandford, *Credit World* 8, no. 2 (October 1919): 12; Report of Secretary Crowder, *Credit World* 8, no. 2 (October 1919): 14-15.
[337] Ben F. Gray, "Advantages of Forming Associations," *Credit World* 6, no. 1 (June 1915): 82.
[338] A.J. Kruse, "Report of the Secretary," *Credit World* 7, no. 2 (October 1918): 12.
[339] "We Want All Grantors of Retail Credit to Join Our Association," *Credit World* 6, no. 2 (July 1915): 33.

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belonged. "Don't forget to emphasize the word RETAIL in our name," one representative reminded. "Many persons confuse us with the JOBBERS' or WHOLESALERS' Association."[340] Despite the official deference displayed toward their "big brother," some retail credit men resented the NACM. There was a natural antagonism between the two organizations, as, in fact, one of the primary activities of the NACM was to compile credit reports on retailers who bought from wholesalers and jobbers. Noting that the wholesalers association offered little of educational value or material assistance to retailers, a credit manager for the New York department store Best & Company complained that its leadership had "very little interest in a retailer" except as a prompt paying customer.[341] Commenting on the disparity between the two organizations, one writer snapped, "Why is it that the Retail Credit Man or Woman has not been considered as important as the wholesale credit men? Why? . . . Are the duties and responsibilities of the retail credit grantor any less than those of the wholesaler? Does he require less ability or tact? I think not."[342] However, praising the work of the NACM, Gilfillan simply noted fundamental differences in their work. "The qualifications, machinery and requirements of the retail credit man differ so materially from those of his brother in the wholesale field, that a separate organization devoted to his own particular needs seems indispensable."[343] The two associations maintained amicable relations and in 1919 held a joint convention in New York City,

[340] David J. Woodlock, "Thoughts," *Credit World* 5, no. 6 (May 1915): 5.
[341] George Waterford, "Mr. Waterford," *Credit World* 8, no. 2 (October 1919): 37.
[342] H. Victor Wright, "The National Association and Its Opportunity for Service to Members," *Credit World* 8, no. 2 (October 1919): 67.
[343] S.L. Gilfillan, "Why a National Association," *Credit World* 5, no. 1 (December 1914): 12.

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where they pledged mutual support and discussed their common interests and objectives.[344]

The RCMNA played a key role in the professionalization of retail credit management during the early decades of the twentieth century, but more importantly it laid the groundwork for a national consumer credit reporting network in the U.S. As already noted, retail credit reporting operations at the turn of the century were entirely disorganized and varied in their methods, with very few succeeding over any period. While entrepreneurial private agencies typically failed to win the cooperation and support of paying subscribers, voluntary merchant-run protective associations, such as those initiated by grocers during the 1870s and 1880s, usually petered out as dedication waned and suspicion resurfaced. Local merchant associations, a private agency upstart scoffed in 1891, "were organized with a hurrah!" but could never sustain enough interest or funding to survive.[345] There was ample evidence to justify this view. But a dismal record among both merchants associations and private agencies hardly deterred new efforts. Some fifty reporting organizations were formed nationwide between 1890 and 1900, primarily in urban centers.[346] Though retail credit reporting was born in metropolitan New York, it seems to have flourished in the

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[344] "Co-operation—Wholesaler vs. Retailer," *Credit World* 7, no. 11 (July 1919): 17-19.
[345] E.G. Bly, "Letter to Editor of the New England Grocer, November 23, 1891," in *United States and Canada Abstract of Unsettled Account of Migratory Debtors* (Chicago: Merchants Retail Commercial Agency, 1892), 10.
[346] See Truesdale, *Credit Bureau Management,* 14. The histories of specific retail credit reporting organizations are recorded in a number of early accounts. See, for example, "A Boston Institution," *Credit World* 5, no. 1 (December 1914): 10-11; Edw. F. Hagemann, "The Story of the Retail Credit Men's Association of St. Louis," *Credit World* 5, no. 6 (May 1915): 12-13; John Blocker, *Retail Credit Bureaus in Kansas* (Lawrence, KS: University of Kansas School of Business, 1927); A.V. Storer, *A Narrative Report, 1916-1938* (Pomona, CA: Associated Credit Bureaus of California, 1938); Bay City, MI, in C.E. Cormier, "Nearly Half a Century of Efficient Credit Service," *Credit World* 27, no. 9 (June 1939): 14, 31; *Cooperative Credit in Cleveland: Fiftieth Anniversary, 1898-1848* ([Cleveland, OH:] Credit Bureau of Cleveland, 1948).

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Midwest before 1900, particularly in states such as Ohio, Michigan, Wisconsin, Minnesota, Iowa, and Missouri. Prior to the development of merchants associations, retailers relied upon private agencies, most of which, according to a San Francisco credit manager, "had their inception in the early nineties."[347] The diffusion of late-nineteenth-century retail credit reporting is not only difficult to track, but difficult to explain. For example, Philadelphia, the third most populous American city in the 1890s with over a million people, did not have a well-established retail credit reporting infrastructure at the turn of the twentieth century, while Lincoln, Nebraska, a city with 55,000 inhabitants, apparently did.[348] As a California bureau manager recalled, retail reporting during the early 1910s was still a "nightmare of confusion, distrust, lack of cohesion, understanding, or cooperation in all but a few of the most progressive and highly systematized communities."[349]

The national credit reporting infrastructure established by the RCMNA hinged on its ability to organize and bring together hundreds of local associations throughout the U.S. During the first decade of the twentieth century merchant associations began to emerge independently and in significant numbers. "Necessity is a force that makes strange bedfellows," the author of a 1904 credit textbook remarked, "and retailers are gradually realizing that it is the worst sort of folly to keep their losses to themselves and to permit the bad credit risk to prey on the trade generally."[350] In some places these associations took root over the course of many years, as in Madison, Wisconsin,

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[347] William Loewi, "The Credit Bureau in a Community," *Credit World* 10, no. 10 (June 1922): 11.
[348] See Truesdale, *Credit Bureau Management,* 14
[349] Storer, *A Narrative Report, 1916-1938,* 10.
[350] *The Credit Man and His Work* (Detroit, MI: Book-Keeper Publishing Company, 1904), 208. For description of early retail reporting procedures, including the use of ledger experience, see 209-219.

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where a number of retailers began meeting informally during the early 1890s.[351] A national directory of "retail credit rating agencies and associations" issued in 1912 by Denver publisher E.E. Seaman offers a rare glimpse into existing conditions just as the RCMNA was formed. Of the more than 700 organizations listed, over half are identified as merchants, retailers, or businessmen's associations. Private agencies dominated in populous Eastern states such as New York and Massachusetts, but the extent to which local associations proliferated in the West is striking, especially in Texas, California, Oklahoma, and Colorado. In Texas, more than ninety percent of the state's 121 credit reporting organizations were local associations.[352] The organization of Texas owed much to J.E.R. Chilton, an influential NAMA leader and founder of the Dallas retail credit association that would become TransUnion. But in many places, the credit bureau consisted of little more than a box of index cards kept at the local chamber of commerce.

Despite such examples, the desire to form local associations and bureaus was often wanting in less populated regions. "Merchants in small towns have little conception of the benefits of a modern credit bureau," a credit manager in rural northern Colorado complained.[353] While the relative isolation of many small towns and rural territories had once offered some protection, the proliferation of automobiles during the 1920s greatly expanded the radius of consumer activity. In rural districts it was often more effective to organize along county lines, rather by town, and to

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351 Paul Findlay, "Cutting Down Losses from Retail Credit," *System* 28, no. 6 (December 1915): 602.
352 *Seaman's United States Directory of Retail Credit Rating Agencies and Associations* (Denver, CO: Seaman Publishing Company, 1912). My calculations exclude Michigan, which is an outlier with more than 140 listings for individuals and partnerships (perhaps attorneys).
353 Frank Field, "Rural Credit Bureau Problems," *Credit World* 10, no. 2 (October 1921): 56.

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consolidate the duties of a credit bureau, chamber of commerce, and detective agency. The credit bureau of Weld County, Colorado, for example, maintained credit files but also investigated bankrupts, campaigned against forgers, fraudulent check writers, rogue salesmen and false advertisers, and ran a publicity campaign to educate credit customers.[354] But the RCMNA was also ignored in some urban centers. Philadelphia was perhaps the most prominent example. "For a long time, I have wondered what is wrong with Philadelphia," the association's president mused in 1919, suggesting, moreover, that the city's failure to organize was the result of obstruction by an unnamed retail leader.[355] In arguing the merits of a national association, RCMNA representatives often warned that those slow to organize were a magnet for deadbeats. Not only was a city without an active association "simply a dumping ground for undesirables," it was "an illuminated invitation for the undesirables to come and settle down, but never settle up."[356] By painting such unaffiliated cities as outposts of degeneracy, the organization underscored the progressive and, indeed, civilizing effect of credit organization.

During the RCMNA's first five years, newly-formed local associations in St. Louis and Los Angeles were brought into its fold, along with others in Duluth, Nashville, Denver, Memphis, Milwaukee, Pittsburgh, and New York. "The sufferings of the retail credit men of this city—and throughout the country, for that matter—at the hands of Mrs. S. Low Paye and Mrs. D. Ed Beete are about to end," the *New York*

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[354] Frank Field, "Weld County's Information Bureau," *Credit World* 10, no. 4 (December 1921): 9.
[355] "Report of President Blandford," *Credit World* 8, no. 2 (October 1919): 12. By late 1919, however, the city's chamber of commerce headed a credit bureau that was reported to be thriving; see "Philadelphia Credit Bureau Growing," *Credit World* 8, no. 3 (November 1919): 15.
[356] E.B. Heller, "Welding the Weakest Link," *Credit World* 15, no. 6 (February 1927): 30.

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Times announced in 1917, reporting the formation of an RCMNA affiliate in Gotham.[357] By 1920 the RCMNA included ninety-four local associations in cities throughout the U.S.[358] Regional associations were soon formed to coordinate the activities of growing local associations in the Northwest, Midwest, and New England, and in 1920 the retail credit mangers of California organized the first state conference, a milestone important enough to feature a personal appearance by Will Rogers.[359] With 15,000 members by the mid 1920s, the association had become so large that it began to cater to the interests of diverse specializations within its ranks. At the 1926 annual convention delegates broke off into group sessions devoted to the specific credit management concerns of department stores, men's and women's clothing, shoes, furniture, jewelry, public utilities, automotive sales, and banking.[360] National department store chains such as the May Company used the national association as a adjunct training program, requiring the credit managers from each from its six locations—St. Louis, Cleveland, Denver, Baltimore, Los Angeles, and Akron, Ohio—to attend the 1928 convention.[361]

At the same time the role of "credit women" gained increasing recognition within the profession. "I want it to be clearly understood that in speaking of Retail Credit Men, I refer equally to Retail Credit Ladies," a national spokesperson told the delegates at the first California conference. "I presume," he deadpanned, that it was well known that the California retail credit men "that it has become a well-recognized

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[357] "Calling a Halt on their Credit," *New York Times,* 11 November 1917, 92.
[358] D.J. Woodlock, "Report of the Executive Secretary," *Credit World* 9, no. 1 (September 1920): 16.
[359] "Ideas Swapped by Credit Men," *Los Angeles Times,* 23 May 1920, 16.
[360] "Group Conferences," *Credit World* 14, no. 11 (July 1926): 2.
[361] "The May Company Organization," *Credit World* 17, no. 1 (September 1928): 21.

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fact in retail credit circles at least that in California the men embrace the women."[362] Despite the association's sexist name, women had long worked for credit departments and credit bureaus, not only as clerks and secretaries but also as managers. In 1913 Miss E.M. Fleming, a retail credit manager in Kewanee, Illinois, became the first female member of the RCMNA and, the next year, the first woman to attend the national convention.[363] Five years later a *Women's Wear* columnist was struck by the "unusual number of women" at the national convention.[364] Indeed, by the time *Credit World* began running classified advertisements in the mid 1920s job-seeking women were among them, including one "Southern woman" with more than a decade of experience who was qualified to "take entire charge of [a] small office."[365] As a (female) representative of the local association in Davenport, Iowa, reported, "We have more credit women in Davenport than credit men. They are employed in all our largest department stores and in all our ladies' ready-to-wear stores and one men's ready-to-wear store and shops of various kinds."[366] Women not only managed credit departments and bureaus, they also established local associations. When an association in Fort Smith, Arkansas, was formed in 1920, its mostly male members referred to the group as a "credit manager's association," rather than the conventional "credit men's" moniker, out of respect for the *woman* who presided over its organization.[367]

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[362] H. Victor Wright, "Why I Believe in Associations of Retail Credit Men," *Credit World* 8, no. 11 (July 1920): 10.
[363] "Miss E.M. Fleming," *Credit World* 10, no. 12 (August 1922): 3.
[364] "Following the Retail Credit Men's Convention," *Women's Wear,* 30 August 1918, 27.
[365] "Position Wanted," *Credit World* 14, no. 10 (June 1926): 24.
[366] Helen L. Croul, "A Credit Reporting Association Successfully Conducted by Women," *Credit World* 9, no. 1 (September 1920): 71,
[367] "Miss Hopp," *Credit World* 9, no. 1 (September 1920): 109.

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A shortage of male labor during the First World War had brought women into credit work, but the vast expansion of retail credit during the 1920s opened even more doors. During the 1930s credit women in cities throughout the nation formed local "breakfast clubs," the first of which was established in Portland, Oregon. By 1937 there were more than sixty women's clubs in the U.S. and Canada, with total membership reaching nearly 3000. That year a new organization, the Credit Women's Breakfast Clubs of North America, was officially recognized as a division of the national association.[368] But a more momentous affirmation had already come a decade earlier when in 1927 the national association voted unanimously to drop "men" from its name. As the editor of *Credit World* explained, "the masculine note in our name is resented, and justly so, by many capable women credit managers."[369] Thenceforward, the association was known as the National Retail Credit Association.[370] In 1934 a national women's magazine ran a feature on credit bureau work, calling it a "wonderful field for women."[371]

During the 1920s and 1930s, a true national credit reporting infrastructure began to take shape. In communities without a credit bureau, newly formed local associations often established their own. Conflicts arose, however, when existing private agencies failed to cooperate with the merchants association or, more often, they were incompetent. For good reason the proprietors of private agencies were

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[368] "Miss Edith Shaw of the Portland Credit Bureau," *Credit World* 19, no. 3 (November 1930): 5; and Ethel M. Dopp, "The Future of Credit Women's Breakfast Clubs," *Credit World* 25, no. 11 (August 1937): 26-28.
[369] David J. Woodlock, "Our Responsibilities," *Credit World* 16, no. 2 (October 1927): 3.
[370] The organization underwent several additional name changes and is presently the Consumer Data Industry Association; hereafter referred to as the "national association."
[371] Katherine G. Cohen, "Needed: More Credit Bureaus," *Independent Woman* 13 (July 1934): 224.

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concerned that retailer's bureaus would drive them out of business. As the owner of a Memphis mercantile agency admitted, "When the Retail Credit Men's Association was first formed, I was, frankly speaking, afraid of it; I thought perhaps my bread and butter might be at stake, and I did not favor the growth of the movement."[372] The fact that the private reporting agencies—the very institutions that initially supported and gave impetus to the development of retailers associations—were either "obliterated or absorbed by the Merchant-owned Bureau" was, as the manager of the San Francisco association remarked, "a strange paradox."[373] In 1918 a truce was arranged with NAMA to arbitrate disputes and to prevent the incursion of retailer's bureaus where existing private agencies were satisfactory. Yet difficulties persisted; the concept of free interchange was problematic for profit-seeking agencies and too many simply offered inferior service. As one experienced credit manager quipped, "To err is human, to forgive, divine. Mercantile agencies are human. They must be forgiven a whole lot."[374] In 1921 NAMA was finally absorbed by the retail credit association, surrendering its own name and reorganized as the Credit Service Exchange Division of the latter organization. By 1926 the service division included 800 bureaus, which together made nine million reports per year with its collective fifty million credit records.[375] "We are building for America a Retail Credit structure," the national association's leader proclaimed.[376]

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[372] M.G. Lieberman, "How Local Associations and Reporting Agencies May Be Co-ordinated with the National Association as a Great Working Unit," *Credit World* 8, no. 2 (October 1919): 73.
[373] William Loewi, "The Credit Bureau in a Community," *Credit World* 10, no. 10 (June 1922): 11.
[374] "Maxims of a Credit Man, After Twenty Years' Experience," *Credit World* 8, no. 3 (November 1919): 25.
[375] E.B. Heller, "President Heller's Message," *Credit World* 15, no. 4 (December 1926): 20. The service division was also responsible for vetting bureau membership applications and reviewing the quality of

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Credit bureaus typically offered two basic types of reports: trade clearances and antecedent reports. The former, sometimes referred to as trade inquiries, clearances, or "in file" reports, were the least expensive and most prevalent of the two. Based upon the ledger experience of the bureau's members, trade clearances provided a summary of an individual's paying habits (whether they took thirty, sixty, or ninety days to settle their bills), how long the individual had been a customer, their maximum credit limit, outstanding balances, and sometimes a record of their merchandise returns. (The "returned goods evil" was a perennial frustration for early mass retailers.) The individual's aggregate credit rating was usually conveyed as a summary rating, such as "pays prompt," "cash only," or the dreaded "no good." Antecedent reports, on the other hand, probed much more deeply. Sometimes referred to as "full" or "investigative" reports, they provided the individual's home addresses, record of employment, income, bank account balances, legal history, age, marital status, family size, and additional details concerning their personal circumstances and reputation. Antecedent reports, due to their depth of specificity, were more expensive than trade clearances and usually reserved for newcomers or otherwise suspect individuals. Both types of reports could be requested as "revisions," whereby bureau workers updated and verified information in the files at additional cost. Furthermore, price was determined by the mode of delivery; verbal reports provided over the telephone were the least expensive, while written reports, mailed or hand delivered, cost more. By the 1910s the telephone reports was in wide use among credit bureaus. A 1922 Chamber

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bureau service; see G.C. Morrison, "Report of the Service Department Committee," *Credit World* 18, no. 10 (June 1930): 32.

[376] Ralph W. Watson, "The President's Message," *Credit World* 14, no. 6 (February 1926): 11.

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of Commerce study of privately-run credit reporting organizations found that sixty-eight percent provided information primarily via telephone, while only four percent relied mainly on written reports.[377]

To overcome the problem of obtaining updated ledger experience from its members, credit bureaus provided local merchants with blank forms on which to transcribe the names of all their customers and their respective payment habits, balances, and credit limits. Codes for credit ratings were used to speed the process and standardize the responses. Statements like "pays prompt," however, were subject to different regional interpretations and increasingly discouraged. A country merchant might consider a farmer prompt if he paid within ninety days, whereas a city retailer would regard this as slow or delinquent. The style and complexity of these codes varied among bureaus, but typically resembled the following textbook example:

> "P" = Prompt. Pays 30 days or as agreed.
> "F" = Fair. Pays 60 days.
> "S" = Slow. Pays 90 days.
> "X" = Unsatisfactory. Would require cash.[378]

An association's contractual terms usually stipulated that its members submit updated lists at designated intervals, often every three or six months but in some cases annually. Bureau managers learned from experience that the expectation of regular updates helped condition its members to the practice. Information pertaining to new or defaulted credit accounts was to be reported immediately. Standardized forms also guided the association's members in the basic protocols of information gathering.

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[377] *Commercial Organization Credit Bureaus* (Washington, DC: U.S. Chamber of Commerce, 1922), 9.
[378] Truesdale, *Credit Bureau Management*, 143.

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As the ledger reports were received the bureau secretary collated and updated the master cards. To protect the identities of those submitting reports, each merchant was assigned a secret code number. To prevent against fraud and misuse, members calling in to request or report information were required to identify themselves with their code. Member codes were often grouped in ranges by trade designation. For example, grocers might receive a code number between 1 and 20, department stores between 21 and 30, and tailors between 31 and 40, and so forth. This allowed bureau officials quickly identify the source of credit reports when providing summaries to other members.

As a national network began to emerge, the interchange of information between bureaus in distant cities was problematic. In addition to variations in quality, pricing discrepancies led to disputes, especially when "foreign" reports were requested between bureaus in different cities or regions. The development of coupon systems, whereby associated bureaus used pre-purchased tickets to pay for services, helped to standardize fee structures and smooth exchanges.[379] But even as inter-bureau reporting became more efficient, some merchants circumvented the bureau altogether, particularly when seeking information concerning credit applicants who were out-of-town visitors or newly relocated, and thus did not have established credit records in the community. Direct inquiries may have been expedient for individual credit managers, but they burdened other merchants with multiple requests for the same credit information. Department stores and large specialty houses often accommodated such requests, particularly among themselves, but came to resent them when they

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[379] Ibid., 158.

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suspected smaller retailers of pillaging the information in their expensive credit departments.[380] Direct inquiries were condemned because they offered a dangerously selective portrait of an individual's credit history. Most credit applicants could provide one or two favorable references; what they withheld of course were the names of merchants they neglected or abused. Direct inquiries thus revealed good information without the bad, a problem that credit bureaus ostensibly solved by compiling the ledger experience of all local merchants. But the real sin of the "direct inquiry evil" was that freelancing credit managers gained an unfair competitive advantage, either in saved time or private information, ignoring the principles of mutual cooperation and full disclosure that credit associations espoused.[381] In 1927 the official code of ethics of the national association explicitly advised against the practice.[382]

During the 1930s the national association sought to consolidate its network of bureaus, which by then numbered more than 1000. Though credit associations first emerged to serve local merchants, a national market for credit reports was growing, particularly among automobile, finance, petroleum, and direct sales companies selling to consumers throughout the country. To secure this business, the National Consumer Credit Reporting Corporation was established as a subsidiary of the national association in 1932. This new entity, which assigned the bureaus to exclusive territories and implemented standardized reports and pricing, immediately attracted attention from the Department of Justice. In 1933 the United States District Court in

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[380] See Leach, *Land of Desire,* 125.
[381] See, for example, J.W. Metcalfe, "The Direct Inquiry," *Credit World* 10, no. 2 (October 1921): 70-71.
[382] "Code of Ethics," *Credit World* 16, no. 2 (October 1927): 31.

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St. Louis filed a petition against the national association for violating federal anti-trust regulations. The monopolistic design of credit reporting presented an interesting problem. After all, competition among multiple bureaus in a single location was entirely counterproductive; it duplicated the effort of each retailer to make reports and, even worse, divided retailers against themselves where loyalties were split among two or more reporting organizations. During the 1920s credit reporting associations devoted to a specific business—lumber, coal, hardware, furniture dealers, physicians, or industrial loan banks, for example—operated alongside retail credit associations and were condemned by the national association. "Because of the very needs and conditions it must serve," one credit manager argued, "a credit bureau is a natural monopoly; more than one credit bureau in a city is of as much nuisance as more than one telephone system, and a greater financial menace, because of the incompleteness of reports each must render."[383] The anti-trust charge denied this public utility argument, but was even more remarkable for treating credit reports—mere information—as a commodity. Observing that the association's "1,200-odd affiliated bureaus sell nothing but credit reports," a service rather than a good or process, *Business Week* remarked on the unprecedented nature of the case.[384] Since the early days of the mercantile agency, the primary legal challenge facing credit reporting organizations was slander and libel. In effect, the anti-trust case acknowledged formally what credit reporting had done since the 1840s: commodify personal identity. Though agreeing to a consent decree, whereby the designation of exclusive territories

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[383] H. Orrin Jones, "The Interdependence and Interrelation of All Lines of Credit," *Credit World* 15, no. 7 (March 1927): 24.
[384] "Credit Decree," *Business Week* (21 October 1933): 11.

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and denial of service to nonmembers were prohibited, in 1935 the national association was charged with violating its terms and fined. Two years later the inter-bureau reporting services of the NCCRC were turned over to a new organization, the Associated Credit Bureaus of America.[385]

Despite these setbacks and the hardships of the Depression a national credit reporting infrastructure was well established and functional by 1940. It was not an airtight surveillance network, to be sure. Indeed, the number of retailers that continued to grant credit on the basis of an honest face or personal reference continued to vex advocates of systematic credit management. Additionally, many retail creditors did not have their own credit departments or full-time credit managers. In 1938 *Barron's* reported that only ten percent of small business owners employed a credit manager, though ninety-one percent offered credit terms to their customers.[386]

The extent to which credit bureaus were used was revealed in the 1930 National Retail Credit Survey conducted by the U.S. Department of Commerce.[387] This nationwide survey based upon lists of retail concerns provided by more than 1000 local bureaus of the National Retail Credit Association was not a true statistical sample. Nevertheless, the reports from more than 12,000 retailers that granted open book or installment credit (or some combination of both) provides much valuable data. According to the survey, more than 70 percent of American retail businesses relied upon credit bureaus for information (see Table 1). Though a smaller percentage

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[385] William Henry Blake, "History of the International Credit Association," *Credit World* 75, no. 3 (January-February 1987): 29-30.
[386] Howard Haines, "A Credit Policy for the Small Business Man," *Barron's* (27 June 1938): 12.
[387] U.S. Department of Commerce, *National Retail Credit Survey* (Washington, DC: U.S. Government Printing Office, 1930).

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depended entirely upon credit bureau information—among department stores, for example, 32.7 percent used only credit bureau information, while 52.9 percent used credit bureaus to supplement their own investigations—the credit bureau had clearly become a vital source of credit information by the time of the survey. "Think for a moment of the depressing condition of business generally, if there were no reporting agencies in this country," the chairman of the national association's Credit Service Exchange Division remarked in 1928. "The undesirable credit risk would run rampant through the country. The credit system would deteriorate and gradually collapse."[388]

[388] Stephen H. Talkes, "The Value of the Credit Bureau to the Retailer," *Credit World* 15, no. 11 (July 1927): 5.

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Table 1. Credit Bureau Use by Type of Retail Business, 1930

Type of business†*		*Credit bureau used*	*Not used*
Department stores n=597(614)		85.8	14.2
Women's, children's, infant's wear n=328(406)		84.1	15.9
Men's and boy's clothing n=535(548)		77.7	22.3
Boot, shoe, other footwear n=228(240)		77.6	22.4
Automobile dealers n=552(569)		77.0	23.0
General clothing n=330(340)		72.1	27.9
Automobile accessory stores n=482(514)		76.3	23.7
Radio stores n=84(85)		76.2	23.8
Furniture stores n=629(692)		73.9	26.1
Electric appliance n=303(615)		73.9	26.1
Fur goods n=82(84)		73.2	26.8
Hardware n=521(534)		73.1	26.9
Musical instruments stores n=107(127)		72.0	28.0
Jewelry n=233(244)		71.7	28.3
Misc. retail establishments n=1807(1928)		67.8	32.2
Optical goods n=58(62)		67.2	32.8
Independent grocery stores n=1633(1675)		61.0	39.0
Drug stores n=228(252)		58.0	42.0
N=10,648(12,036)	*Average*	72.57	27.43

* n = number of retailers reporting on the subject of credit bureau usage; parenthetical sums indicate total credit-granting retailers that submitted reports in each category.

† Some business categories are omitted from this table, including building, fuel, and agricultural suppliers, which often used their own trade-specific credit reporting services.

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CHAPTER 4: The Credit Gauntlet, 1900-1940

During the early twentieth century millions of Americans came under the watchful gaze of newly formed credit bureaus. Such bureaus, however, were only one arm of the emergent consumer credit apparatus. Their counterpart was the credit department of individual stores, where credit managers interviewed, documented, and tracked their customers for their own benefit and that of the local bureau. "The obscure credit department of yesterday, is a big one today—a recognized unit and one of the organized thirty-five thousand strong throughout the country," a credit manager for L.S. Ayres, Indianapolis's leading department store, observed.[389] Credit departments and credit bureaus operated separately and with fundamental differences—namely, credit departments actually made credit-granting decisions while credit bureaus merely compiled information for consultation. Together, they formed complementary systems of risk management. "[T]he bureau is in reality but a branch of the credit department and the workers therein his colleagues," a Worcester, Massachusetts, credit manager explained.[390] Though specialized credit departments were the province of larger retail establishments, particularly department stores, specialty shops, and installment houses, small-time merchants were encouraged to adopt the same administrative principles and protocols to manage their credit customers. Within this interlocking system, the concept of financial identity was the primary unit of analysis.

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[389] Robert O. Bonner, "What Kind of a Credit Manager are You?" *Credit World* 17, no. 5 (January 1929): 8.
[390] James Wilson, "Credit Co-operation a Vital Factor in Reducing the Bad Debt Loss," *Credit World* 7, no. 4 (9 December 1918), 15.

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The pursuit of efficient records management was central to the development of credit reporting and authorizations systems during the early twentieth century. "It is not long ago," the credit manager of Manhattan's Franklin Simon department store remarked in 1920, "when not much attention was given to the systematic filing of records, but not so now."[391] The sheer volume and anonymity of credit customers worked against embodied and interpersonal knowledge, encouraging credit managers to rely more heavily on filing systems to recall individual cases and to make decisions. As the credit manager of San Francisco's Emporium department store observed, "Mass supervision of credits and collections has developed a machinery which is impersonal in its mechanism but is so devised and maintained as to have all the appearance to the customer of intimate personal contact."[392] Thus credit examination was to be converted into a neutral instrumentality while retaining the appearance of the personal touch. A fine-grained account of this process reveals the difficulty with which credit professionals reconciled embodied and textual ways of knowing.

The credit department

While credit bureaus served as repositories of a community's collective credit data, it was in the store credit department that consumers opened accounts and divulged the intimate details of their financial circumstances. There, the individual was subjected to the scrutiny of prying credit managers who evaluated and recorded their financial performance, producing the raw material for their financial identity in

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[391] William H.J. Taylor, "Credit Office Efficiency," *Credit World* 8, no. 12 (August 1920): 10.
[392] Harry Jeffrey, "The Credit Man and His Department," *Credit World* 17, no. 10 (June 1929), 30.

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the local credit bureau. Individual credit accounts were typically opened in one of two ways. Either the customer applied directly for a credit account or, upon checkout, he or she requested that the items be charged. In both cases the sales clerk referred the customer to the credit manager (or, in stores without credit departments, the office manager or proprietor) for consideration. Here, the social nature of credit reached a moment of high drama. Credit, after all, is a measure of social trust. Thus to have one's creditworthiness subjected to judgment is no small matter; it is a referendum on one's morality and social standing. To be refused implies that one is undeserving, deficient, suspect. "'Touch the question of credit with one of your customers and you have drilled into the most sensitive nerve in his body' is the summing up of the credit situation in the department house," a Chicago journalist reported in 1908.[393] The stakes of a direct request were great for all involved. Both parties stood toe to toe with much to lose depending on the content and delicacy of the answer. To avoid such confrontations, customers often requested credit through indirection—for example, by claiming at the point of sale that they didn't have the correct change or that they were in too much of a hurry to settle immediately. Even in large department stores accounts were often initiated when a customer asked that the merchandise be delivered to his or her home with an invoice for future payment, which constituted a de facto credit agreement.

Working under the assumption that most people pay their first bill, many retailers approved new applicants quickly and with little scrutiny. Unlike the

[393] Jonas Howard, "Man's Credit Bump Sensitive; Department Store Knows It," *Chicago Tribune,* 19 January 1908, E3

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wholesaler or manufacturer who by the early twentieth century could demand full financial statements, the retailer felt compelled to treat his or her credit customers with kid gloves. "Obtain all the information you can at the first interview," one expert advised, "but carefully avoid offending the customer!"[394] Prospective charge customers were often approved after providing only their name, address, employment information, and references concerning existing credit accounts. As "one of the best-known department store credit men" in New York confirmed, "This is about all the direct investigating that we do, but the impression made on the credit man by the personal appearance and manner of the applicant goes a good way in determining whether the account shall be opened."[395] If it was determined that a questionable customer should be subjected to further investigation, the credit manager subsequently consulted a credit reporting firm, whose business it was to "sound the butcher, the baker, and the candlestick maker of the neighborhood to see how the applicant pays his bills in that direction."[396] A customer at the point of purchase was not to be ruffled with intrusive personal questions. Summary judgments flattered the credit applicant and, it was hoped, inspired loyalty to the store. Hesitation, on the other hand, signaled mistrust and gave offense. Time was of the essence because an anxious or impatient customer, given pause to reconsider, might simply walk out empty handed or, worse still, go next door to a competitor. Observing that most customers were reliable over the short term, the general manager of Detroit's preeminent department store, J.L.

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[394] Wahlstad, *Credit and the Credit Man,* 271.
[395] "Cash Customers and Credit Ones," *New York Times,* 20 September 1914, 10.
[396] Ibid.

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Hudson, admitted that in his store requests for credit amounting to less than five dollars were immediately authorized "without looking at 'em."[397]

Installment dealers were even less rigorous. Compared to department stores, which accommodated the middle and upper segments of the socioeconomic spectrum, installment dealers sold primarily to those at the lower end. People who bought furniture, musical instruments, sewing machines, or household goods at such stores did so not for the convenience of a monthly charge account, but often because they could not afford to purchase such items except over time. This, however, did not mean that such customers were unworthy of credit. Most steady wage workers, as installment sellers realized, could be counted on to make their payments. "There is no man or woman so proud and sensitive as the `poor but honest,'" a furniture dealer noted, "and it is largely with this class of people that instalment house deals."[398] Amid fierce competition, price was only one factor in the installment trade; service, including the severity of credit inquiries, was another that discriminating customers took into consideration. As a representative for Spiegel's House Furnishing explained, "accounts must be opened almost on the spur of the moment, with little investigation, without giving offense or annoyance to the customer, who is probably standing at the credit man's elbow while he is deciding on the advisability of extending credit."[399] Though quick to grant credit, the installment dealer's loose methods on the sales floor

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[397] Oscar H. Webber, "Address of Mr. Oscar H. Webber," *Credit World* 9, no. 1 (September 1920): 22.
[398] E.F. Kennedy, "Instalment Credits," in *Credits, Collections and Finance: Organizing the Work, Correct Policies and Methods, Five Credit and Collection Systems* (Chicago: A.W. Shaw, 1917), 98.
[399] Henry Marcus, "A Credit and Collection System for an Installment House," in *Credits and Collections: The Factors Involved and the Methods Pursued in Credit Operations; A Practical Treatise by Eminent Credit Men,* ed. T.J. Zimmerman, 2nd ed. (Chicago: System Company, 1904), 183.

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were often supported by surreptitious investigations as soon as the customer departed. The interval between the sale and delivery was an opportunity to verify key information and, if warranted, reverse a credit approval before letting go of the goods. A strong prejudice against installment buying meant that creditors could not simply contact a customer's employer to corroborate this information. Subterfuge was thus resorted to. One technique, described by a musical instrument dealer, was to call the customer at his or her stated place of employment. If no such person was said to work there, the buyer's sham was exposed. On the other hand, if the operator put the anonymous caller on hold while the customer was retrieved, the caller "quietly hangs up the receiver" having "obtained the information he sought."[400] This practice, later referred to as "pretexting," was a favorite tactic of credit investigators well into the twentieth century.

Interviews: Character inspection

Though credit reporting had done much to disembody and depersonalize financial reputation, personal character was widely regarded as the most useful predictor of credit risk. This view was nearly axiomatic among both commercial and retail creditors well into the twentieth century.[401] Financier John Pierpont Morgan affirmed this in his widely reported (and quoted) congressional testimony before a

[400] Wahlstad, *Credit and the Credit Man,* 283-284.
[401] As Olegario has observed, the persistence of character as the key criterion of creditworthiness gives the development of nineteenth-century credit assessment a remarkable sense of uniformity. "Analyzing the credit reports and business literature from the 1830s to the end of the century leaves one with a striking impression of continuity: a merchant in 1830 would have had little trouble grasping the method for assessing risk that credit manuals began to formalized and codify only toward the end of the century" (*A Culture Credit,* 7).

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money trust inquest in 1912. Asked whether credit was "based primarily upon money or property," Morgan corrected, "No, sir; the first thing is character."[402] The questions that early-twentieth-century retailers asked in determining a customer's creditworthiness were the same as those posed in the 1880s: "Does the buyer live within his income and pay his bills promptly; or will he incur obligations without the means to meet them? Is he honest? Is his family extravagant? Did he leave a good record behind him when he moved? If unfortunate enough to lose his present position will he pay up old scores when he can?"[403] Character, a prominent retail credit expert declared in 1927, was "the greatest of all assets."[404] Where credit was liberal and the recovery of debts difficult, it was the borrower's honesty and morality—his or her character—that mattered above all. "The average credit-man," one writer attested, "is not so solicitous about a customer's wealth in property as he is of his wealth in morals."[405] Influenced by the pseudoscientific precepts of physiognomy and phrenology, many conceived of character as a fixed quasi-biological trait.[406]

Even the staunchest advocates of rational credit management cited character as the sine qua non of creditworthiness. When James G. Cannon, a New York banker and one of the most respected proponents of credit reform, spoke before an audience of young men and women at Packard's Business College in 1898, he presented an

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[402] U.S. House, *Report of the Committee Appointed Pursuant to House Resolutions 429 and 504 to Investigate the Concentration of Control of Money and Credit,* 62d Cong., 3d sess., 1913, 136.
[403] "To Our Members," *Commercial Register,* 1886-87, n.p
[404] Woodlock, "Our Responsibilities," 2.
[405] Anthony Gevers, "Character as an Asset Commanding Credit," *Business: The Office Paper* 21, no. 1 (January 1901): 19.
[406] According to the official text of the Associated Retail Credit Men of New York City, "Character is, of course, to a great extent hereditary" (Brisco, *Retail Credit Procedure,* 49). More bluntly, as put forth by a writer for *The Roycrofter,* "The will to pay is hereditary, just as much as red hair or buck teeth"; quoted in "The Man Who Pays," *Credit World* 8, no. 12 (August 1920): 6.

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orthodox explication of character that emphasized its uniqueness and authenticity as a marker of identity. "You can not jump into a character as you would into a suit of clothes, unless it be an assumed character. The man with an assumed character is a hypocrite, whom we all despise."[407] Character, a Los Angeles pastor explained for the benefit of the retail credit men, was a perfect transcription of the individual's mind and motives. "The soul that God has placed in the human body is a machine a million times more sensitive than any record Edison ever invented. Every thought, word, action and experience makes its impress upon the soul. The final result of all those impressions is a `record.' That record is character."[408] But to the untrained eye character was a nebulous and easily concealed quality, one that required new technologies—or a skilled credit manager—to decipher. Instead of abandoning character as a hopelessly elusive trait, retail credit managers looked for it in the speech and body language of their customers. As Cannon instructed the Packard students, "Turn the X-rays on your characters to-day and see what they reveal."[409] Those lacking character might pay up eventually—in this sense, they were not necessarily criminal—but the effort necessary to compel them to do so was a hardship to be avoided. By the 1920s a more nuanced understanding of character emerged, one that distinguished between reputation (what others thought of a person) and character (a person's authentic self); the two did not necessarily match. As one writer put it,

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[407] Cannon, *Character,* 9.
[408] J. Whitcomb Brougher, "Character and Credit," *Credit World* 6, no. 1 (June 1915): 50.
[409] Cannon, *Character,* 10.

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"reputation is a glove, but character is the hand within the glove."[410] In this way, financial reputation was further stripped of its social context and economic virtue more deeply insinuated as a marker of inherent goodness and self worth. Financial identity was thus deliberately desocialized and re-embedded in specific institutional contexts.

To penetrate the mysteries of the financial self the modern credit manager relied upon a wide array of textual sources, from personal correspondence and credit reports to newspapers, local and national business forecasts, references, and information provided by applicants. Yet textual sources did not supplant face-to-face meetings with prospective customers. The personal interview, in fact, remained a privileged investigatory technique long into the twentieth century. For all of their insistence on textual protocols, few credit managers trusted credit reports over their own powers of direct observation. Consequently, twentieth-century consumer credit management maintained a distinct interpersonal dimension even while moving in the direction of textualization. It was in the body of the borrower, more than credit reports or financial statements, that the credit managers augured the creditworthiness of individuals. While commercial creditors lamented the diminishing frequency with which they saw their distant customers, retail credit managers, especially those in large department stores and installment houses, were almost always in a position to meet with credit applicants in person. Comparing the screening process of retailers to that of commercial creditors, a New York credit manager explained, "In the retail end

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[410] S.E. Edgerton, "Responsibilities of the Retail Credit Manager," *Credit World* 17, no. 10 (June 1929): 25.

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the personal element is a much more important factor."[411] What is striking about development of rational credit management is the degree to which face-to-face conversation continued to inform its textualization.

The credit interview was not only an administrative ritual during which customers offered up their basic personal and financial information, it was also an opportunity for the credit manager to take in the general appearance and disposition of the applicant. In looking for physical markers of deceit, credit managers, like poker players, looked for their adversary's tell. To be creditable was to be credible. Acknowledging that "the `shifting glance' of the old time fictionary villain" had been debunked (apparently it could be confused with the "nervous shyness" of the honest), one credit expert argued that "the direct, open gaze of the man taken by surprise" was definitive.[412] An astonished writer for *American Magazine* recounted how a credit manager quickly appraised the trustworthiness of a "well-dressed young man" as he filled out an application card. "After looking at the man and the card, the credit man can guess that the man doesn't own a home, is living somewhat beyond his means, is selfish, therefore not well-balanced—inclined to please himself at the expense of somebody else—and should not be trusted to far."[413] Describing the work of the credit manager in almost erotic terms, one professional explained, "The credit man comes into more intimate contact with the customers of a house than any other man, his relations are most delicate, he touches a man where he is most sensitive—on the

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[411] "As to Granting Retail Credits," *New York Times,* 27 September 1917, 10.
[412] John Coleman, "Tell Character at a Glance; Nature's Marks on Everyman," *Chicago Tribune,* 16 January 1907, E3.
[413] Fred C. Kelly, "The Kinds of People to Trust in Money Matters," *American Magazine* 86 (August 1918): 51.

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question of his character and his ability. He must be pre-eminently a man who can handle people, who can reach their real selves."[414] It was only through direct interaction that the credit man could probe beneath the surface of mere facts and figures to discern the true character of the individual. "In versatility they rank with the diplomat," one writer boasted of the credit manager, "and their keen perception in judging human nature excites admiration and makes Conan Doyle's Sherlock Holmes look like a miserable four-flusher."[415]

Yet judging by appearances cut both ways. The early trade literature is dotted with cautionary tales to prove this point. "A customer may reside in an elegant mansion in which he has not a single dollar of equity," one writer warned, and he "may be the loudest-voiced individual in church service, and yet be wearing the livery of the Lord only to serve the devil."[416] For precisely this reason some credit experts discouraged interviews. As critics noted, they ran counter to the depersonalized objectivity of rational credit assessment. Interviews gave silver-tongued rogues the opportunity to bamboozle the credit manager, who might be the less clever of the two. Commenting on the relative merits of interviews and credit reports, Earling came down on the side of the latter in his foundational 1890 text. "[W]hen we have cold-blooded facts to deal with," he reasoned, "at least we accept them as facts and our cool reasoning faculties and judgment alone are exercised, and our sympathies are in no

[414] Edward M. Skinner, "Essentials in Credit Management," in *Credits, Collections and Finance: Organizing the Work, Correct Policies and Methods, Five Credit and Collection Systems* (Chicago: A.W. Shaw, 1917), 10.
[415] "The Credit Man," *Credit World* 14, no. 6 (November 1914): 10.
[416] Cummins, "The Evil of Retail Credits," 698.

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wise appealed to our endangered."[417] After all, a Los Angeles retail credit manager reminded, "A pleasing personality may cover a multitude of sins."[418] May the credit man beware. Vigilance, on the other hand, was rewarded. In one case a diligent El Paso merchant requested a report on a customer who seemed entirely trustworthy only to learn that, contrary to his own impressions, the man was "a bum of the worst type, an embezzler" who had "left his wife and children destitute."[419]

If the written credit report compressed social reputations into text, the credit interview was designed to compress a lifetime of social interactions into a brief, unnatural encounter with a single individual. The credit manager's office was often described as the "sweat box," suggesting the panic that these dreaded ordeals induced among applicants. "I have seen worthy applicants for credit trembling with fear on being introduced to an austere, sour-faced credit man who acts as though he were conducting a trial by jury," a San Francisco credit manager remarked.[420] Financial modesty was deeply ingrained and many customers, particularly those who had never been subjected to commercial credit reporting, did not understand the new norms of credit assessment. "Women especially have such a terror of these interviews," one writer noted, so much so that some refused to open accounts. "They think that all their private history and personal secrets will be brutally exposed to the examination of a cold-blooded person who will delight in prying into their personal affairs."[421] In one

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[417] Earling, *Whom to Trust,* 242.
[418] Sam Kawin, "Educating the Charge Customer," *Credit World* 6, no. 1 (June 1915): 62.
[419] Truesdale, *Credit Bureau Management,* 11.
[420] Frank Batty, "Taking the Application and Declining the Account," *Credit World* 15, no. 12 (August 1927): 12.
[421] J.W. McConnell, "Handling the Credits of a Retail Store," *System* 10, no. 11 (August 1906): 184.

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case a woman who sought to purchase a "Chinese rug" complained to her husband, "Why, a young man in the credit office asked me the most personal questions, all about you, our children, and positively insulted me," resulting in her boycott of the store.[422] Not surprisingly, credit managers inspired fear and resentment among customers of both sexes. "The credit man," a Denver attorney remarked with wry humor, "is described, by some people, to be a cold-blooded heartless creature, possessing some of the characteristics of the porcupine and the pole-cat—hard to skin, very offensive when thoroughly aroused; usually found secured in huge cages in down-town department stores."[423]

Indeed, the location of early credit departments in dingy basements and attics hardly inspired confidence. One writer was "astonished beyond measure to see some of the dens and caves of the early days in which credit men are housed, which carry the misnomer—credit office, and to which the public are invited."[424] One indication that credit managers had gained professional legitimacy was their relocation to more spacious and well-lit offices with private rooms in which to meet customers. "Interviewing customers at a railcounter or window has long ago been eliminated by the most modern Retailers," one expert attested in 1929.[425] Still, closed-door interviews were not standard for all applicants. In some stores customers were assigned to consultation rooms with varying degrees of privacy, from open to secluded, depending upon their desirability. Those making large purchases at one

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[422] Louis Sinclair Grigsby, "That Credit Application," *Credit World* 15, no. 6 (February 1927): 6.
[423] Edgar McComb, "The Credit Man," *Credit World* 4, no. 6 (November 1914): 10.
[424] Batty, "Taking the Application and Declining the Account," 12.
[425] David J. Woodlock, "The Structure of the Credit Department," *Credit World* 18, no. 3 (November 1929): 27.

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Denver furniture company, for example, were escorted into an "overstuffed living-room suite" to rest and recover before beginning to "discuss the credit angle of the transaction."[426] Noting that applicants "at ease physically" were "more at ease mentally," the credit manager of Cleveland's May Company instructed interviewers to be sure that the customer "does not stand up, but is comfortably seated."[427] The décor of the room was also taken into consideration. "The walls are a restful color scheme," the authors of one textbook recommended, "and the decorations, while interesting, arouse confidence—photographs of the family, a fishing scene, a college diploma."[428] Commenting on the impact of a pleasing office, the credit manager of San Francisco's Emporium observed, "A great deal depends on its dignified set-up in producing an impression on the customer, which will lessen the opportunity for friction."[429] It was imperative that credit managers pacify their customers, not out of empathy but to lower their defenses in the interest of extracting as much information as possible.

In taking an application from a prospective customer, the credit manager discussed personal matters that many found disconcerting. Those who spoke intimately with fawning sales clerks often clammed up when set before the credit manager. While questions about a husband's occupation embarrassed women of middling or lesser means, they insulted "the dowager or society matron" who

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[426] "Mapping a Credit Department for 3 Types of Customers," *Credit World* 19, no. 5 (January 1931): 31-32.
[427] G.C. Driver, "Opening an Account," *Credit World* 9, no. 7 (March 1921): 13.
[428] John T. Bartlett and Charles M. Reed, *Credit Department Salesmanship and Collection Psychology* (New York: Harper Brothers, 1932), 25.
[429] Harry Jeffrey, "The Organization of the Credit Department," *Credit World* 17, no. 4 (December 1928): 6.

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considered the source of her spouse's income beneath discussion.[430] When a new account was opened by a married woman, as was often the case, many retailers sent a letter of confirmation to both the home residence and the husband's office, a practice that, a St. Louis credit manager attested, saved the store the "grief" of dealing with a sneaky wife or a controlling husband.[431] Ascertaining an applicant's wages or salary was complicated not only by the resentment it might stir in the applicant, but by their employer's unwillingness to divulge the sums that they paid their employees. Even the seemingly innocuous matter of recording the applicant's full name risked effrontery. Credit and sales clerks often accepted applications with only the customer's first initials to avoid the least hint of invasiveness, a practice that caused confusion and error. Even experienced credit managers quick to make a sale were guilty of this cardinal offense. One writer recalled watching in astonishment as "the dean of credit managers in one of our largest eastern cities" approved a new credit customer with only his first initials.[432] Acknowledging that "a great many people use only one initial and, unless handled diplomatically, might take offense it the salesperson becomes insistent," a credit manager in Grand Rapids, Michigan suggested indirection. "For example, the customer gives the name J. Smith, the salesperson inquires, 'John?' and immediately the customer will not assent or say, no, 'Joseph,' or speak the correct name, as the case may be."[433]

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[430] Grigsby, "That Credit Application," 7.
[431] E.F. Horner, "Originating Accounts," *Credit World* 18, no. 2 (October 1929): 13.
[432] Guy Hulse, "Helping the Retail Trade Through Credit Organizations," *Credit World* 16, no. 1 (September 1927): 22.
[433] James Jarvis, "The Line of Least Resistance," *Credit World* 7, no. 10 (June 1919): 8.

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Tact and a winning personality were the most effective tools in the credit manager's repertoire. A negative or vindictive attitude, easily acquired through daily interactions with dead beats and irate sales clerks, was to be resisted at all cost. Smiling, on the other hand, was strongly encouraged. "The `bigger' the smile," a Pennsylvania credit manager promised, "the easier it will be for you to get the complete confidence of the applicant."[434] Commenting on the importance of a cheerful, friendly disposition, a Missouri credit woman explained, "Make yourself a `comfortable' sort of person—that is, cause people to be at ease and happy in your presence."[435] Conceding that the credit man of old was often a "grouch," a "new generation" of "cheerful and optimistic" credit managers was welcomed in the early 1940s.[436] In dealing with a broad range of social and professional groups, the successful credit manager was a dynamic personality who mixed easily with people from all walks of life. Unlike commercial credit reporting, which was relegated to business owners, consumer credit reporting tracked anyone who sought retail credit, from the millionaire industrialist to the earnest young shop girl. Though in principle each credit application was a mere transcription of facts, in practice the credit interview was tailored to meet the social expectations of different clientele. As one credit manager observed, "it is asinine to use the same procedure in conversing with, say a lady of social standing, whose husband is an executive in a well known firm, and

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[434] G.S. Rider, "Opening, Controlling, and Collecting Accounts," *Credit World* 15, no. 11 (July 1927): 25.
[435] Naomi Ruth Nelson, "What People Think of Credit Men and Credit Women," *Credit World* 11, no. 3 (November 1922): 12.
[436] Phelps, *Retail Credit Fundamentals,* 77.

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a problematic stenographer, who resides in the apartment house district."[437] Ironically, to access the inner character of their customers, credit managers relied upon the same superficial charms deployed by the worst swindlers. In the transition from a nineteenth-century culture of character to a twentieth-century culture of personality, a distinction identified by historian Warren Susman, the credit manager played a paradoxical role, one that pitted vying norms of authenticity and self presentation against one another.[438] There were significant parallels between credit assessment and sales. Frederick B. Goddard, author of one of the earliest credit textbooks (second only to Earling's), had previously published a guide to salesmanship.[439] By the end of the 1920s credit managers embraced their role as business builders, as described in the next chapter.

While taking the application, the credit manager sought to engage his customers in self-revelatory dialogue. Disarming conversation, rather than "point blank questions," was by all accounts the most productive way to obtain information from the applicant. "Anyone can get information of a certain kind by asking direct questions in a direct way and putting them down in a cold, unfeeling manner, with an `I know-you're-dishonest-anyway' attitude—working the customer up to such a murderous frame of mind that the least he can do is to refuse to buy if he does get credit," one writer attested. "But the man who can talk to a customer pleasantly and

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[437] Batty, "Taking the Application and Declining the Account," 24.
[438] See Warren I. Susman, "'Personality' and the Making of Twentieth-Century Culture," *Culture as History: The Transformation of American Society in the Twentieth Century* (Washington, DC: Smithsonian Institute Press, 2003), 271-285.
[439] See Frederick B. Goddard, *The Art of Selling* (New York: Baker and Taylor, 1889). See Walter A. Friedman, *Birth of a Salesman: The Transformation of in America* (Cambridge, MA: Harvard University Press, 2004), 83, 85.

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interestedly about his affairs and circumstances, getting a fact here and an admission there, until he has all the information he wants, without a direct question, will secure more complete and reliable facts than those obtained by a brutal, straightforward examination, and will add a friend and perhaps a customer to the house."[440] Illustrating the point, one writer recalled how an exasperated credit assistant, unable to get a female credit applicant to divulge even her name, turned to his superior for help. The more experienced manager stepped in and, throwing aside the application blank, was able to extract all of the necessary information by simply engaging the woman in conversation.[441]

Through casual talk credit managers were able to ascertain valuable details bearing on the applicant's financial obligations, such as the number of children or adult dependents in the family and whether they owned (or were paying off) an automobile, a question with new significance during the 1920s. Equally important, though a more delicate matter, the credit manager might learn the names of the applicant's relatives and friends, who could be harried if the customer left town without settling his or her account. Credit experts repeatedly stressed the importance of getting this information at the time of the application. Easy to obtain while the customer was sitting in a position of supplication, it would not be forthcoming once the goods were out the door. Some credit managers also recorded a physical description—"such as build, height, complexion"—and comments about the applicant's personality, which were kept "for use in identification at some later

[440] Skinner, "Essentials in Credit Management," 10.
[441] Sidney E. Blandford, "Credit Education," *Credit World* 10, no. 2 (October 1921): 55.

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date."[442] To maintain an easygoing appearance, many credit managers, including "all the credit men of New York's big concerns," declined to take notes during the interview itself, relying instead upon their skill as stenographers to record the details of the meeting as soon as it was over.[443] While acknowledging that sensitive questions should never be dodged, a May Company credit manager posited the "three 'B's'" as a guiding maxim to conducting the credit interview: "Be Brief, Brother."[444] However, for extroverted credit managers, leisurely conversation could be its own reward. A San Francisco credit manager, for one, recalled a stimulating discussion with a female sociology professor while taking her application. Not only did he secure all of the necessary information in the interview but it included "a delightful five minutes' entertainment on social questions thrown in."[445]

As women entered credit department work in growing numbers during the 1910s, they began to conduct interviews as well. Female credit managers were thought to be especially adept in dealing with certain constituencies, particularly "young unmarried girls employed in offices and shops down town, who have decided tendencies to live beyond their means." The problematic "working girl," one writer suggested, could be turned into a responsible and profitable credit customer through the "grandmotherly" counsel of a credit woman.[446] Pandering to the prejudices of the male credit establishment, some women suggested that their natural sociability and

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[442] F. Churchill Crouch, "The Watchman at the Gate," *Credit World* 15, no. 2 (October 1926): 28.
[443] "Keeping Credit Accounts," 22.
[444] Driver, "Opening an Account," 13.
[445] Batty, "Taking the Application and Declining the Account," 24.
[446] M. Stevens, "Difficulties of a Woman Credit Manager," *Credit World* 7, no. 9 (May 1919): 10.

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weakness for gossip gave them a distinct advantage in such work.[447] While female credit managers had gained legitimacy in the eyes of their male colleagues, their authority was challenged at times by chauvinistic customers who demanded to speak with a male superior. In one such case, a derisive male customer ejected, "What kind of a d----d High School business is this, etc.?," when a credit woman attempted to question him.[448] Credit women, even more than their newly professionalized male colleagues, relied upon their employers for support, whether motivated by a sense of egalitarianism or, more likely, an interest in cheap labor. The female credit manager of a Milwaukee shoe store scoffed at the suggestion that she would be mistreated "because I am not a great big MAN." A self-professed suffragist and "feminist," she argued instead that women, with their special capacity for "tact and diplomacy," were at a distinct advantage over a "mere man in this position."[449]

If tact was essential to cajole applicants to lay bare their financial circumstance, it was even more important when credit privileges were denied. Rejecting an applicant was a minor art in itself. Those who were turned away for credit were still desired as cash customers, and no retailer wanted to send an angry applicant into the community to spread tales of injustice and ill will. Not infrequently credit managers found themselves embroiled in marital battles that tested their powers of diplomacy. When vindictive husbands shut down charge accounts to embarrass their wives or profligate women ran up accounts to spite their husbands, it fell to the

[447] Minnie Lee Beal, "Woman's Value in the Credit Department," *Credit World* 5, no. 4 (March 1915): 21.
[448] Q.B. Leithead, "The Woman Credit Manager," *Credit World* 9, no. 11 (July 1921): 15.
[449] Stevens, "Difficulties of a Woman Credit Manager," 10.

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credit manager to deliver the unhappy news to the abused party. In refusing a credit account, the credit manager's greatest difficulty was providing a satisfactory explanation. Customers who were declined due to a poor payment history in that particular store could simply be shown their ledger card as evidence, but when decisions were based on reports made through the credit bureau this became problematic. The retailer often did not know the source of the unfavorable information (credit bureaus used codes to protect the identity of retailers) and, if he or she did, was unable to tell the declined customer without implicating another merchant who assumed his or her reports to be confidential. Under such circumstances, a declined customer could only be referred to the credit bureau to resolve the matter. One of the conveniences of credit bureaus was that they kept the credit manager's inquiries secret, preserving the illusion that his (or her) approval was a matter of kindness and personal trust. The alternative, by which individual merchants called in a "reporter" to investigate a credit applicant, immediately alerted the customer to the credit manager's skepticism and threatened to embitter the customer. Yet, declines, even properly handled, could place retailers in an uncomfortable position. As a San Francisco bureau manger noted, "an indignant customer, particularly if it be a woman, will visit each store in an effort to determine which one made the derogatory report, creating commotion and embarrassment."[450]

While an expertly staged and performed interview yielded valuable information and good will, one that was poorly conducted could do actual harm. Inexperienced or inept junior assistants alienated credit customers with their lack of

[450] R.S. Martin, "The Use of the Central Credit Bureau," *Credit World* 17, no. 5 (January 1929): 24.

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tact. As was often noted, merchants that relied upon low-paid and ill-prepared staff, including "girls without experience in handling such affairs," were asking for trouble.[451] So important was interviewing that the retailer's association of Los Angeles hosted an educational seminar on the subject for its members. It featured a series of role playing scenarios, in which expert credit men demonstrated their methods for handling a variety of applicants (played by a confederate), including a single man, an employed young woman, a divorcee, a two-income married couple, a widow from the East, a newly arrived couple.[452] Even when novices did not offend the applicant directly, their haste and inattention introduced errors into the credit files, causing future frustration for customers in the form of authorization delays and billing mistakes. For this reason, credit managers were urged to take applications themselves rather than leave this work to underlings. At the other extreme, overly "apologetical" credit workers succeeded in annoying applicants with their torturous courtesy.[453] For some members of the public, such as E.C. Riegel, a firebrand consumer advocate and monetary theorist, the interview process was nothing more than a grotesque charade. Before a meeting of New York credit managers in 1926, he lambasted their transparent duplicity:

> [The credit manager] tries to disguise his searching inquiries with pleasant conversation. He is the house detective trying to act like a host. He fools no one. Every lady who approaches him knows that her character is in doubt until a certain process has been gone through with . . . The amenities completed, the smiling Dr. Jekyl retires behind the curtain and Mr. Hyde begins his work. You may make all the gestures you wish, you may employ all the finesse at your

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[451] J. Russell Doubman and John R. Whitaker, *The Organization and Operation of Department Stores* (New York: John Wiley & Sons, 1927), 60.
[452] "'School' for Credit Men's Instruction," *Los Angeles Times,* 24 October 1919, sec. 2, 6.
[453] Driver, "Opening an Account," 13.

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> command, but you can not destroy the impression to the customer that she has been on the carpet. You can not make contact with you anything but a chilling experience, an ordeal through which the credit applicant must pass."[454]

By the late 1920s credit managers were urged to dispense with the artifice of treating credit applicants as if they were the beneficiaries of a royal privilege. "The time was," a Philadelphia publisher recalled, "when to say: `I have a charge account at Wannamaker's, or at Strawbridge and Clothiers, or McCreery's,' might have been a mark of distinction," but with so many thousands in possession of "a collection of coins or means of identification by which they can walk into one store or another and charge merchandise," this privilege had lost is aura of exclusivity.[455] In this new environment of virtual entitlement, the retail credit manager was a service professional, and an unfriendly or heavy-handed credit interview was simply insulting. Though the American public went largely unaware of (or untroubled by) the information infrastructure that facilitated their credit purchases, the credit man was its most conspicuous representative and in many cases the only visible instrument of its operation.

Credit files and the new visibility

While personal encounters remained an important channel of credit evaluation during the first half of the twentieth, the information recorded during these interactions—along with ledger reports, public records, and newspaper clippings

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[454] E.C Riegle, address to the Associated Retail Credit Men of New York, September 21, 1926, in *The Yellow Book of the Macy Controversy and the Credit Question,* 2nd ed. (New York: Riegel Corporation of New York, 1928), 195.
[455] William Nelson Taft, "The Biggest Problem in Retailing Today," *Credit World* 17, no. 11 (July 1929): 21.

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compiled by credit bureaus—all served to textualize (and thereby depersonalize) credit relationships. "We once could watch our credit as it browsed about in Tom, Dick & Harry, or on the backs of those individuals, much as a good shepherd watches his sheep," a Dallas credit manager noted recalled in 1921. "But today the pasture is too big . . . . There are a great many more sheep to the square inch than once there were."[456] It was a rare credit manager who would turn down the opportunity to size up an applicant in person, but textual records became increasingly important to track the identities, personal circumstances, and financial behavior of consumers in dense urban centers and porous outlying towns alike. Where the storied credit man of old relied upon his superior powers of memory and intuition, the new credit professional turned unabashedly to his files. "A good credit man cannot remember each name on his ledgers, when they contain thirty-five to forty thousand in number," a St. Louis credit manager acknowledged in 1915, "hence he relies more or less upon his records, and feels very secure in knowing that they have not been kept in a hap-hazzard [sic] manner."[457] The transcript of an individual's personal and financial information, housed in the files of credit departments and credit bureaus, came to replace the living person as an embodied index of trustworthiness. Touting the objectivity of the national association's sixty million shared credit files in 1930, one writer marveled, "Their faces are not there—only their records."[458]

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[456] Frank B. Morriss, "Is It Pig Headed, Hard Headed—Or--?" *Credit World* 9, no. 8 (April 1921): 29.
[457] C.F. Jackson, "A Little 'Shop Talk' on Department Store Credits," *Credit World* 5, no. 6 (May 1915): 18.
[458] Hamilton, "The Public Appeal Publicly Made Will Help Retail Credit," 28.

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During the early twentieth century, credit departments and credit bureaus adopted state-of-the art filing and recordkeeping technologies to reconstitute and control the disappearing consumer body. The development of office filing equipment underwent dramatic changes at the turn of the twentieth century. Until this time business records were preserved in ledger books, pigeonholes, spike files, and assorted boxes, all of which were limited in their capacity to compile, combine, and retrieve information. Records contained in ledger books, for example, were entered chronologically as the volume filled, thus requiring supplementary indices to locate information scattered throughout multiple volumes (illustrated by the internal operation of the mercantile agency system, described previously). Likewise, documents housed in pigeonholes or bundled in boxes required time-consuming unpacking and rifling whenever information was needed. The introduction of card file systems during the late 1870s (pioneered by librarian Melvil Dewey) and vertical filing during the 1890s permitted more flexible and efficient recordkeeping with far-reaching implications. The resulting "filing revolution," as business historian JoAnne Yates has explained, not only accommodated the growing demands of business correspondence and corporate management, but also opened up vast reservoirs of underutilized or forgotten information within organizations. And, as will be illustrated, it permitted organizations to accumulate new forms of sales and marketing intelligence.[459] These new filing systems, as Yates suggests, revolutionized the idea of

[459] JoAnne Yates, "From Press Book and Pigeonhole to Vertical Filing: Revolution in Storage and Access Systems for Correspondence," *Journal of Business Communication* 19, no. 3 (1982): 20; see also, Yates, *Control through Communication,* 56-63; and "For the Record: The Embodiment of Organizational Memory, 1850-1920," *Business and Economic History* 19 (1990): 172-182.

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information as something easily stored, handled, located, and useful in contexts previously too cumbersome or expensive to exploit.

One of these contexts was consumer credit reporting. Advances in filing technology permitted retailers and credit bureaus to document the identities and activities of large populations with greater ease and precision. By the 1910s card file systems were standard in both credit departments and credit bureaus. Within such systems, individual consumers were represented by a single master card, on which their full personal and financial information was transcribed. Though the format of such cards varied considerably among credit departments and credit bureaus, all contained fields for the subject's name, address, occupation, and income. Additional information, such as the individual's marital status, age, length of time at his or her current residence and occupation, status as a renter or homeowner, names and addresses of references, bank accounts, lists of credit accounts and balances with other merchants, and notes regarding the individual's character or appearance, was also recorded. Credit bureaus files, unlike those of credit departments, also included codes to indicate the individual's overall credit rating and payment habits at various stores. The greater flexibility of card files, coupled with the widespread use of the telephone at the turn of the twentieth century, pushed the credit rating book toward obsolescence. "The method using the rating book is the oldest," one writer noted in 1915, but was

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"fast becoming the most unpopular method."[460] By the 1920s rating books were increasingly uncommon.[461]

At the same time, card filing systems were perfectly suited for the use of credit limits in store credit departments. Merchants had of course always imposed mental limits beyond which they would not extend credit to an individual. But the concept of formalized systems for ascribing exact parameters was new at the turn of the twentieth century. By assigning each customer a maximum allowance for credit purchases, a sum based upon information gathered in the credit application and noted on the master card, store credit could be rapidly approved as long as the customer remained below their limit.[462] Each credit purchase was authorized by clerks in the credit department who simply referred to the credit limit as indicated on the individual's file card. "Now, when the account reaches the limit placed upon it by the credit man," a New York credit manager explained, "some sort of code or signal is used to call attention to the fact that the account has reached the danger mark."[463] Acting as an automatic silent alarm, credit limits freed credit managers from the burden of personally approving all credit purchases, while allowing them to approve new accounts quickly and with little risk by assigning nominal credit limits. More importantly, credit limits provided retailers with a new technique for differentiating between their customers and tailoring individual service. Limits were assigned without the customer's knowledge and could

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[460] C.O. Hanes, *The Retail Credit and Adjustment Bureaus* (Columbia, MO: C.O. Hanes, 1915), 11.
[461] See, for example, "Chattanooga Credit Men to Publish Rating Book," *Credit World* 11, no. 1 (September 1922): 6; "Sioux City Now 100% National!" *Credit World* 14, no. 4 (December 1925): 21. A noteworthy exception is Chilton's Dallas-based rating book, which was established in 1897 and discontinued in 1984. See Simon, *Pioneers of Excellence,* 233.
[462] "Cash Customers and Credit Ones," 10.
[463] "As to Granting Retail Credits," 10.

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be strategically adjusted over time to accommodate the prompt paying, to discipline the negligent, or to choke off the dishonest. As safeguards against overextension, credit limits could function as blunt instruments or elaborate systems of fine-grained distinction. At Wanamaker's in Philadelphia, for example, more than forty different codes were used to identify various credit limits, exclusions, and exceptions among the store's thousands of customers. These included limits for specific departments and a "U" code to indicate that the customer and the store had arrived at an "understanding."[464] In cases where a customer sought to exceed his or her proscribed limit, the credit manager was called in to reevaluate the account, which usually involved a request for additional information concerning the customer's employment, income, and ability to pay.[465]

In addition to master card files, credit departments and credit bureaus often maintained separate "watch dog" cabinets. These miscellanies housed snatches of derogatory information—divorces, bankruptcies, law suits, accounts of irresponsible or immoral behavior—gleaned from newspapers, court records, and public notices. In some places the watch dog cabinet was built directly into the primary filing system. This was the case in Grand Rapids, Michigan, where the local bureau's 250,000 master cards included a concealed compartment in which news of legal trouble or immorality (for example, "moonshine activities") was kept.[466] Such "pick up"

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[464] Memorandum, 9 November 1916, scrapbook, folder 5, John Wanamaker Collection, Historical Society of Pennsylvania, Philadelphia, PA. The "U" code, which also stipulated a fifteen-dollar credit limit, reveals the persistence of personal interaction and case-by-case flexibility despite the movement toward depersonalization in credit departments.

[465] "Cash Customers and Credit Ones," 10.

[466] J. Frank Quinn, "A Glimpse Into the Operating Methods of the Merchants Service Bureau of Grand Rapids," *Credit World* 14, no. 9 (May 1926): 8. See also *Commercial Organization Credit Bureaus,* 17.

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material, as a University of Kansas business researcher referred to it, included "Building permits, marriages, births, deaths, suicides, divorces, and 'personals'" clipped from newspapers by "alert" bureau secretaries.[467] This information might not immediately impact an individual's credit standing, but it was held as evidence for future use, reflecting the obsessive, all-encompassing nature of credit investigation. The proprietor of one credit bureau admitted to developing a "pet hobby" for newspaper clippings, which he filed in specially made envelopes. Over time, he collected so much negative information that individuals described in the files could be evaluated without further consultation.[468] By the late 1930s the accumulated newspaper clippings of some credit bureaus were touted as a valuable resource in their own right.[469] "Every possible source of information is used to keep this great reference library of personalities alive," the author of a 1938 article in *Reader's Digest* explained. "The newspapers in your town are scanned. So are trade journals. *Variety,* magazine of theatrical people, is a gold mine of data for New York and Los Angeles. Every clipping, favorable or unfavorable, that might affect and individual's ability to pay is cut out and pasted on a card."[470]

Like credit bureaus, credit departments also faced difficulties in keeping their customer information up to date, particularly when a customer's account was inactive over a length of time. Since it might cause suspicion or embarrassment to request

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[467] Blocker, *Retail Credit Bureaus in Kansas,* 29.
[468] George Koelle, "What Constitutes My Business," *Bulletin of the National Association of Mercantile Agencies* 1, no. 5 (October 1910): 206.
[469] James D. Hays, "Principles of Credit Reporting," *Service Bulletin* (National Consumer Credit Reporting Corporation) 10, no. 5 (20 March 1937): 6-7.
[470] Edith M. Stern, "They've Got Your Number," *Reader's Digest* 32 (February 1938): 80.

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updated information from such customers, one solution was to collect this information through the guise of a "signature" card, which had blanks for all of the same information used in a credit application. While a customer might become indignant if called in to revise his or her account with this information, the credit manager of a prominent Los Angeles furniture store that employed this system, reported the remarkable willingness of customers to complete and return such forms.[471]

As the credit manager's gaze shifted away from the corporeal customer and into the filing cabinet, "visualization" became the mantra of rational credit management. The new principle of visibility was linked to the introduction of "visible" card file technologies during the first two decades of the twentieth century. Developed and marketed by the Rand Company (which merged with Kardex in 1925 and Remington in 1927), visible filing systems were designed to display file cards in columns, held upright on rotary panels or laid flat in pull-out trays.[472] Each card overlapped the next in the column and the names of customers or account numbers appeared on the exposed margins. To access the full information on a given card, the column of overlapping cards above it was simply flipped up. Compared to "blind" card systems that required users to thumb through, extract, and replace cards, visible systems allowed their users to quickly scan the margins for the desired card and to view its contents without removing (and possibly misfiling) anything. Visible systems also accommodated color coding schemes to quickly distinguish between classes of

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[471] L.M. Crosthwaite, "Securing Valuable Information," *Credit World* 18, no. 1 (September 1929): 9-10.
[472] See *Kardex* (Towanda, NY: Kardex Company, [192?]); *The Age of Vision in Business Affairs* (Towanda, NY: Rand Kardex Service Corporation, 1926); and *Visible Records: Their Place in Modern Business* (Buffalo, NY: Remington Rand, 1930). See also Frederick W. Walter, *The Retail Charge Account* (New York: Ronald Press, 1922), 158-166.

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individuals. As was common, a Worcester, Massachusetts, department store indicated individual credit limits with colored discs attached to each file: red for no credit, black for $25, blue for $50, green for $100, and gold for $150 or more.[473] During the 1920s Rand visible file systems were marketed with their own transparent celluloid tabs in various colors for this purpose. The color coding of cards or ink could also be used to mark poor performers. In one system all customer files were initially recorded on white cards but switched to blue if the subject became problematic and red if turned over to collections. Significantly, files converted to blue or red were permanently tainted, never being returned to white.[474]

The impetus toward standardization also extended to the development of uniform credit forms. Early trade publications and textbooks offered many examples for emulation. In 1920 the national association established a Credit Literature Department, which compiled albums of sample application banks and reference sheets for the use of its membership.[475] While serving as a guide to the collection of customer information, standardized forms were found to have unanticipated advantages. Interestingly, credit managers reported that individuals who balked at disclosing their financial condition verbally gave the same information willing when presented with a

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[473] James Wilson, "The Necessity for an Efficient System of Limiting Accounts," *Credit World* 9, no. 2 (October 1920): 9. See also S.E. Blandford, "The Service Station in a Modern Retail Store," *Credit World* 8, no. 11 (July 1920): 21; James Wilson, "Keeping Accounts Within Limits by Control in Authorization," *Credit World* 10, no. 10 (June 1922): 5-6; and John T. Bartlett and Charles M. Reed, *Retail Credit Practice* (New York: Harper & Brothers, 1928), 122-123.
[474] Wahlstad, *Credit and the Credit Man,* 214.
[475] B.H. Poindexter, "To the Members of the Retail Credit Men's Association," *Credit World* 9, no. 2 (October 1920): 7.

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blank application form.[476] Standard forms bearing the local association's official seal were also thought to exert a disciplinary effect on the applicant by giving the impression of perfect efficiency and cooperation among a town's merchants. By using forms of identical color and format, one writer claimed, customers beheld the credit manager as "a wide awake progressive one, in touch with the other Credit Men in his city and therefore in a position to get immediate verification," not one to provoke with pointless bluffs or false statements.[477] While credit managers continued to scrutinize their customers in personal interviews, these embodied interactions were increasingly structured by the requirements of the forms themselves. Like the traveling salesman, whose improvisational style was hemmed in by the boilerplate discourse of scientific salesmanship and standardized mass circulation print advertisements during the early twentieth century, credit managers were themselves circumscribed by the new protocols of textualization.[478] For those who continued to regard credit assessment primarily as an art, standard forms were an affront. "The mediocre credit man can hide behind his form, and will soon lapse into a deadly formalism," thus hampering his ability to coax information from his applicants, one writer argued.[479] In cases where an applicant seemed to be a good risk but was especially reticent, the credit manager might make a show of tossing aside the application blank and taking an informal

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[476] W.F. Jantzen, "How to Refuse a Customer Credit and Still Retain His Good Will," *Credit World* 6, no. 1 (June 1915): 38.
[477] Robert H. Cantley, "A Uniform Information Blank," *Credit World* 6, no. 1 (June 1915): 79. See also C.J. Allen, "The Opening of the Account and the Fraudulent Buyer," *Credit World* 7, no. 11 (6 July 1919): 15.
[478] On the rationalization of salesmanship, see Timothy B. Spears, *The Traveling Salesman in American Culture: 100 Years on the Road* (New Haven, CT: Yale University Press, 1995), esp. chap. 7.
[479] A.N. Fraser, "The Use and Abuse of Credit Forms," *Credit World* 11, no. 2 (October 1922): 7.

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approach, especially when the same information could be obtained elsewhere, through public records, for instance.

While many credit experts contended that credit analysis was too complex to ever be reduced to a science, the orderly accumulation of information in visible and other new filing technologies suggested otherwise. Indeed, the standardization of personal identity and financial performance on uniform blanks and file cards, with their grid-like fields, multicolor signals, and coded credit limits and credit ratings, gave the impression of mechanical precision. "It is only within late years that the granting of credit has been placed upon what may properly be called a scientific basis," a textbook author noted in 1915, "and though it may not yet have assumed the dignity of a full-fledged science, it will be admitted that the work of a well-managed credit department is now conducted with a thoroughness of method and a certainty of results which characterize scientific processes in other lines of activity."[480] As the information used by credit professionals migrated from embodied memory to vast textual repositories, the entire enterprise of credit analysis seemed to take on a new air of facticity. "Intuition, that mythical sixth sense, has wrecked many a good business," one prominent writer noted, but "facts properly applied never have."[481] Visibility—clearly documented and systematized information—was touted as the antidote to foggy ideas and vague hunches. "A science of credit control is being developed," a writer for a company magazine published by Rand, manufacturer of visible filing

[480] Ben H. Blanton, *Credit, Its Principles and Practice* (New York: Ronald Press, 1915), 13.
[481] Guy H. Hulse, "The Secretary's Page," *Credit World* 17, no. 4 (December 1928): 9.

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equipment, asserted. "In short, executives are demanding and getting a complete picture of activities as they occur."[482]

While the space limitations of card files encouraged the use of code numbers and abbreviations, the narrative mode died hard. Most credit bureau cards included a "Remarks" section where information that escaped the proscribed fields could be added. These notes were often derogatory, but in some cases they contextualized an otherwise unsympathetic picture. "The remark column serves in many valuable ways," one writer noted, "but most especially to explain extenuating circumstances, such as `been sick,' or `lost crop in floods,' or `spendthrift,' or `chronic returner of goods,' etc., which things help to explain the ratings."[483] Amid the drive to systematize and quantify credit information, some found these open-ended narrative spaces confounding. Complaining that most reports were filled with the cross-reference "see Remarks," one irritated member carped, "Why not put the entire narrative in remarks?" Here again the ongoing tension between codification and qualification, science and art, was dramatized. Defending the "Remarks" section—and humanity itself—against standardization, one long-time credit manager responded, "When the histories of men and movements, can be made interchangeable by the mere insertion of a few figures or dates, then will 'personality' be dropped from the dictionary and the names will all be `robot.'"[484]

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[482] G.L. Harris, "What Progress in Management?" *Executive* 1, no. 5 (November 1927): 10.
[483] Hanes, *The Retail Credit and Adjustment Bureaus,* 21.
[484] Storer, *A Narrative Report, 1916-1938,* 41.

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Communication technologies

Whatever form the information stored in the master files took—narrative, code, or clipping—it was only as useful as it was quickly accessible. To meet the time-sensitive needs of their members, early twentieth-century credit bureaus evolved into sophisticated communication command centers. By the 1910s the telephone was its primary technology. Describing the mechanics of a "model credit bureau," one writer explained, "The important matter of accessibility to the credit bureau means to a great degree the telephone."[485] By the late 1920s many credit bureaus answered ninety-percent or more of their reports via telephone.[486] In addition to answering incoming credit inquiries, credit information was collected and verified through direct calls to employers, landlords, neighbors, local merchants, and utility companies. Many credit bureaus used large detailed maps to locate and contact informants. Thus as the manager of a Fresno, California, bureau explained, "if a member asks for a report on John Blank, Rural Route F, Box 54, and we should have no card in our files, we can, by the map, pick up the telephone number nearest to Box 54 on this route" and call the applicant's neighbor for information.[487] During the 1920s many bureaus made significant investments in telecommunication upgrades. The local bureau of Omaha, Nebraska, for example, was equipped with ten in-bound telephone lines and twenty direct lines to credit departments throughout the city, while a Washington, DC, bureau installed fifty telephones to answer the 16,000 inquiries per month it was receiving by

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[485] Raymond T. Fiske, "A Model Credit Bureau," *Proceedings of the Controllers' Congress* (New York: National Retail Dry Goods Association, 1930), 183.
[486] John T. Bartlett and Charles M. Reed, *Retail Credit Practice* (New York: Harper and Brothers, 1928), 92.
[487] Truesdale, *Credit Bureau Management,* 151.

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1926.[488] By the mid 1920s city credit bureaus operated multi-line telephone stations with direct lines to the credit departments of the city's major retailers. Similar systems were common in credit bureaus throughout the nation.[489] The local bureau of Pittsburgh, Pennsylvania, became one of the most advanced in 1928 when after six months of study by Bell Telephone engineers it was specially equipped with 160 telephone lines, expandable to 300. [490] The credit bureau in Fort Worth, Texas, answered more than 58,000 reports in 1925 at any average cost of 34.5 cents per request. With a staff of sixteen, eleven of whom were women, reports were usually answered within five minutes; those for individuals with an updated record on file could be answered almost instantly, while new arrivals or out-of-town visitors might take up to half an hour.[491]

Technological innovation, however, did not remove the human element from credit work. At the center of the credit bureau's filing and communication systems were live operators who answered telephones, pulled master cards, and conveyed information to the local merchants and credit departments. This work was largely performed by women, whose hands and voices bridged the mechanical gulf between the paper files and open lines. Women not only served as "switches," as historian

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[488] "Omaha Has Successful Bureau," *Credit World* 14, no. 5 (January 1926): 21; and Louis Sinclair Grigsby, "Washington, Capital of Credit," *Credit World* 14, no. 6 (February 1926): 15.
[489] See, for example, descriptions of telephone systems in St. Louis, Missouri, "Service Spells Success in Any Credit Bureau," *Credit World* 16, no. 5 (January 1927): 15, 27; in Hartford, Connecticut, Alfred C. Moreau, "Promptness in Credit Reporting," *Credit World* (November 1927): 27; and in Columbus, Ohio, M.C. Bonnar, "Credit Protection," *Executive* 2, no. 2 (February 1928): 19-20.
[490] A.B. Buckeridge, "Pittsburgh Retailers Have Perfect Credit Protection," *Credit World* 15, no. 5 (January 1927): 6-7; and A.B. Buckeridge, "Made to Order Telephone Equipment and Telephone Typewriters, Now In Use In the Pittsburgh Credit Bureau," *Credit World* 17, no. 4 (December 1928): 18-19.
[491] "Ft. Worth Has Up-To-Date Bureau," *Credit World* 14, no. 9 (May 1926): 15.

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Kenneth Lipartito has noted in reference to the early telephone industry, but also as the motherboards of early data processing systems.[492] In a San Francisco bureau, for example, two sets of files were positioned on either side of the operator so that "she seldom needs to rise from her chair" with "many thousands of credit records" at her fingertips.[493] Either standing or sitting (sometimes in wheeled chairs), operators in many large bureaus wore headsets with long cords tethered to switchboards, allowing them to move among the file cabinets to locate individual records as inquiries were received. Operators were typically assigned to a limited range of the alphabet (surnames beginning with A through D, for example), which distributed the work among many sets of hands and permitted each to develop a degree of familiarity within their domains. The following scenario—a response to an incoming call from a local department store—illustrates the operator's work in a Milwaukee credit bureau:

> "Hold the line a moment, please," responds the Credit Bureau girl, whereupon she goes to the steel files, pulls out one of the many drawers, extracts the desired card from a multiplicity of records, and returns to the telephone. She answers, "XX-23," meaning that I. Shure Skinem is absolutely unworthy of credit and that others are anxious to learn his whereabouts. "Thank you," says the girl of the Wide Awake Department Store as she hangs up the receiver, smiling, no doubt, because she has saved the boss from a poor credit customer.[494]

Just as credit departments sought to foster good will among their credit customers, credit bureaus worked to impress their local members with the convenience and utility of their reports, which presumably justified the time and expense of participation.

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[492] Kenneth Lipartito, "When Women Were Switches: Technology, Work, and Gender in the Telephone Industry, 1890-1920," *American Historical Review* 99, no. 4 (October 1994): 1075-1111; and, related, Jennifer S. Light, "When Women Were Computers," *Technology and Culture* 40, no. 3 (1999): 455-483.

[493] R.S. Martin, "Mechanical Aids to Credit Reporting," *Credit World* 17, no. 12 (August 1929): 17.

[494] Fred S. Krieger, "Milwaukee Credit Bureau Important Force in Community Life," *Credit World* 11, no. 2 (October 1922): 5.

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Stressing the importance of courtesy when providing telephone reports, the manager of the Harrisburg, Pennsylvania, credit bureau asserted that the "credit reporters" working the phones "should be girls whose voices give off smiles."[495] Good help, however, was apparently difficult to find. Noting that "barely one out of five girls" was capable of succeeding as a station operator, one writer observed that "the qualifications required of such an operator are not frequently combined in one person, namely, alertness, accuracy, good eyesight, common sense, tact, composure, patience and courtesy."[496] One problem that even the most diligent operators faced was that of misidentification when names were conveyed over the telephone. To reduce confusion, retailers were encouraged to adopt the disambiguating technique used by telephone companies when calling the local credit bureau. "It may sound foolish at first," a Washington, DC, bureau representative explained, "but instruct your employees to say, 'G as in George,' 'T as in Thomas' or 'F as in Friday.'"[497] Some merchants required even more basic instruction in making proper inquiries. An ignorant clothier might request "a report on Smith, lives somewhere on Weber Street," a representative of a Colorado credit reporting firm noted, though "Weber Street is five miles long and the directory shows ten different families by the name of Smith living on the street."[498]

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[495] James D. Hays, "Profitable Telephone Reporting," *Credit World* 16, no. 8 (April 1928): 12. See also, Truesdale, *Credit Bureau Management,* 237-239.
[496] Martin, "Mechanical Aids to Credit Reporting," 17.
[497] Louis Sinclair Grigsby, "Christmas Buying and the Credit Bureau," *Credit World* 16, no. 3 (November 1928): 16.
[498] Willis V. Sims, "Credit Reporting in a Town of Thirty Thousand," *Credit World* 5, no. 1 (December 1914): 7.

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The introduction of telautograph and teletype machines during the late 1910s offered a new channel of rapid communication between credit bureaus and their members. The former, patented by Elisha Gray in 1888 and a forerunner of the modern facsimile machine, transmitted handwritten messages; the latter, developed during the early twentieth century and adopted by the Associated Press in 1914, transmitted typewritten messages. Both sped service by allowing operators to read incoming inquires rather than wait to have the names and addresses spelled out. They could also be sent and received asynchronously so that time was not wasted waiting on the telephone or by interruptions from incoming calls.[499] Additionally, they permitted bureau operators to send reports or special bulletins simultaneously to a number of different retailers instead of requiring eleven separate telephone calls.[500] A single teletype report took one minute to send, compared to five on the telephone. Thus, when sent simultaneously to eleven different stores, the bureau operator performed in one minute what on the telephone would take nearly one hour.[501] Allaying concerns about new technology's affect on its female operators, the manager of the Grand Rapids credit bureau reassured, "We don't believe the girl is more tired working on the telautograph than she might be on the telephone."[502] Both systems also allowed store credit managers to silently submit inquiries to the local bureau without offending the customer, who might be standing nearby. However, one of the most compelling selling points of these systems was that they dealt in written records rather than

[499] On telautograph technology, see also "Charge and Take in the Credit Man's Office," *Credit World* 18, no. 6 (February 1930): 27-28.
[500] Buckeridge, "Made to Order Telephone Equipment and Telephone Typewriters," 18-19.
[501] "The Telephone Typewriter," *Credit World* 17, no. 6 (February 1929): 23.
[502] Telautograph Corporation, advertisement, *Credit World* 18, no. 4 (December 1929): 1.

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ephemeral, error-prone telephone conversations. As an advertisement for the Telautograph Company proclaimed, "When the Human Element Fails the Handwritten Record Will Fix Responsibility!!"[503] Likewise, Teletype advertisements appealed to similar concerns. "Figures and peculiar names and addresses are recorded so legibly that misunderstandings are impossible," one informed.[504] By 1929 credit bureaus and credit departments were adopting both systems in growing numbers.[505] Pittsburgh's modernized bureau included eleven teletype machines, for example, while Saks department store in New York used a teletype system to communicate credit authorizations between its Fifth Avenue and Thirty-fourth Street stores.[506] In 1937 Telautograph claimed that thirty-six credit bureaus and 212 stores were using their system.[507]

Credit departments, like credit bureaus, also relied upon specialized communication technologies to send and receive credit information. In addition to outgoing lines that connected to the local credit bureau, many large retail establishments maintained their own elaborate internal communication systems between the store's credit department and its cashiers and managers on the selling floor. Two different systems, the electrical and pneumatic, vied for supremacy during the early twentieth century.

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[503] "Grand Rapids Merchants Service Bureau Now Telautographs Reports!" *Credit World* 17, no. 7 (March 1929): 19.

[504] Teletype Corporation, advertisement, *Credit World* 18, no. 2 (October 1929): 31.

[505] See Telautograph Corporation, advertisement, *Credit World* 18, no. 4 (December 1929): 1

[506] "The Telephone Typewriter," *Credit World* 17, no. 8 (April 1929): 25.

[507] Telautograph Corporation, advertisement, *Credit World* 26, no. 2 (November 1937): 5.

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The electrical system, produced by National Cash Register Company, was essentially an in-house telephone system through which sales associates or "inspectors" called operators in the credit department to authorize a waiting customer's credit purchase. Authorizers in the credit department had ready access to the store's credit files and, after quickly consulting a customer's record, either approved or declined the request. By 1920 one Minneapolis department store had 120 telephone stations throughout the building. When a credit sale was requested, an inspector pressed a button that produced a flashing signal in the credit department. If approved, the credit operator pressed an "O.K. button" that automatically stamped the charge slip. According to the credit manager of the Minneapolis store, ninety-five percent of credit authorizations could be answered immediately and the remaining five percent that required closer scrutiny were referred to the credit manager, taking on average about two minutes to produce a decision. The electric system may have been faster, but it was also considered riskier because information conveyed orally was vulnerable to misunderstanding and error, particularly with similar sounding names and addresses. According to an "error form" kept in one store, telephone operators were hindered by the ineptitude of sales clerks and inspectors who spoke too quickly, overly loud, "indistinctly," or even "unnecessarily."[508] Stressing the importance of employing only experienced operators as authorizers in the credit department, the Minneapolis credit manager boasted that the "girls" in his store "can get the name and

[508] C.F. Jackson, Pneumatic tube system for charge authorizing, *Credit World* 9, no. 1 (September 1920): 62.

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address and amount more accurately over the 'phone than they could if they were looking at the ticket."[509]

By contrast, the pneumatic system, produced by the Lamson Company, allowed credit requests to be physically sent to the credit department in carriers via pressurized tubes.[510] Though slower than the electrical system, the pneumatic system offered greater accuracy because authorizers were able to eye the original charge slip. Touting the virtue of direct inspection, an advertisement for Lamson's "belt type pneumatic tube desk" announced, "No sale is authorized unless the slip is legible in every particular and agrees with the central credit record."[511] Arguing for the superiority of the pneumatic system, a St. Louis credit manager explained, "The whole thing sums itself up in two words—Visible Authorization—you see the check you are approving and keep it in your office."[512] If the charge slips were not physically sent to the credit department at the time of purchase, as in the case of the electric system, then they needed to be collected from the store's numerous departments at the end of the day, further increasing the likelihood of lost or misplaced information (though by 1920 some telephones systems came equipped with a drawer into which the charge slips were placed). Unable to compete with the lightning speed of electricity, the efficiency of pneumatic systems was improved by the introduction of "mechanical separators" that enabled credit requests to be routed directly to the credit department instead of

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[509] Milton J. Solon, Telephone system for charge authorization, *Credit World* 9, no. 1 (September 1920): 61-62.
[510] For description of the Lamson Tube System, see *Credit Control: A Textbook on Charge Authorization* (Boston, MA: Lamson Company, [1917]).
[511] Lamson Company, "Present Day Business Requirements Demand Stricter Credit Control," *Credit World* 8, no. 12 (August 1920): 12.
[512] Jackson, Pneumatic tube system for charge authorizing, 64.

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through multiple intervening stations. By installing baskets to receive the carriers consecutively, the pneumatic system permitted authorizers to answer requests in the order that they were received, which, as proponents argued, stood in contrast to the electric system's randomly blinking switchboards.

If the pneumatic system surrendered speed to accuracy against the electric system, the waiting customer's time was compensated for with a modicum of privacy. Unlike the electric system, which required that a sales clerk or inspector announce the customer's name, address, and charge amount into the telephone receiver, the tube system was entirely discrete. Illustrating the desirability of privacy—and the violation caused by the electric system—a credit manager recalled, "One day one of the wealthiest ladies in the city came to me and said: `Mr. Jackson, I have been trading here for a great many years and I don't see why it is necessary to call my name out in the presence of everyone every time I make a purchase.'"[513] As another advertisement proclaimed, "Customers Like the Quiet Dignity of LAMSON Authorizing."[514] Additionally, as some credit managers noted, the electric system was open to a rudimentary form of identity theft, as an unscrupulous person within earshot of the sales clerk speaking into the telephone might hear the customer's name and go to another department to make fraudulent purchases under that account.

Most retailers chose between the two systems, but some employed both. A store in Birmingham, Alabama, for example, used a telephone system to authorize charges for "take-with" sales (purchases that customers carried out of the store

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[513] Ibid.
[514] "Customers Like the Quiet Dignity of Lamson Authorizing," *Credit World* 18, no. 1 (September 1929): 23.

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themselves rather than having delivered, and thus the most time sensitive) and a pneumatic tube system for "send-out" sales (those purchases to be delivered to customers).[515] By the late 1920s the telephone system had begun to overtake the pneumatic system in popularity, though Lamson claimed to have installed its tube system in more than 2000 stores during 1928 (proof, according to a company advertisement, than "merchants everywhere . . . want speed *with safety*").[516] The electric system was also preferable in sprawling department stores that included more than one building, where a pneumatic system was not feasible, or firms with nearby branch locations.

During the first half of the twentieth century the consumer credit gauntlet involved an array of human and mechanical techniques to extract and manage credit information. Together these diverse points of contact—personal interviews, filing systems, standardized forms, telephones, and vacuum tubes—brought individuals into networks of communication over which they had little control or knowledge. Those who bought on credit were automatically entered into the credit rating system; it was not optional. "No matter whether you know it or not, whether you approve or disapprove," the manager of the Milwaukee retail credit bureau explained in 1922, all those credit customers received a rating of "`prompt,' `slow' or "never pay'" in the bureau's 400,000 records. "Just which category you belong to, is dependent upon the manner in which you discharge your obligations."[517]

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[515] "Mr. Hooper," *Credit World* 9, no. 1 (September 1920): 68.
[516] "2040 New Customers Entered in These Files in 1928!" *Credit World* 17, no. 7 (March 1929): 21.
[517] Krieger, "Milwaukee Credit Bureau Important Force in Community Life," 5.

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CHAPTER 5: Discipline and Target

During the first half of the twentieth century professional credit managers established an ambitious national credit reporting infrastructure that operated with impressive efficiency. But the institutionalization of credit reporting was more than sum of its affiliated bureaus and information-processing technologies. It was not enough for credit bureaus and credit departments to merely identify, track, and quarantine slow payers and deadbeats. "[W]e must go further," the president of the national association argued in 1918. "Let us preach the doctrine that credit is character, and that a person who willfully abuses his credit and refuses to heed the warning must become an outcast in the business and social world."[518] While working to solve organizational and technical difficulties, credit managers evinced a more profound role in American life as agents of moral instruction. As Herbert Marcus, cofounder of the upscale Dallas department store Neiman-Marcus, remarked, "It is the credit man who pricks the conscience of the public not to the realization that they are false to others, but that they are not true to themselves."[519]

From the beginning, credit reporting organizations sought to channel the disciplinary effects of their surveillance. Commercial reporting firms such as R.G. Dun and Bradstreet were hailed (and reviled) for their ability to coerce merchants into abiding by business norms and practices that suited the interests of wholesalers and jobbers. The disciplinary power of credit surveillance was equally seductive when turned on consumers. "From a moral standpoint," the national association's

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[518] Sidney E. Blandford, "National Unity in Business," *Credit World* 7, no. 4 (December 1918): 19.
[519] "The Dallas Pay Prompt Campaign," *Credit World* 17, no. 7 (March 1929): 23.

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educational director observed, "I know of no single thing, save the churches, which has so splendid a moral influence in the community as does a properly organized and effectively operated credit bureau."[520] Indeed the mere suggestion that a bureau was operating could exert marvelous power, as illustrated in 1920 when the retailers of a "fair-sized city not far from New York" cashed in with a well-executed ruse. By advertising the formation of a local credit bureau, though none actually existed, they received "a small flood" of payments from dilatory customers.[521] Such disciplinary effects were nullified as long as the bureau's existence remained shrouded in mystery. In contrast to reclusive twenty-first-century credit reporting firms, early credit bureaus went to great lengths to publicize their work. By 1926 even the local association of desolate Mesa County, Colorado, was "keeping their name constantly before the public" with 100 eye-catching metal signs affixed to telegraph poles.[522]

At the same time, credit professionals sought to educate the American public to the moral foundation of credit. "The people understand issues such as disarmament, child welfare, sanitation, biologic living, eugenics," the president of a California credit association complained in 1928, "but it does not know that *credit is a moral issue,* at least it does not conceive of it as such."[523] Ironically, as credit relationships became institutionalized and impersonal, merchants found it necessary to remind their customers of credit's basis in individual trust and confidence—in other words, its social embeddedness. The message of credit morality, delivered via mass media and in

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[520] Guy Hulse, "Helping the Retail Trade Through Credit Organizations," *Credit World* 16, no. 1 (September 1927): 21.
[521] "One Day to Collect Bills," *New York Times,* 10 September 1920, 24.
[522] "Good Publicity," *Credit World* 14, no. 6 (February 1926): 20.
[523] H.P. Van Vianen, "Credit as a Moral Issue," *Credit World* 16, no. 9 (May 1928): 24.

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countless private consultations throughout the country, equated credit and character in explicit terms. Abandoning the notion that one's moral disposition was inborn, credit professionals turned from nature to nurture to produce profitable customers. "By the proper use of credit machinery there is no doubt that stores can train customers into new and better ways of buying, thus cultivating and maintaining their confidence and good-will," the credit manager of Gimbel's asserted in an influential credit text. "This should be the great object whenever credit is granted."[524]

While seeking to direct consumer behavior through education, credit department managers also explored new methods of statistical analysis to systematize credit evaluation and to plumb new market niches. Beginning with crude generalizations based on occupation, retailers developed increasingly sophisticated techniques for analyzing the financial behavior of entire classes of customers. By the 1920s credit managers were no longer simply tracking customers and making authorizations, but mining their rich repositories of customer information for the purpose of targeted sales promotions. In this way, systematic credit management began to develop into an instrument of social classification and control with broader implications.

The democratization of credit and the discovery of honesty

Amid an explosion of credit spending during the 1910s and 1920s, much of which was attributed to the growth of installment buying, credit professionals looked to prove their expertise and to silence critics who questioned the safety of spiraling

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[524] Walter, *The Retail Charge Account,* 8.

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consumer debt. Total outstanding U.S. consumer credit debt reached nearly $8 billion dollars in 1929 and, after bottoming out below $4 billion in 1933, soared to more than $10 billion in 1941.[525] As both champions and disciplinarians of credit, credit professionals found themselves in a precarious position. Like modern beer companies whose advertising celebrates immaturity while preaching responsibility in lame disclaimers, credit managers authorized an orgy of consumer spending while espousing the virtue of self-control. This dubious stance was maintained through a double discourse that extolled the honesty of the American people as a whole, while asserting the moral imperative of credit at the individual level. At the center of this discourse was the idea that credit had been "democratized." The proliferation of installment plans and charge accounts, as well as personal loan and finance companies that emerged during the 1910s, liberalized credit and granted millions of Americans unprecedented access to goods and services, all heralding a rising quality of life. The democratization of credit was explained by its proponents as a world-historical transformation. "With the gradual progress of civilization," the author of a 1917 credit text portended, "men learned to trust each other; and out of this increasing confidence of man in his fellow-man the use of credit was gradually developed."[526] Where credit was once the preserve of wealth and hereditary privilege, according to this narrative, the average American had emerged from the "creditless masses" and assumed his

[525] *Federal Reserve Charts on Consumer Credit* (Washington, DC: Board of Governors of the Federal Reserve System, 1947), 3.
[526] Wahlstad, *Credit and the Credit Man,* 6.

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birthright as a fully enfranchised citizen-consumer.[527] As Morris R. Neifeld, a finance company statistician and tireless booster of consumer credit, pronounced, "John Smith, individual, is here; and just as his journey from nonentity to entity has been through the democratization of rights and liberties, so his progress has more recently called for the democratization of credit."[528]

If retailers found efficiency in trusting one another, they found prosperity in trusting their customers. The democratization of credit rested largely upon the newly "discovered" honesty of the American people. "The old adage, 'To Trust is to Bust,' is now forgotten," a New Orleans credit association official remarked in 1930. "A new mode of living is offered and enjoyed by everyone." [529] Noting that Americans "are not only honest, but scrupulously so," a journalist observed at the turn of the twentieth century, "The people as a whole are trusted as they never have been trusted before in all the world's history."[530] A generous view of human nature, however, was often a last resort. Backed against the wall by competition or sluggish sales, many manufacturers and retailers simply took a leap of faith. "We have got to sell these machines or quit," the general manager of Nineteen Hundred Washing Company (now Whirlpool) recalled, explaining their decision to turn to credit sales. "I think that nearly everyone is honest. Why not, then, show that we believe they are honest; then perhaps they will believe we are, too."[531] Such magnanimity paid off. By the 1920s the

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[527] Clark, *Financing the Consumer,* 5. According to Clark, "the economic stability of the average man will some day be seen as one of the world's greatest discoveries" (10).
[528] M.R. Neifeld, *The Personal Finance Business* (New York: Harper and Brothers, 1933), 3-4. On the discourse of honesty and democratization, see Arena, "Framing an Ideology of Information."
[529] William J. Fisher, "Reaction to Installment Buying," *Credit World* 18, no. 8 (April 1930): 7
[530] "Is the Average Man Honest?," *Washington Post,* 1 December 1901, 18.
[531] H.L. Barker, "Why We Have No Credit Trouble," *System* 34, no. 2 (August 1918): 170.

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near universal honesty of Americans was trumpeted in popular magazines and trade publications. Trustworthy citizens, estimated at ninety-nine or ninety-eight percent of the buying public (but as low as ninety-five percent), were hailed as the engine of national prosperity.[532] In 1927 the chairman of General Motors' finance committee effused, "How little opponents of consumers' credit appreciate the fact that inherent honesty and character of our wage earners constitute the great foundation upon which consumers' credit rests!"[533]

As an ideological position, the democratization of credit ran parallel the development of systematic credit evaluation. In principle, standardized checking procedures obviated personal relationships in questions of credit granting. Like the one-price system, which democratized mass retailing during the 1870s, universal credit verification policies were democratic in that they eliminated preferential treatment among different socioeconomic classes of customer. The individual citizen-consumer thus assumed equal rights under the law of objective credit reporting. Whether or not a customer was rich or poor was far less important than whether he or she honored financial obligations and made timely payments. As a Kansas City credit manager instructed, "all applicants for credit should be treated just as nearly alike as possible," leaving no room for personal favoritism.[534] Interestingly, this posed a special problem for retailers in small towns, where credit managers knew nearly

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[532] See, for example, Basset, "In Every 100 Men 99 Are Honest"; Earl Chapin May, "Adventures of the Credit Man," *American Magazine* 107, no. 1 (January 1929): 32; and Stern, "They've Got Your Number," 81.
[533] John J. Raskob, "The Development of Installment Purchasing," *Proceedings of the Academy of Political Science in the City of New York* 12, no. 2 (January 1927): 123.
[534] H.J. Burris, "Instructions in Opening and Handling Charge Accounts," *Credit World* 14, no. 7 (March 1926): 9.

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everyone, directly or through mutual connections, and felt unable to ask indiscrete questions. "Joe may be slow as molasses with you, yet he goes up to the city, opens an account in an impersonal and businesslike manner, and pays it when it is due," an Atlantic City, New Jersey, credit bureau official explained. "The credit manager in the big store asks Joe questions you wouldn't dream of asking, and Joe never turns a hair."[535] Of course the blind justice of large impersonal stores could also produce absurdity. In 1913, for example, a conscientious young sales clerk in a Cincinnati department store phoned the credit department to verify the account status of a man she did not recognize. The customer, John D. Rockefeller, was in fact the richest man in the world. Taking it in stride, Rockefeller excused the clerk with a smile and noted that "her caution deserved approval by her employers."[536]

Credit propaganda and consumer education

The flourishing of retail credit management coincided with the First World War, providing an opportunity for credit managers to join their message of credit responsibility with that of civic duty and national allegiance. During the war the U.S. government asked retailers to curtail credit sales in the interest of freeing the nation's flow of capital for the war effort, and at the 1918 convention the national association pledged its support.[537] While the message of thrift and conservation was no boon to business, credit managers turned the patriotic call to their advantage, using the opportunity to assert the civic duty of prompt payment from their credit customers.

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[535] Harold J. Fox, "Do You Know Everyone in Town?" *Credit World* 21, no. 3 (November 1932): 16.
[536] "No Rockefeller Credit," *New York Times*, 22 November 1913, 1.
[537] "Report of the Committee on Resolutions," *Credit World* 7, no. 2 (October 1918): 98-99.

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Retailers in Boston and other parts of the country sent letters to the charge customers urging them to contribute to the war effort by paying promptly, and in New York the retail credit men spoke directly to the public through the newspaper.[538] Commenting on the credit manager's increased responsibilities during the war, Edward A. Filene, head of the Filene's department store in Boston, told a gathering of his peers that in "back of all the guns, back of all the military preparations, the winning of the war depends upon the morale of men, and credit men understand men and know how to influence them."[539] At the same time retailers also began working together to impose community credit policies that established regular billing cycles, requiring customers to settle balances in now familiar thirty-day intervals. Many credit customers, accustomed to running open-ended accounts, had to be informed of these new expectations. "In the majority of cases the merchant is dealing with customers having little or no knowledge of business principles," a Cleveland retailer reminded his colleagues in 1918.[540] Some customers apparently left balances because they assumed, erroneously, that by settling in full their account was closed. "The war gave retailers the long-sought for opportunity to stir up their delinquent accounts and to give a new sense of responsibility to charge customers who disregarded the terms upon which the accommodation was extended to them," an Indianapolis chamber of commerce journal noted.[541]

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[538] "Prompt Payment of Bills Urged," *New York Times,* 14 July 1918, 19; and "Local Association Notes," *Credit World* 7, no. 4 (December 1918): 21-22.
[539] Edward A. Filene, "Address by Mr. Filene, of Boston," *Credit World* 7, no. 2 (October 1918): 81.
[540] Robert Adams, "Address by Mr. Adams," *Credit World* 7, no. 2 (October 1918): 29.
[541] "Is Credit Expansion to be the New Order of the Day?" *Credit World* 7, no. 5 (January 1919): 10.

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As the First World War drew to a close, local credit associations launched a new propaganda war on the home front. "Prompt pay" or "pay up" campaigns were run in cities and towns throughout the nation to alert the public to the credit policies of local merchants and the policing role of credit bureaus.[542] More importantly, prompt pay campaigns impressed the moral obligations of credit and reminded the public that individual credit ratings were entirely self-made. One's credit rating was not assigned by local merchants or the credit bureau, they asserted, but represented a purely factual direct transcription of one's own financial behavior. To possess a favorable credit rating, as repeatedly explained, was entirely up to the individual consumer. "Being trusted is a wonderful feeling," an advertisement published by a Nebraska reporting organization read. "If you don't believe it, have some merchant refuse you credit, on account of your credit rating, which you have made for yourself."[543] While some exhorted the freedom and pleasures of credit, others portrayed the frightful costs of irresponsibility. "A person with bad credit is terribly handicapped all through life," a Minneapolis advertisement warned. "Day after day he and his family are shamed by the refusal of merchants to give him credit. Goods are delivered to his house C.O.D., for the neighbors to whisper about."[544] Though many campaigns consisted of little more than a series of newspaper advertisements and didactic editorials, others were multimedia extravaganzas. A 1919 "Pay-Up Time" campaign in Oklahoma City, for example, included a 40,000 piece mass mailing, 900 "two-color cards" placed in local

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[542] See Truesdale, *Credit Bureau Management,* 35-39. For description of prompt pay and other consumer education campaigns, see Bartlett and Reed, *Retail Credit Practice,* 344-357.
[543] "Run Ads to Stimulate Quick Paying of Bills," *Credit World* 8, no. 5 (January 1920): 8.
[544] "Minneapolis Credit Men Tell Benefits of Prompt Payments," *Credit World* 9, no. 3 (November 1920): 29.

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store windows, "colored slides" presented to movie theater audiences, posters affixed to the dashes of the city's street cars, and fifteen billboards, including six that were "painted and electrically lighted."[545]

Prompt pay campaigns quickly spread throughout the country and in 1920 the first of several national "Pay Your Bills Promptly" campaigns was organized.[546] These campaigns addressed the following concerns, summarized by an Oklahoma credit manager: "How are we, as credit men, going to impress on the minds of our customers the high dignity of a charge privilege; the importance of this trust to them and the consequent detriment to their credit standing if they should fail to carry out their trust and permit their accounts to become delinquent?"[547] During 1927, 213 cities participated in a weeklong national campaign involving some 2.6 million leaflets and tens of thousands of store displays, which together delivered the message of credit responsibility to an estimated forty million people.[548] Ironically, during these campaigns dedicated to thrift and restraint some stores ran sales promotions.[549] Over the next decade the message shifted from the narrow issue of prompt payment to the more expansive concept of "credit consciousness." In 1930 the national association launched a $7 million media blitz to cultivate a "national consumer credit

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[545] A.D. McMullen, "A Letter on 'Pay-Up Time,'" *Credit World* 7, no. 7 (March 1919): 30.
[546] The 1920 campaign, kicked off on the anniversary of Benjamin Franklin's birthday, was run in conjunction with the Young Men's Christian Association's national Thrift Week and co-sponsored with NACM, the American Bankers' Association and several life insurance associations. "National 'Pay-Your-Bills' Day," *Credit World* 7, no. 12 (6 August 1919): 7-9; C.W. Hurley, Report of Y.M.C.A. committee, *Credit World* 8, no. 2 (October 1919): 84-86; and "Eight Days for the Middle Class," *Outlook* (January-April 1920): 10.
[547] Robert R. Sesline, "Soliciting Accounts Under Present Day Conditions," *Credit World* 11, no. 3 (November 1922): 19.
[548] Geo. L. Myers, "The Pay Prompt Campaign Report," *Credit World* 15. no. 7 (March 1927): 5.
[549] "Pay Your Bills Promptly Day, January 22," *Credit World* 9, no. 4 (December 1920): 21.

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conscience."[550] Retailers and credit bureaus also turned increasingly to radio to broadcast their message. Regular programs such as "Creditime" in Philadelphia and "Character Builders" in Houston were aired for mass audiences, and in 1939 the popular comedy duo Lum 'n' Abner were enlisted to take up the subject of credit in a series of nationally syndicated episodes sponsored by General Foods.[551] Credit associations also sponsored essay contests in public schools, with the winning selections, juvenile paeans to credit morality, published in local papers.[552] According to a 1930 survey of 412 credit bureaus, thirty-eight percent were running prompt payment campaigns, while thirty percent of those who did not were interested in starting one.[553] During the same year the credit bureau of Boston entered a float in the city's tri-centennial parade that displayed the equipment of the "modern credit bureau," including steel filing cabinets, a switchboard, and a desk. But the coup de grace was a massive replica rating book placed atop a fifteen-foot-tall pedestal, on which it was announced in gold letters, "Our files contain bill paying habits of over

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[550] Guy S. Hulse, "Our Goal is a National Consumer Credit Conscience," *Credit World* 18, no.12 (August 1930): 23.

[551] "Keeping Tabs on Credit in the Workshop of the World," *Credit World* 19, no. 3 (November 1930): 37; and "'Lum 'n' Abner' Adopt a *Credit Policy* for Their 'Jot 'em Down Store,'" *Credit World* 27, no. 4 (January 1939): 3. For additional examples of radio programming, see Ralph F. Taylor, "Thrift—The Basis of Good Credit," *Credit World* 14, no. 6 (February 1926): 9-10; and Leon Michaels and Franklin Blackstone, "How Pittsburgh Uses Radio for Customer Education," *Credit World* 25, no. 12 (September 1937): 12-13.

[552] S.E. Blandford, "Report of the Chairman of the Committee on Credit Education," *Credit World* 10, no. 11 (July 1922): 27.

[553] "For Economic Immorality Education," *Credit World* 18, no. 11 (July 1930): 31. By the late 1920s, however, retailers in large cities were apparently turning away from prompt pay campaigns, which struck them as "Small town stuff." With the exception of Baltimore, no associations in the nation's ten most populous cities participated in the 1929 campaign. See Milton J. Solon, "A Message from Our Pay Promptly Advertising Campaign," *Credit World* 17, no. 4 (December 1928): 12.

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1,250,000 charge customers."[554] Surely some of the event's two million spectators took note.

Some local credit bureaus advertised their legitimacy and importance by moving into more impressive office buildings. Such aesthetic improvements, like those intended to elevate the work of store credit departments, were intended to impress both retailers and consumers with their scale and displays of technological prowess. During the late 1920s the Cleveland bureau, for example, moved into a 7000-square-foot space with a palatial Spanish archway, broad halls, glass-enclosed offices, and a well-appointed reception room. "Many an irate debtor coming to the Bureau in search of a battle has lost most of his belligerence at this impressive, friendly entry," the bureau secretary noted. "The impressive view gives visiting debtors a new respect for credit, and brings them into this or that Bureau executive prepared to respect and trust whatever that executive as to tell them."[555]

While appealing to the public through broad-based campaigns, credit managers were also urged to turn their personal interactions with customers into learning moments. The credit interview in particular was regarded as a key opportunity to press home the morality of financial behavior. During the application process, the credit manager laid out the terms of the account and discussed the consequences of neglected payments. The importance of "doing some credit education in the interview," the author of a 1941 credit text explained, was due to the fact that "the great mass of

[554] "Parading the Bureau on Gala Occasions," *Credit World* 19, no. 3 (November 1930): 23.
[555] W.H. Gray, "The Cleveland Retail Credit Organization," *Credit World* 17, no. 7 (March 1929): 20.

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consumers are so abysmally ignorant of what constitutes a good credit rating."[556] Even those who paid in cash were taken aside for counseling. In former times, they were told, it might have been admirable to abstain from debt, but it was now an outmoded and an ill-advised habit. Charge accounts, after all, were not simply a convenience, they were necessary to establish a record of creditworthiness with local merchants. Those without "a scratch of a pen in any credit department, or in the credit bureau" would not be able to prove their reliability on some future day when an accommodation was requested. [557] Noting the exclusion that cash payers faced, one writer taunted, "It seems, you see, that the `boob' who pays cash isn't known."[558]

Education was viewed as a preventative measure as well as a form of rehabilitation. Imaging themselves as pastors and physicians of the new consumer credit economy, credit managers not only informed the public of credit norms but tended to the morally deficient. Among the three primary causes of credit abuse, overbuying, negligence, and "Pure cussedness," according to a St. Louis credit manager, individuals in the first two categories might easily be "reclaimed" as viable customers through a "good heart to heart talk."[559] A declined credit request was an especially opportune moment for intervention. By offering a full explanation, the credit manager was in a position to disabuse the rejected customer of false notions and to steer them in the right direction. Noting that those written off as "dead-beats" could often be resurrected through "personal contact," a Nebraska credit manager observed,

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[556] Phelps, *Retail Credit Fundamentals,* 78.
[557] Frank E. Morris, "Live Problems for Discussion," *Credit World* 9, no. 10 (June 1921): 12.
[558] William E. Koch, "Selecting Charge Accounts," *Credit World* 15, no. 12 (August 1927): 28.
[559] E.B. Heller, "Don't Kick a Man When He is Down," *Credit World* 8, no. 8 (April 1920): 26.

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"When their bad reputation in the payment of their current bills was impressed upon then, and their eyes were open to the value of a credit standing, there has been, within my personal experience, many instances of genuine reformation."[560] Ultimately, of course, the aim of such friendly guidance was to produce a grateful and loyal future credit customer.

The message of credit morality was a peculiar form of counter-propaganda set amid a sea of advertising designed to incite consumer desire. "Advertising on a gigantic scale has made this a nation of automobile users, toothbrush followers, and orange, lemon, and prune consumers," the authors of 1928 credit text noted. Thus, it followed, "Advertising can make the United States a nation where good credit habits are a characteristic of the population mass."[561] Not surprisingly, in communicating their message credit professionals adopted the same strategies as those pushing consumption—notably scare tactics that appealed to the social anxieties of aspirational Americans. In 1930 a national association leader proposed advertising that would "awaken and accentuate feelings of inadequacy and insecurity" among those inclined to let their bills pile up, presenting prompt payers, in contrast, as "superior people."[562] Fear rather than reason would be necessary to teach credit responsibility. "The delinquent must become infra dig, socially disapproved, tabooed."[563] By then the pedagogical force of shame was well recognized. Citing the example of Listerine antiseptic mouthwash, whose advertisements so effectively dramatized halitosis-

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[560] J.W. Metcalfe, "Advertising for New Credit Accounts," *Credit World* 10, no. 11 (July 1922): 29.
[561] Bartlett and Reed, *Retail Credit Practice,* 346.
[562] Frank C. Hamilton, "Keeping Up With the Jones," *Credit World* 18, no. 5 (January 1930): 32.
[563] Hamilton, "The Public Appeal Publicly Made Will Help Retail Credit," 29.

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induced social death, credit professionals recommended similar tactics to change consumer attitudes toward credit. "If Listerine produced a social consciousness that changed the breath of a whole nation you can produce a credit consciousness that will change the buying habits of your people, teach them to pay promptly, happily, and systematically."[564] The danger of social stigma, long a staple of collection letters and dunning notices, had by the 1930s developed into a veritable literary genre.[565] It was also thoroughly exploited in prompt payment campaigns and in "Credit-Education Inserts," enclosed in customer statements, with titles such as "You Are Judged by Your Credit" and "Your Credit Follows You."[566] Another campaign introduced the concept of "Q.C.," or questionable credit, as a source of humiliating gossip. A 1937 advertisement pictured a small group of women huddled in conversation with the warning, "Friends Talk About 'Q.C.' Too!"[567]

In the end, consumer credit education was hegemonic in the terms attributed to Italian communist Antonio Gramsci.[568] Credit professionals sought to win consent through ideological inculcation rather than compulsion. "The positive credit man realizes that the best results in business can only be obtained by 'consent,'" one

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[564] "For Economic Immorality Education," *Credit World* 18, no. 11 (July 1930): 31. For another reference to Listerine, see Stanley Latshaw, "You Can Do What You Want—If You Know What You Want to Do," *Credit World* 18, no. 11 (July 1930): 30.
[565] See, for example, Bartlett and Reed, *Credit Department Salesmanship and Collection Psychology*, chap. 7; Bryant W. Griffin and H.C. Greene, *Installment Credits and Collections and the Installment Market* (New York: Prentice-Hall, 1938), chaps. 9-12; and Waldo J. Marra, *Streamlined Letters* (St. Louis, MO: National Retail Credit Association, 1940).
[566] "Credit-Education Inserts to the Tune of Two Million," *Credit World* 14, no. 10 (June 1926): 2.
[567] "Three New 'Pay Promptly' Inserts," *Credit World* 26, no. 2 (November 1937): 32.
[568] Antonio Gramsci, *Selections from the Prison Notebooks*, trans. Quinton Hoare and Geoffrey Nowell Smith (New York: International, 1971).

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admitted. "In this world we cannot `compel people to do very much."[569] Where the force of law exerted only a superficial influence over individual behavior, credit education functioned as an ideological discourse of self government or soul training as suggested by Foucault. "No Nation can successfully legislate morality," a manager at Boston's R.H. White department store argued in 1921. "There must be a training of the mind and a development of the soul if the result is to be permanent."[570] During the same year the national association established a Credit Education department whose sole purpose was to foster public awareness of credit behavior.

Credit as a business builder

Systematic credit management originated as a progressive movement to quarantine poor credit risks. "By cutting off the unworthy from credit," Earling observed with satisfaction in 1904, "we are in a position to extend it to the worthy more than we ever could before."[571] Retailers had of course long understood that all debtors are not equal. In his 1869 manual, Samuel Terry identified eight "classes" of individuals that could be trusted very little, if at all. Along with the usual suspects—the lazy, extravagant, and immoral—these included the gravely ill, minors and married women who were not legally responsible for their debts, single men without any family attachments to keep them from fleeing, transient strangers, and the middle aged, "say fifty years of age," who have no savings and had not made arrangements

[569] J.E. Morrison, "The Characteristics of a Credit Man," *Credit World* 5, no. 3 (February 1915): 6-7.
[570] Sidney E Blandford, "Credit Education," *Credit World* 10, no. 2 (October 1921): 54.
[571] Earling, "The General Function and Work of a Credit Department," 1.

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for retirement.[572] For Terry, writing just after the Civil War, the safest risks were agricultural producers with harvests in hand. But by the turn of the twentieth century things had changed. Retailers looked to the growing ranks of office workers, managers, and civil servants with steady incomes and a taste for modern amenities and respectability. By the 1920s the safest credit prospect was no longer the farmer but the salaried professional man, or his wife, with an established credit history and good references.

While personal character was touted as the true coin of the consumer credit realm, it was wealth—real, imagined, or pretended—to which merchants often deferred in making credit decisions. But following the money trail was perilous. Counter-intuitively, the wealthy were often the retailer's worst customer. The affluent were notorious for running up large bills and delaying payment either out of forgetfulness, indifference, or arrogance. Commenting favorably on the RDPA's credit reporting system during the 1870s, a Long Island reporter observed, "The most remarkable thing about the facts obtained by this new example of the organization of modern life, is that wealth and credit do not always go together. Rich men, very rich men, not infrequently are undesirable people to trust."[573] The difficulty of collecting debts from wealthy customers was compounded by the merchant's fear of causing offense, which might further prolong repayment and jeopardize future business. As one credit expert noted, "I am told and I believe it is true, as a rule that the wealthy class are the slowest pay, the most annoying, that they pay the least attention to their

[572] Terry, *The Retailer's Manual,* 161-162.
[573] "The People Who Pay Their Bills and the People Who Don't," *Babylon (NY) South Side Signal,* 15 December 1877, 1.

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accounts, that their requests and demands are the most unreasonable and that they are offended more quickly under the least provocation than any other class in proportion to the extent of their business transactions."[574] Moreover, the wealthy could not be relied upon to curtail their expenditures in hard times. An addiction to luxury, it was argued, made such individuals incapable of honesty with themselves or their creditors, thus prompting them to spend further into debt at the expense of the trusting merchant. Even as credit reporting became more widely established, some retailers could not resist the trappings of affluence. During the late 1920s a frustrated credit expert recalled his encounter with a Chinese storeowner in Tucson, Arizona, who granted credit to a known laggard after being bowled over by appearances. According to the writer, the ignorant merchant protested, "She good. She come store every day in big automobile. Catch 'em lots of money. Sell 'em lots of groceries."[575]

The formalization of credit reporting encouraged merchants to classify their customers with new specificity. By adopting affirmative-negative systems in which *all* customers—the good, the bad, and middling—were rated, merchants were forced to parse degrees of creditworthiness between the clear-cut extremes. This proved enormously difficult. Credit rating cards filled with positive ratings inspired a "grand and glorious feeling" among retailers, as one admitted, but it was the "mixed card" that screwed up "the bland countenance of even the cheerful credit man."[576] Yet the "mixed card" was not the exception, it was the rule. The vast middle ground between the best and worst risks required constant decision making. It was inhabited by "slow

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[574] J.H. Combs, "Credit and Cooperation," *Credit World* 10, no. 7 (March 1922): 26.
[575] Truesdale, *Credit Bureau Management,* 11-12.
[576] Harris Copenhaver, "The Significance of Credit Ratings," *Credit World* 18, no. 8 (April 1930): 9.

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payers" and "honest debtors" that failed to settle their accounts out of either thoughtlessness or privation, or perhaps both. The difference was important; those who dragged their feet for no good reason were a constant source of woe for retailers, while those who were punctual but temporarily hard up might be counted on in the long run. As James G. Cannon asserted, "It is the man who pretends to be good and is not, who must be refused and avoided."[577]

Since wealth ensured nothing and character was a variable impossible to isolate or measure systematically, credit professionals turned to other metrics to predict trustworthiness. Occupation, with its connection to income both in terms of quantity and regularity, attracted special interest. In 1925 a Bloomingdale's executive offered the following hierarchy of credit customers in descending order of desirability: "the salaried class; the wage-earning class with permanent positions; journeymen laborers whose occupation is seasonal and whose employment changes frequently, such as painters, carpenters, etc.; and last, the day laborer engaged in unskilled work that is seasonal and where the employer changes frequently."[578] While such impressionistic, commonsense distinctions had long been made by experienced merchants, the relationship between occupation and risk began to receive systematic analysis by the end of the 1920s. In 1929, for example, a Southern department store classified its losses by occupational categories and was surprised to report that office workers and merchants, two classes typically considered safe, were responsible for the

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[577] Cannon, *Individual Credits,* 6.
[578] Joseph B. Auerbach, "The Influence of Installment Selling on Open Credit Business," *Credit World* 14, no. 1 (September 1925): 14.

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largest percentage of annual losses.[579] The next year the Bureau of Business Research at the University of Texas sponsored a detailed analysis of credit risk based upon occupational categories. Using data gathered at twenty-three department stores in that state, the report found, perhaps not surprisingly, that "business executives" received the highest average sums of credit, while "railroad employees" received the least and took longer than average to pay off the balance.[580] Though suggesting that the findings might be useful in establishing credit limits, the author found occupation to be an unreliable variable in isolation. "The credit manager of a department store cannot extend credit on the basis of occupation alone."[581]

In 1931 Paul D. Converse, a University of Illinois business professor and marketing scholar, headed the first of two studies that investigated the relationship between occupation and credit ratings. Rather than examining correlations based upon actual ledger data, however, he tested the *perception* of such correlations among credit managers and credit bureau operators. Converse's first study polled 250 credit bureaus and a number of department stores in the Midwest. While noting that the stability of an individual's income, even more than the amount, was the most important factor in determining credit ratings, the survey revealed that credit managers used occupation to make inferences about individuals. Police and firemen often had steady incomes, for example, but received "fair" credit ratings because in the eyes of credit managers "they feel that the public is under obligation to them and hence they take all the time

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[579] "Do You Know What Class of People Cause Losses?" *Credit World* 18, no. 2 (October 1929): 21.
[580] Arthur H. Hert, *An Analysis of Credit Extensions in Twenty-Three Texas Department Stores by Occupational Groups* (Austin, TX: University of Texas, 1930), 23.
[581] Ibid., 41.

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they want to pay their debts."[582] Likewise, credit managers approved individuals employed in lines of work that they regarded favorably. One such profession was school teachers, whose salaries, albeit modest, were known and could be counted on. "Teachers accounts have proven to be the best type of account to solicit," one credit expert attested, citing the value of teacher's directories for locating new customers.[583] When referring to city directories for business, the same writer instructed, the occupation listed for each individual could be used to "eliminate the classes you do not wish to solicit."[584]

That many merchants used occupation as a guide for making credit decisions is illustrated by a comprehensive list of "high skip risk" occupations published in a 1934 text co-authored by the president of the national association. This catalog, with its emphasis on transient, marginal, and morally suspect work, is instructive:

> Actors, acrobats, amusement park employees, aviators, barbers, bootleggers, carpenters, constables, collectors, contractors, circus performers, concessionaries, detectives, deputies, farm laborers, grain buyers, grain elevator employees, fruit and vegetable peddlers, health-seekers, jockeys and other race track workers, coal miners, hotel employees, insurance salesmen, instalment house outside men (collectors and canvassers), labor union workers, loan company officers and employees, club and lodge organizers, marines, musicians, painters and paper hangers, persons `in business for self,' post office employees, pool room owners, road construction laborers, pawnbrokers, petty business men in restaurant, cleaning and pressing, automotive and other traders requiring little capital, powder employees, telegraph operators, civic employees, prize fighters, sailors, boarding-house keepers, nurses (both sexes), colored ministers, professional baseball players, salesmen on commission,

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[582] Paul D. Converse, "Occupation and Credit," *Personal Finance News* 17, no. 2 (August 1932): 5.
[583] Dean Ashby, *Credit Sales Promotion and Customer Control,* mimeograph (St. Louis, MO: National Retail Credit Association, [1936]), 45.
[584] Ibid., 47.

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section hands, soldiers, structural steel workers, truck drivers, brokerage house employees, taxicab drivers, second-hand merchants, waitress.[585]

Converse repeated his study a decade later with a larger national sample and the cooperation of the Associated Credit Bureaus of America. Again confirming the primacy of steady income in determining risk, he reported much anecdotal evidence to illustrate the use of occupation in making moral inferences. "In some instances occupation does indicate something of the character and sense of responsibility of workers," he conceded. "For example, teachers, retail salespeople, nurses, doctors, and ministers usually have a considerable sense of responsibility. On the other hand, this sense seems to be developed to a relatively lower degree among workers in some occupations—for example unskilled laborers, waiters, miners, barbers, janitors, and painters."[586] While Converse was quick to add that exceptions always disproved the rule, many credit managers, particularly those faced with thousands of accounts to review, found such generalizations useful. At a retailer's convention in 1930 the question arose as to whether all new credit accounts should be investigated through the local credit bureau. According to one participant, occupational classifications were used to screen applicants in his store without the use of credit reports. While school teachers "as a class" were immediately approved—"Some of them are slow but none of them are bad"—painters and laboring men were summarily refused "nine times out

[585] John T. Bartlett and Charles M. Reed, *Methods of Installment Selling and Collection* (New York: Harper & Brothers, 1934), 87-88.
[586] P.D. Converse, "The Occupational Credit Pattern," *Opinion and Comment* 38, no. 51 (12 August 1941): 1.

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of ten" without even calling the credit bureau.[587] "A man's occupation, profession or business, or his color, should neither bar him from credit nor render him eligible," a 1928 credit text instructed, but such information, the authors concluded, was not to be ignored.[588]

Another mechanism for screening applicants was geography. Individuals from affluent neighborhoods received special consideration, despite the trouble that the well to do so often caused. "Some houses take note of where purchases are sent," a dry goods dealer admitted in the late 1880s, "and whenever a fashionable address appears on their shipping books write the lady at that address offering to put her name on the credit list."[589] This primitive method of targeting marketing was commonplace. The same logic, unfortunately, also worked in reverse. The residents of entire buildings or streets were denied credit privileges by some retailers. "Houses have bad credit reputations as well as people," a Chicago reporter explained. "On a block with a dozen apartment houses some will stand well in the neighborhood, some badly. They may all look the same outwardly, and the rents may be the same, yet there will be a marked difference." Unfortunately, those who bought or rented in "a 'wrong house'" soon discovered that they could not find a local merchant willing to sell to them on credit.[590] One credit text indicated that the "veteran credit man" should "possess a complete and accurate mental map of his community" to recall "blacklisted

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[587] *Proceedings of the Controller's Congress, Eleventh Annual Convention* (New York: National Retail Dry Goods Association, 1930), 62.
[588] After highlighting the risks associated with various classes of "substandard occupations," the authors conclude, "The presumptions set up may be important, however" (Bartlett and Reed, *Retail Credit Practice,* 106).
[589] "The Effect of Credit," *Washington Post,* 23 December 1888, 10.
[590] Cromwell Childe, "Why the Retailer Is Willing to Trust You," *Chicago Tribune,* 23 October 1910, E3. See also, Thaddeus S. Dayton, "Trusting John Doe," *Harper's Weekly* 56(20 February 1912): 21.

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neighborhoods and sections."[591] In this way, individuals remained embedded in distinct social geographies and might be punished for the collective sin (real or imagined) of their neighbors. The practice of geographical exclusion, later referred to as "redlining," became an insidious mechanism of racial discrimination, particularly among mortgage companies and banks, and was formally outlawed in the late 1960s.[592]

Here it is essential to note that the development of retail credit reporting was largely devoted to the world of white Americans and European immigrants. This is not to suggest that African Americans were excluded from white credit networks, but to note the normative assumption of whiteness among early credit professionals. Historian Martha Olney has shown that African Americans did have access to retail credit during the early twentieth century, but that they turned in greater numbers than whites to installment purchases, securitized with heavy down payments and looming threats of repossession.[593] The limited participation of African Americans in the white credit economy may be inferred to some degree from the pages of early credit rating books. There the names of African Americans are often parenthetically identified with the designation "colored," suggesting their exceptional status.[594] During the first half of the twentieth century, racial and ethnic prejudice was not only unproblematic for

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[591] Bartlett and Reed, *Retail Credit Practice*, 101.
[592] See Stephen L. Ross and John Yinger, *The Color of Credit: Mortgage Discrimination, Research Methodology, and Fair-Lending Enforcement* (Cambridge, MA: MIT Press, 2002); and Denver D'Rozario and Jerome D. Williams, "Retail Redlining: Definition, Theory, Typology, and Measurement," *Journal of Macromarketing* 25, no. 2 (December 2005): 175-186.
[593] Martha L. Olney, "When Your Word Is Not Enough: Race, Collateral, and Household Credit," *Journal of Economic History* 58, no. 2 (June 1998): 408-430.
[594] See, for example, *Black List* (Oshkosh, WI) and *M'Cready's Credit Register*. One early credit bureau guide recommended the use of "colored" or "col." to identify African Americans in credit bureau files; Hanes, *The Retail Credit and Adjustment Bureaus,* 23.

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white credit managers, it was codified as standard operating procedure. "Negroes, East Indians, or foreigners" were at the bottom of the hierarchy of credit risks, above only "Men and women of questionable character" and "gamblers," according to a 1922 text endorsed by the Associated Retail Credit Men's Association of New York City.[595] Significantly, a 1915 guide to credit bureau operation illustrated the format for a derogatory credit report with this fictitious example: "Robt. M. Black . . . colored professional deadbeat."[596] Around the same time a plan to establish a credit reporting service specifically for rating African Americans appeared in the *Chicago Defender.* Justifying the need for the service, the anonymous author explained: "We as a race are generally discredited when applying for favor, and in the loop district are turned down without consideration. Why? Because the credit man cannot satisfy his house, having no way to distinguish between the honest man and the crook." [597] The service seems not to have come to fruition, but it underscores the racial segregation of American credit relationships.[598] By 1937 the national association's standard credit report included space under the "identity" rubric to indicate an individual's "racial extraction," suggesting that "white" did not go without saying in some markets.[599]

Along with race, many retailers considered nationality a useful marker of trustworthiness. In the mid-1920s an installment jeweler reported correlations between credit risk and national origin. Examining 3000 accounts in his books, he determined

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[595] Walter, *The Retail Charge Account*, 126.
[596] Hanes, *The Retail Credit and Adjustment Bureaus,* 15-17.
[597] "Plan Local Credit Reference Service," *Chicago Defender,* 20 June 1914, 4.
[598] Ibid.
[599] Charles E. Moorman, "The New Inter-Bureau Reporting Department Form," *Service Bulletin* (National Consumer Credit Reporting Corporation) 10, no. 14 (20 August 1937): 5. See also Phelps, *Retail Credit Fundamentals*, 96.

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that English, Canadian, and German customers were the most reliable (ahead of bona fide "Americans"), and that Greeks, Russians, and Italians were the least trustworthy, even less than "Colored" customers, a racist category of non-white Americans.[600] Inferences based upon national origin were not simply the hobby horse of an eccentric merchant. A 1922 U.S. Chamber of Commerce guide to credit bureaus cited nationality as a piece of circumstantial evidence to consider in determining an individual's "responsibility."[601] One of the reasons that the customer's full name was requested on credit applications was "because the first name often reveals the nationality of a person, and this is an important item of information to the credit grantor," according to a credit text published the same year.[602] The precise use of such information, however, must have been obvious to contemporaries because it was not specified. Conflating nationality and race, a 1928 textbook indicated that "Negroes, Mexicans, [and] East Indians" were "regarded as substandard risks."[603] The racism of twentieth century credit reporting is not surprising given the historical context, but there is a certain sad irony given that systematic credit reporting was pioneered by a Lewis Tappan, a staunch abolitionist who ignored death threats for his activism and even had his own home ransacked by anti-Negro rioters.

As credit professionals cast about for reliable metrics, some even considered intelligence. Citing the results of intelligence tests administered by French psychologist Alfred Binet, a *Credit World* contributor alerted his colleagues to the

[600] "What Nationality is the Most Honest?" *Credit World* 14, no. 9 (May 1926): 23.
[601] *Commercial Organization Credit Bureaus,* 7.
[602] Walter, *The Retail Charge Account*, 19.
[603] Bartlett and Reed, *Retail Credit Practice*, 106.

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horrifying implications—a full third of the general public were "in the lower registers—feeble-minded, borderline and dull." The dimwitted and impaired, the writer explained, could never be considered safe credit risks because they could hardly manage their own affairs.[604] In a subsequent article the same writer reported the result of intelligence tests administered to U.S. troops during the First World War that distributed mental ability by occupation. Not surprisingly, the Army tests confirmed existing prejudices among credit professionals. Doctors and engineers appeared at the top of the scale, while laborers, union workers, and tradesmen were at the bottom.[605] If intelligence was any guide, it clearly suggested that individuals engaged in low skilled and transient work were less capable credit customers.

Merchants also paid attention to the buying patterns of individuals. "Close buying" customers who were attentive to prices and insistent upon receiving the full weight of their meats and dry goods were viewed favorably as credit risks, even if they were irritating to deal with. On the other hand, waste and mismanagement was viewed with a jaundiced eye. "Thus," a journalist explained, "the woman who uses a 5 cent telephone call to order a 5 cent article, or who sends in two telephone calls in rapid succession, the second asking `please hurry that butter,' for instance, is apt to begin to get in that store's bad graces."[606] Sudden changes in spending behavior were also noted. If a man who only purchased necessities "suddenly begins to buy `jimcracks,'" then it was thought likely that he had fallen into a foolish courtship or has taken to

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[604] H. Paul Kegley, "Psychology for Credit Men—The Matter of Relative Intelligence," *Credit World* 21, no. 3 (November 1932): 32.
[605] H. Paul Kegley, "Psychology for Credit Men—Occupation as a Measure of Intelligence," *Credit World* 21, no. 4 (December 1932): 8-9, 28.
[606] Childe, "Why the Retailer Is Willing to Trust You," E3.

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abusing his credit privilege. In one case, the credit manager was skeptical of a young man who used his mother's charge account to buy boots, outdoor wear, and hunting supplies. Bringing the matter to the lad's parents, it was discovered that the boy was preparing for "a fly-by-night trip to `discover gold' and `hunt Indians.'"[607] In general, early efforts to classify credit customers and to monitor spending behavior were punitive, insofar that their primary purpose was to identify and exclude the worst risks. During the 1920s, however, as retailers sought to expand and intensify their sales, credit managers turned to customer behavior not only for warning signs but for sales opportunities.

Customer control

Nineteenth-century mass retailers were wise to the fact that credit customers spent more in their stores than cash customers. Cash customers, it was often pointed out, flitted from store to store and were nobody's customer. Though some merchants continued to resist credit, clinging to visions of a cash-only utopia, others embraced the intimacy of the creditor-debtor relationship. The latter viewed charge accounts as a means to insinuate themselves into the households of their customers, a position that if handled adroitly fostered good will and bonds of loyalty, if not actual fealty, to the store. While interviewing a New York retailer in 1889, an out-of-town journalist was shocked not only by the lengths to which the proprietor went to accommodate his fickle credit customers, but also his seemingly masochistic desire "to swell their

[607] "Queer `Customers' of the Credit Man," *Credit World* 8, no. 3 (November 1919): 24.

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number." When the incredulous visitor could not grasp the point of such solitude, the retailer revealed his motive:

> Mercy! what a greeny you are. . . . [A] lady who has a bill at our store spends all the way from fifty per cent. to five hundred per cent . more than if she hadn't. Not only does she buy every thing she wants at this store where she has a bill, passing all the rest every day, but she buys things she does not always want and can not always afford. You need not laugh; men do the same thing. We are glad to get men to run bills here as well as women.[608]

Working for such retailers and installment houses, the credit manager—and the credit reporting associations that many participated in forming—initially performed a security function, interrogating applicants and scanning the information environment for evidence of deceit. As early credit professionals continuously lamented, they were viewed rather resentfully by their employers as a necessary evil, a costly and unproductive expense that was merely tolerated as a preventative check. [609]

Seeking to gain the respect of their employers, credit managers began to assert their contributions as "business builders." This new identity, which began to crystallize after the First World War, reflected their increasingly service oriented role, taking credit applications and promoting the advantages of their establishment to new customers. A sharp economic downturn in 1920-1921 was an additional spur. Faced with contracting profits, credit managers were urged to "get the sales point of view" and to adopt "constructive credit" policies that placed customer service at the forefront.[610] In their daily customer interactions, which so often touched upon delicate

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[608] "The Ways of Women," *Dunkirk (NY) Observer-Journal* (7 January 1889), [1].
[609] See, for example, "To the Retail Merchant and Store Owner," 5.
[610] Fred E. Kunkel, "The Buyer's Strike and the Credit Manager," *Credit World* 9, no. 10 (June 1921): 21; and L.M. Crosthwaithe, "Constructive Credit Granting," *Credit World* 9, no. 5 (January 1921): 10-11.

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personal matters, the credit manager was in a unique position to cultivate grateful and loyal patronage. While such intimacy was also at the heart of the Pauline injunction to "owe no man anything"—debt, after all, placed borrowers in a compromised and weakened position—credit managers sought to turn this vice into a virtue. "The Credit Department," a national association figure proclaimed, was "the tie that binds the customer to the store."[611]

As an agent of salesmanship, the credit manager's first responsibility was to solicit new customers. Newspaper advertising and mass mailings were common, but a more judicious approach involved direct mailing campaigns aimed at only the best prospects. No stones were left unturned in compiling lists of potential customers. Credit managers scoured city directories and telephone books, both of which could be used to target individuals in desirable neighborhoods, as well as birth and marriage records, tax lists, building permits, automobile registrations, hunting licenses, and bank and college directories. The local newspaper was also a cheap and handy source of business leads. "Watch the newspapers for live items such as: 'Mrs. Jones is going to Europe'; 'John Smith elected to head Elks,' or 'Miss Evelyn Blank is home from Vassar.'"[612] Engagements, weddings, birth announcements, real estate transactions, and news concerning the social, political, business, or church activities of prominent community members were all eyed for angles to drum up new business. No publication was too marginal or sacrosanct. Even the *Congressional Record* was

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[611] David J. Woodlock, "A Dual Responsibility," *Credit World* 14, no. 10 (June 1926): 3.
[612] Daniel J. Hannefin, "Building Prospect Lists—A Continuous Process," *Credit World* 17, no. 6 (February 1929): 12.

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poured over by credit managers looking to solicit new credit business. Some stores also ran new customer contests among their employees to drum up new prospects.

Among these myriad sources, however, one was particularly cherished: credit rating books. The widespread adoption of telephones by credit bureau diminished the prevalence of rating books by the 1920s (inquiries and reports were conveyed orally), but where they existed merchants eagerly mined them. Credit managers compiled lists of individuals with good credit ratings in the books and, like "pre-approved" credit offers that flooded the credit card market in the 1970s, sent each a personally addressed letter indicating that the store had opened a charge account in their name. "Rating books issued by retail commercial agencies, if available, are especially valuable in that the names of the desired class of customer may be segregated," a Washington, DC, retailer explained.[613] Merchants recognized the sales potential of credit rating books as soon as they appeared in the late 1850s; indeed, this "misuse" of the books was one argument against their publication.

The transformation of credit information from an instrument of prevention to one of promotion signaled a major development in the history of American business practice. Retailers of course had long scanned their ledgers for useful information about their existing customers. At Wanamaker's, for example, managers tracked the activity of the store's credit customers by referring to the ledgers at regular intervals. This "plan," in place by 1902, was designed to identify credit customers who had drifted away and who might be lured back to the store with a personalized appeal for

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[613] Mark Lansburgh, "Promoting New Business," *Credit World* 16, no. 1 (September 1927): 9.

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their missed business.[614] During the early 1920s, a business consultant urged credit managers to make their "ledgers talk" by analyzing the buying habits of the store's customers and designing targeted promotions.[615] Mass credit policies, with their generous customer service and elaborate authorization, billing, and collection procedures, were expensive to maintain. But as this consultant anticipated and credit managers soon discovered, the systematic recordkeeping necessitated by mass credit was its own reward. Not only did credit customers spend more than cash customers, they also produced vast reservoirs of valuable information in the process. For unlike cash customers, who came and went anonymously, credit customers submitted their entire personal and financial history to the credit manager in exchange for their trust. New bookkeeping devices developed during the early 1920s also allowed credit managers to track the financial behavior of individual customers with greater specificity. The Elliott-Fisher bookkeeping machine, for example, enabled the "100% informed credit manager" to itemize all of the store's transactions in detailed daily reports. "You not only can tell when purchases are made," according to an advertisement for the system, "but the character of the goods bought, and how and when paid for—all without extra work."[616] "I think there is no place in a department store where there is so much record of information that is of value as in the Credit Department of the store," a Detroit sales executive noted in 1926. "It is sometimes difficult to get that information out, but once you have analyzed it and once you have

[614] Unsigned memo to Rodman Wanamaker, 26 February 1902, scrapbook, folder 2, John Wanamaker Collection, Historical Society of Pennsylvania, Philadelphia, PA.
[615] Fred E. Kunkle, "The Buyer's Strike and the Credit Manager," *Credit World* 9, no. 10 (June 1921): 22.
[616] Elliott-Fisher, Advertisement, *Credit World* 8, no. 12 (August 1920): 5.

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been able to get that information, it is illuminating."[617] The task of extracting such information took on new urgency with the economic crash of October 1929.

By early 1930 many credit managers began to turn to their accumulated files to study the buying behavior of customers already on their books. This new practice of systematic analysis became known as "customer control."[618] The basic premise underlying customer control was that a store's established credit customers were its most valuable customers. Previously, credit promotions focused on attracting new customers. But as many merchants came to realize, it was far more difficult and expensive to secure new and unproven customers than it was to simply reclaim those it already had. Mailing lists of the store's existing charge customers, the credit manager of Neiman-Marcus remarked, were "almost invaluable," as they represented the "most fertile channels" for direct advertising.[619] Credit managers thus scoured their files for inactive accounts and sent these customers letters urging them to return to the store. In some cases a special promotion was used as a pretense for the correspondence, but more frequently retailers addressed the recipients as valuable customers who were missed. A San Francisco men's clothing store sent its inactive customers the following letter, which appealed simultaneously to the moral distinction and social leveling of American credit:

Not all of us have our names in the Social Register---

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[617] J.G. Pattee, "The Value of Retail Credit as Viewed by a Retail Merchant," *Credit World* 14, no. 7 (March 1926): 6.
[618] For an early overview of customer control that details the mechanics of various systems, see Orville Wendell O'Neal, "A Study of Customer Control from the Standpoint of Sales Promotion," M.B.A. thesis (Austin, TX: University of Texas, 1933).
[619] Robert Ross, "Why a Charge Account?" *Credit World* 15, no. 11 (July 1927): 28.

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> All of us, whether of high or low estate, are catalogued in the records of the merchants with whom we trade.
> The merchant's faith in his customers is the life of his business. . . .
> You who have justified that faith have built for yourself a credit record of more value than the Social Register can ever convey.
> May we see you again—real soon?[620]

Letters of this kind could be remarkably effective. In 1929, for example, a Minneapolis store drummed up $10,000 in business over four months simply by sending letters to inactive charge customers, a handsome thirty-eight percent return on the cost on the mailing.[621]

One of the first firms to demonstrate the efficacy of customer control was Chicago clothier Capper and Capper. In 1929 the store's addressograph machine was modified to classify the buying habits of its existing credit customers. A printed card was attached to a name plate for each customer and the position of moveable tabs on the frame used to indicate in which departments (suits, coats, hats, men's furnishings, and sports apparel) the customer had made purchases and whether or not a purchase had been made during the previous season. Additional colored tabs indicated whether the customer lived within the store's delivery range, bought expensive items, made purchases at any of the store's seven branch locations, or purchased during sales. Female customers were classified separated by marital status and the departments (men's or women's) in which they made purchases.[622] Since women often shopped for their entire family, a pattern of buying exclusively in the men's departments suggested

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[620] Bartlett and Reed, *Credit Department Salesmanship and Collection Psychology*, 245.
[621] Robert B. Gile, "Developing the Retail Store's Best Market," *Credit World* 18, no. 4 (December 1929): 15.
[622] *Getting More Business from Store Customers: A Study of Retail Customer Control Plans*, Report No. 1037 (Chicago: Dartnell Corporation, [1932]), 5-6. See also, Bartlett and Reed, *Credit Department Salesmanship and Collection Psychology*, 224-227.

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that she might be persuaded to buy for herself as well in the women's department; conversely, if only buying for herself, she might be persuaded to make purchases for her husband as well. Using this system to mail personalized letters to different classes of customers, Capper and Capper revived some 3500 inactive accounts and more than doubled the number of its customers making purchases in more than one of the store's departments during the first year that it was used.[623]

As the Depression curtailed consumer buying power, retailers looked to customer control as a way to extract greater sales volume from their tried and trusted customers. As a Bloomingdale's executive remarked in 1931, the credit manager was moved into a "promotional rather than a critical capacity."[624] In 1932 business publisher Dartnell conducted a survey of 415 retailers and found that "the vast majority" had implemented a customer control system or were making plans to do so.[625] According to the report, credit-granting stores were at the forefront of the movement. A variety of customer control systems were put into use during the 1930s. Some were manual, such as visible index or loose-leaf systems in which each customer's sales activity was coded with check marks in small boxes on individual cards or sheets. Each box represented a different field, typically one of the store's departments or a month or season of the year. When a mailing campaign was planned, clerks reviewed the coded cards or sheets and compiled a list of customers meeting the selected criteria. Other systems, however, were mechanical. In addition to the addressograph system used by Capper and Capper and others, sophisticated punch

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623 *Getting More Business from Store Customers,* 5.
624 "Hails White-Collar Buyer," *New York Times,* 20 May 1931, 49.
625 *Getting More Business from Store Customers,* [2].

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card systems were developed. Punch cards not only permitted more detailed and elaborate classification schemes, but the retrieval process was generally faster and more accurate than that of manual systems. The punched holes reflected sales and customer information transferred directly from the store's ledgers. The manufacturer of one such system, Selectric, claimed that "an average office girl" could maintain cards for 20,000 customers and produce an entire customer list in several hours.[626]

Though customer control was initially embraced as a means to revive inactive accounts, its broader applications were immediately apparent. While tracking the purchasing patterns of their customers, retailers were surprised to learn that most buyers concentrated their purchases in one or two of a store's departments, ignoring the others altogether. Customer control was thus turned to the problem of getting customers to spend both more heavily and more expansively. "The ideal system is to have every charge customer trading in all of the major departments of the store," the credit manager of Denver's Cottrell Clothing Company noted, "and the customer's control system is an excellent guide to the purchasing habits of the customers."[627] Customer control allowed retailers to identify departments that individual customers neglected, and to design personalized letters encouraging them to visit these "forgotten" departments. In this way, customers who regularly purchased hosiery from the store but never bought shoes might be sent promotional materials directing them to the advantages of the latter department. In one case, an unnamed Chicago department

[626] Robert B. Gile, "Developing the Retail Store's Best Market," *Credit World* 18, no. 5 (January 1930): 14.
[627] William E. Glass, "Sales Promotion Thru the Credit Department," *Credit World* 18, no. 4 (December 1929): 9.

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store sent promotional letters to charge customers who had purchased in the women's ready-to-wear departments but had never bought a coat. "While apparently you have never purchased coats from us, we would like to tell you about `Shagmoor' coats. These coats are ideal for spring wear—they are dust-proof, rain-proof, and wrinkle-proof, making them particularly good for motoring." Following the mailing, 300 customers from a list of more than 16,000 bought coats for the first time, amounting to sales in excess of $21,000.[628] Information collected by customer control systems was used to produce increasingly personalized entreaties. "We notice from our records that you have made several purchases in our Clothing Department but have not visited our Furnishings Department," a letter used by Cottrell Clothing Company read, adding, "We are now showing some new numbers in Stetson hat which I am sure will look well with that suit you bought from us recently."[629] By encouraging their active customers to buy in all of the store's departments, they hoped to wrestle money out of the hands of competitors for the same customers.

Likewise, customer control systems allowed retailers to direct promotional mailings to the primary buyer of the account, thus reaching more deeply into an entire family of consumers. As already noted, many women did the majority of their family's shopping, buying goods for themselves as well as their children and spouses. However, direct mailing campaigns were typically addressed to the account holder, often the woman's husband. This presented a missed opportunity on two counts; the man to whom the mailing was addressed was not an active buyer, while the actual user

[628] *Getting More Business from Store Customers,* 12.
[629] Glass, "Sales Promotion Thru the Credit Department," 27.

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of the account was ignored completely. Using customer control to classify each account by gender and martial status, promotional campaigns could be designed to reach husbands and wives as well as a family's children through appeals to their mothers.[630]

Customer control could also be used to gather useful feedback from inactive customers. A list of such customers might be sent a letter that not only invited their business, but also queried them as to the reason they had dropped off. In 1930, for example, a California clothing chain mailed its inactive customers a letter that provided an opportunity to indicate the reason for their absence. "You see, some people think a Credit Man's worries are all about the people who owe money, but that isn't true," the letter read. "His biggest worries are about the good customers who don't use their credit accounts. That makes him scared. He wonders if something could possibly have happened to offend them."[631] Indifference was usually the cause of inactivity, followed by moves out of the area and price considerations, but in some cases, as these letters revealed, an unresolved grievance kept an otherwise profitable customer away.

By attending to such cases, customer control served an important public relation function. But even satisfied customers were entreated to good will initiatives. "After a credit department has made every safe and sane effort to get you on the books it struggles valiantly to keep you there," the credit manager of New York's James

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[630] See Robert B. Gile, "Developing the Retail Store's Best Market" (January 1930): 5-6; and Dean Ashby, "More Business from Present Customers," *Credit World* (July 1935): 30.
[631] Bartlett and Reed, *Credit Department Salesmanship and Collection Psychology*, 244.

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McCreery department store told a reporter.[632] A fawning letter of appreciation sent to the store's best customers could do more in the long run than the most closely tailored promotional campaign. "You will probably be surprised to have a letter from our Credit Department," one such letter opened. "Of course the reason a customer like you does not hear from us is that your account is never past due." This congratulatory letter, according to a *Credit World* contributor, was well received by the store's customers. "John, what do you think of this bunk?," one woman reportedly said to her husband upon reading the letter. Deeply impressed, the husband replied, "Well, from now on buy all you can from the store and show them you appreciate the interest they have shown in recognizing your prompt-pay record with them."[633] Promotional campaigns developed through customer control systems also enabled retailers to assess the success of their promotional campaigns with some degree of accuracy. Changes in sales activity and volume immediately following a direct mailing were noted and the purchasing patterns of those who received promotions were analyzed.

As customer control began more sophisticated, retailers attempted to further differentiate their clientele by price line, taste, and average expenditures. Customers with the means to buy expensive items were identified and addressed separately. "Obviously there is little use in inducing a customer to buy a $3,000 mink coat if an analysis of her credit purchases reveals that the top price of previous coat purchases averaged $50.00."[634] One retailer demonstrated the usefulness of income segmentation

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[632] May, "Adventures of a Credit Manager," 120.
[633] Ashby, "More Business from Present Customers," 11, 30.
[634] "Credit Sales Promotions," *Bulletin of the National Retail Dry Goods Association* 19, no. 6 (June 1937): 99.

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while seeking to boost sales of fur coats. Among the store's 40,000 charge customers, 10,000 female customers who had never purchased a coat but had the resources to do so were mailed invitations to an exclusive one-day private sale. The event produced $25,000 in sales and was a smashing success.[635] Additionally, price buyers—those who waited for sales—and quality buyers were classified separately, permitting retailers to tailor different promotions for bargain hunters and full-price customers. Customer control allowed merchants to appeal to upper income customers exclusively, in a way that did not leave them feeling that they were "being lumped with laborers, clerks, women and children and be sought to buy, buy, buy."[636] At the same time, individuals in lower income brackets were tracked for promotional efforts. Customers who had recently completed an installment purchase or budget plan, for instance, were regarded as good prospects. "This class of people," the credit manager of a Davenport, Iowa, department store noted, "have respect for the credit obligations which they have assumed and are the type which will make the most desirable charge customers."[637] The good consumer not only made prompt payments but promptly took on new debts as soon as others were settled.

Customer control sought to reclaim, albeit by mechanical artifice, the personal equation that was lost in the development of impersonal mass retailing. Where once the neighborhood storekeeper knew all of his or her customers and could make recommendations to suit individual tastes, the modern department store was a selling

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[635] George D. Adams, "New Methods of Account Promotion," *Credit World* 17, no. 7 (March 1929): 16.
[636] Robert B. Gile, "Developing the Retail Store's Best Market," (January 1930): 6-7.
[637] Ashby, *Credit Sales Promotion and Customer Control,* 19.

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machine that processed thousands of transactions each day. "The individual customer disappeared in the great crowds that thronged the stores," one proponent of customer control observed. "Little attempt has been made to analyze these crowds, to reduce them to the individual customer and know for certain whether or not profits came in equal proportion with numbers. The time for that is coming."[638] Customer control offered a way to personalize mass retailing by appealing directly to the special interests and habits of individual customers. While the specter of mass society loomed in the minds of early-twentieth-century politicians and cultural critics, credit managers were already beginning to deconstruct it. In an age of mass consumption and mass advertising, customer control was far ahead of its time. The forces of target marketing that broke up the American mass market during the late twentieth century—and with it, as Joseph Turow has suggested, American society—began with the breakup of local communities a half century earlier.[639]

Customer control was complex and required a level of sophistication well beyond most retailers except the largest and most progressive department stores. Though dismissing customer control as "well nigh impossible for any but a group of true geniuses," a St. Louis direct mail expert acknowledged, "It is unquestionably a wonderful thing to be able to write to a large portion of your 100,000 customer each month and say, `Mrs. Smith, six weeks ago you purchased half a dozen pairs of silk stockings from us, size 8 ½, and we trust that they have been entirely satisfactory and that we may have the pleasure of selling you some more during the next week when

[638] Robert B. Gile, "Customer Control," *Retail Ledger* (July 1930): 8.
[639] Turow, *Breaking Up America.*

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we have a special on two of our leading hosiery lines."[640] By the late 1930s customer control was touted as a powerful marketing tool. "A new technique is now being developed by certain progressive stores which makes a customer of theirs virtually a guinea-pig subject to the most elaborate and ramified classification of customer data the modern punch card equipment permits."[641] The professional credit manager was at the center of this development.

Underlying the development of customer control was a more profound realization: not all customers are equally valuable. In 1930 Robert B. Gile, manufacturer of the Selectric system, conducted a nationwide survey of more than 100 department, specialty, and men's clothing stores and reported that the forty percent of the average store's customers purchased seventy-seven percent of its merchandise.[642] Several years later another study indicated that sixteen percent of charge customers buy forty-nine percent of a store's merchandise.[643] These stunning findings not only reinforced the importance of courting one's existing customers, but suggested that whole segments of the buying public were not worth the expense of engaging at all. Indeed, according to Gile, a full sixty percent of a store's patrons produced little or no profit. What Gile and his contemporaries intuited would come to be known as the Pareto principle, or 80/20 rule, famously codified by management consultant Joseph M. Juran a decade latter.[644] Applied to retailing, Juran's concept of the "the vital few and trivial many" would suggest that twenty percent of a store's customer's produced

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[640] Hart Vance, "Catering to Human Feeling," *Credit World* 19, no. 4 (December 1930): 33.
[641] "Credit Sales Promotion," *Bulletin of the National Retail Dry Goods Association,* 98.
[642] Gile, "Customer Control," 8.
[643] Ashby, "More Business from Present Customers," 10.
[644] Joseph M. Juran, "The Non-Pareto Principle—Mea Culpa," *Quality Progress* 8 (May 1975): 8-9.

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eighty percent of its sales. By this logic, a retailer was wise to direct its promotional effort to the small but profitable segment of regular customers rather than the "trivial many." Invoking a Dust Bowl metaphor, Gile claimed that so much wasted effort on useless land was akin to "dry farming."[645]

While used to identity the most profitable segments of a store's patronage, customer control facilitated a more sweeping form of market discrimination with important ties to credit rating. The most valuable credit customers, after all, were those who demonstrated their ability and willingness to pay. Trouble accounts or individuals with poor credit ratings for whatever reason were by definition excluded. The exclusionary effects of customer control were illustrated by a Chicago men's clothing store whose promotional campaigns addressed only its "very best paying customers," roughly a third of its 20,000, with all those deemed "poor credit risk[s]" eliminated.[646] Customer control developed in credit departments, rather than sales or advertising departments, precisely because it was there that financial viability of each customer was known, and from which inferences could be made. Within such systems the credit and purchasing histories of individuals appeared together, one informing the other. As the author of a 1933 business school thesis indicated, "credit ratings, credit limit, overdue amounts, dates and amounts of installment payments, chronic conditions in connection with adjustments and returned goods, and similar information," enhanced the value of customer control records as sales tools.[647] As the privilege of credit was diluted through ubiquity, customer control introduced a new and intensified form of

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645 Gile, "Customer Control," 8.
646 *Getting More Business from Store Customers,* 21.
647 O'Neal, "A Study of Customer Control from the Standpoint of Sales Promotion," 82.

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target marketing and nascent customer relationship management that fostered bonds of loyalty by rewarding the profitable few. "Never before has it been so necessary that the credit department `know your customer,'" one customer control advocate asserted. It was necessary, he added, "to know them well enough to promote new business through the contact their account affords to the credit department."[648]

It is important to emphasize, however, that while credit departments were increasingly involved in sales work, credit bureaus were not. Credit departments provided local bureaus with confidential customer information, but the bureaus themselves maintained their function as neutral compilers and repositories. Or, as one journalist put it: "It is like the taking of an X-ray picture; the credit bureau takes the picture and the credit store manager diagnoses it."[649] Early twentieth-century credit bureaus had nothing to do with the sales promotions or marketing campaigns of individual stores. Their primary concern was to maintain the support and active participation of their local subscribers and to improve the efficiency (thereby reducing the cost) of credit bureau management. It was not until the late twentieth century that computerized credit bureaus such as TransUnion, Equifax, and Experian began to parlay their valuable databases of consumer information into marketable commodities. Early-twentieth-century credit managers not only demonstrated how personal and financial information could be used to identify and segregate individuals based upon preferred characteristics, but embedded such classificatory schemes within the moral order of credit standing.

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[648] Ashby, *Credit Sales Promotion and Customer Control,* 32.
[649] Cohen, "Needed: More Credit Bureaus," 224.

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CONCLUSION

On October 1, 1939, Sherman Lewis Gilfillan, founder of the Retail Credit Men's National Association, died. A beloved figure, he was the "Christopher Columbus" of the organization. "We owe practically our very existence to Mr. Gilfillan," a *Credit World* tribute had earlier acknowledged.[650] Born in the village of West Salem, Wisconsin, in 1870, just as the first retail reporting organizations emerged more than a thousand miles away in Brooklyn and New York, Gilfillan's life spanned the formative years of consumer credit reporting. Raised near the busy lumber mills of La Crosse, Wisconsin, he went up the Mississippi River to Minneapolis at age nineteen. There he followed the typical trajectory of the first credit professionals, beginning work as a bookkeeper. After gaining experience with rubber and fuel companies, he was hired as a credit manager for the department store L.S. Donaldson in 1907.[651] "Thinking I would brush up on my newly chosen profession," he later recalled, "I called at the library for literature bearing on it, but to no avail. In fact, there was practically nothing published on Retail Credits in those days."[652]

By the time of his death just three decades later all of this had changed. The association he founded with a handful of colleagues in 1912 had grow into a national credit reporting network supported by thousands of professionalized credit managers, trade journals and numerous textbooks devoted to the subject, and standardized protocols for identifying, classifying, and communicating credit information about

[650] "S.L. Gilfillan, Our Retiring President," *Credit World* 4, no. 6 (November 1914): 3.
[651] "Sherman Gilfillan, Credit Field Leader," *New York Times,* 2 October 1938, 22. See also "S.L. Gilfillan," *Credit World* 7, no. 7 (6 March 1919): 25; and "A Few Remarks About Our Treasurer, Mr. S.L. Gilfillan," *Credit World* 8, no. 4 (December 1919): 19.
[652] S.L. Gilfillan, "The Early Beginnings of the National Association," *Credit World* (April 1937): 22.

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individuals in every corner of the U.S. This must have astonished Gilfillan and others of his generation. "The reader or the bureau worker of 1939 just hasn't any conception of the raw, rank and rotten situation which prevailed prior to 1916," a California credit bureau official reminded (citing the founding year of his own credit association as the turning point).[653] By 1940 a national system of consumer credit surveillance was well established. It weathered the Depression, even managing to expand its influence during the economic nightmare, and was poised to oversee the massive expensive of postwar consumer spending. In 1937 Arthur H. Hert, head of the national association's research division, could claim with authority that "of the 26 million families in the United States, approximately 20 million are recorded in the files of the credit bureau. Total individual master cards approximate 60 million."[654]

Between 1840 and 1940 the American "credit system" evolved into a full-fledged national credit economy, one that spanned a continent and involved new systems of finance, manufacture, distribution, and retailing through which millions of strangers transacted with one another. The growing impersonality of economic life was underscored by President Woodrow Wilson in one of his "plain talks" to the American people in 1913. Railing against the tyranny of big corporations and monopolistic trusts, he pointed to a fundamental shift in the everyday experience of twentieth-century Americans. "We have changed our economic conditions absolutely, from top to bottom; and, with our economic society, the organization of our life," he declared. "Today, the everyday relationships of men are largely with great impersonal

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[653] Storer, *A Narrative Report, 1916-1938,* 10.
[654] Arthur H. Hert, "Bureau Manager—Yesterday, Today, and Tomorrow," *Service Bulletin* (National Consumer Credit Reporting Corporation) 10, no. 9 (20 May 1937): 6.

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concerns, with organizations, not with other individual men. Now this is nothing short of a new social age, a new era of human relationships, a new stage setting for the drama of life."[655] Wilson, to be sure, did not have credit reporting in mind. Yet the estrangement of employers and laborers that he condemned ran parallel to that of creditors and borrowers, manufacturers and farmers, wholesalers and retailers, retailers and consumers. The rise of the consumer credit bureau and store credit departments reflected the growing impersonality of economic relationships, a process that was already underway when the first mercantile agencies were formed after the Panic of 1837.

Paradoxically, however, the foundation of credit, whether granted for commercial investment or personal consumption, had not changed at all. Derived from the Latin *credere,* to believe, credit depended upon the faith one party had in the good intentions and reliability of another. Credit, after all, was intensely personal. "A debtor is a man of mark," one writer noted with sarcasm in 1833. "Many eyes are fixed upon him; many have interest in his well being; his movements are of concern; he cannot disappear unheeded; his name is in many mouths; his name is upon many books; he is a man of note—of promissory note; he fills the speculation of many minds; men conjecture about him, wonder and conjecture whether he will pay."[656] During the early nineteenth century, the information upon which individuals made such calculated leaps of faith—interpersonal knowledge, community opinion, and personal endorsements—the underpinnings of credit itself, began to come undone. Amid of the

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[655] Woodrow Wilson, "A Declaration of Independence and a New Freedom," *Boston Globe,* 1 June 1913, SM6.
[656] "The Praise of Debt," *Philadelphia Album and Ladies Literary Portfolio* (7 December 1833): 7.

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tumult of the antebellum market revolution, the mercantile agency system introduced a technical solution to the problem of credit evaluation. Where informal, embodied ways of knowing were no longer feasible or considered reliable, a national apparatus of remote surveillance was developed to codify and communicate detailed information about the character and finances of individuals for the consideration of distant creditors. In effect, this national surveillance system gave birth to the concept of financial identity—a detached textual representation of one's life and circumstances that circulated as an information commodity within the files and rating books of remote institutions. The mercantile agency system provided for the institutional mediation of credit communication. This mediation, with its quasi-empirical credit ratings and aspirations to scientific precision, provided solace and a measure of confidence for creditors who no longer meet their borrowers in person.

At the same time, the complexity of the national credit economy and its increasing mediation by institutions such as credit reporting firms obscured as much as it revealed. "In the complex march of modern affairs, business has become more mechanical," the author of a credit textbook remarked in 1895. "We have lost the personal equation of our customers, or get it only at second-hand. The name of the debtor or creditor on our books is only a symbol which might as well be represented by a number."[657] In less than a century the great chain of credit and its deeply personal relationships had become unfamiliar to many Americans. The nineteenth-century interdependencies of Squire Jones, butcher Muggs, and shoemaker Cripps had lost their valence in a twentieth-century world of strangers. By the end of the nineteenth

[657] Goddard, *Giving and Getting Credit,* 30-31.

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century, retailers, like commercial creditors before them, found it difficult to evaluate the creditworthiness of their more numerous and mobile customers. Moreover, the threat of social sanction that compelled many individuals to honor their debts in small communities exerted little force in new cities and towns where they were often anonymous and transient. The problem of collecting debts was not new to late nineteenth-century retailers; grocers, tailors, physicians, and publishers had long complained of their victimization by negligent clients. But under new pressures to complete, small storekeepers as well as mass retailers—especially department stores—felt forced against their better judgment to provide credit accommodations. Between 1870 and 1900 consumer credit reporting organizations emerged throughout the country, some in the form of merchant-run associations, others as profit-making ventures, all working to develop surveillance systems to classify and control the nation's consumers.

Early credit managers such as Gilfillan were eager to embrace new methods for gathering, transcribing, and processing information about their credit customers. Their professionalization embodied the progressive ideals of scientific management at the turn of the century. The movement toward systematic credit management—like the development of commercial credit reporting a half century earlier—sought to convert informal and embodied knowledge into easily learned and transferable textual protocols. The adoption of standardized forms, filing systems, and cooperative networks of information exchange all worked to this end while adding a patina of formal expertise and legitimacy to the new profession. Though the impetus for

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professionalization came from credit managers in the commercial sphere rather than among those selling directly to the general public, the basic principles and institutional infrastructure established to regulate commercial credit were soon adopted by retailers to manage credit relationships with individual consumers. Where commercial creditors worked to impose a new spirit of transparency through the use of signed financial statements, retail creditors sought to lay bare the character—the moral disposition and behavior—of consumers in personal interviews and in the analysis of ledger experience that revealed patterns of responsibility or neglect (or more often a confounding mix of both). A *Time* magazine story in 1936 suggested that it was futile to hide one's private life or past mistakes; they would be quickly uncovered by the credit bureau. Investigating a Chicago woman who had relocated to Los Angeles, for example, the bureau "might learn that she was a widow of 40 with no children, enjoyed no visible means of support, lived in swank apartments, entertained unsavory characters, was late with her rent, lived in Chicago for only two years and left with $500 of unpaid bills."[658]

Though consumer credit reporting originated among retailers—notably department stores, large specialty houses, and installment dealers with their own credit departments—it soon found applications in other domains. During the 1920s public utilities found the credit bureau a useful resource and credit managers representing gas and electric companies joined the national association.[659] Around the same time personal finance companies looked to credit reporting organizations to evaluate

[658] "Credit Men," *Time* 27 (22 June 1936), 66.
[659] "Public Utilities as Credit Granters," *Credit World* 11, no. 1 (September 1922): 3.

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borrowers, and the national association entered into contracts with the Federal Housing Administration to provide credit information on prospective homebuyers.

Real estate companies and landlords also employed the services of the credit bureau. The information in their voluminous files, a business magazine reported, was used to investigate the "playing habits" rather than the "paying habits" of tenants. "Credit bureau files have turned up such fascinating characters as the man who kept a live alligator in his bath tub, another who decorated apartment walls with risqué murals," as well as noisy musicians, "chronic jitter-bugs" who caused chaos with their late-night "rug-cutting," and "fire-bugs."[660] Indeed, the interrelationship of financial behavior and moral conduct made credit reports attractive for more general screening practices. In 1896 a "pastorless church" consulted a mercantile agency to investigate a minister it was interested in hiring. "The day is past when either a genius or religion gives a person the right to be careless about social honesty," the church maintained. "He is a man to avoid who cannot face the mercantile agency, by he howsoever `doctored.'"[661]

The credit bureau's dossiers also served as a resource for law enforcement. During the First World War, NAMA made a show of its patriotism by offering the U.S. government unfettered access to its credit records.[662] And in 1937, the U.S. Department of Justice contracted with the National Consumer Credit Reporting Corporation to purchase reports for agents of the Federal Bureau of Investigation

[660] Paul D. Green, "They Get All the Credit," *Nation's Business* 33, no. 3 (March 1945): 68.
[661] "Mercantile Agencies and Ministers," *New York Time,* 19 January 1896, 17.
[662] "Credit Agencies Offer Reports to U.S. Gov't," *Women's Wear,* 13 August 1918, 38.

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through the organization's affiliates.[663] Credit reporting agencies had previously provided this information gratis to such officials. Commenting on the usefulness of cooperation with law enforcement, a California credit manager advised, "If the `desk sergeant' calls, ask no questions. Give him—get for him—all you have or can get and he will tell you what about and why, later, if and when it is proper."[664] During the 1940s credit bureaus were also used to locate missing people, such as "wandering husbands and wives," and assisted local police in the apprehension of "inveterate swindlers."[665] The overlap of credit reporting and police work was unproblematic. The interpenetration of surveillance systems—public and private, financial and criminal, personal and professional—was suggested in 1937 by a writer who praised the credit bureau's total information awareness. The value of their vast clippings files alone had been discovered by "government agents, police units, newspapermen, insurance companies, finance companies and many other lines of endeavor," he observed. "How important a small clipping, showing an arrest or conviction, becomes when we are later asked to prepare a special personnel report for a prospective employer, whether it be in the employing of a clerk, salesman or cashier for the business, or a servant, maid or child's nurse for the home. . . . Our ceaseless recordings are proving far more valuable than our fondest expectations."[666] The interconnection of public and private surveillance systems was further facilitated by a new system of national identification introduced in 1936: the Social Security number.

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[663] "United States Department of Justice Agrees to Buy Credit Information," *Service Bulletin* (National Consumer Credit Reporting Corporation) 10, no. 13 (5 August 1937): 1.
[664] Storer, *A Narrative Report, 1916-1938,* 82.
[665] Green, "They Get All the Credit," 68.
[666] Hays, "Principles of Credit Reporting," 6-7.

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Early credit professionals were earnest in their desire to collect and compile only "facts" about individual consumers. Though categories of analysis such as occupation, gender, race, and residence were used to infer degrees of individual moral hazard that have since been outlawed, these categories and their discriminatory application were a reflection of cultural values implicit in white, middle class, male-dominated American society during the first half of the twentieth century. This is to say, early credit professionals were not wholly responsible for the discriminatory practices they codified, though they did much to institutionalize them in their credit reporting protocols. Their commitment to cooperation and progressive business practices was certainly self-serving, but it also contributed toward a more equitable expansion of personal credit. Those of modest means—wage workers and laborers, both male and female—might be able to purchase goods formerly out of reach. Still, credit privileges came with strings attached. To participate one entered into a system of surveillance that was disciplinary by design; its implicit function was to regulate individual behavior. In 1929 sociologists Robert and Helen Lynd noted the peculiar disciplinary effects of credit relationships in small-town America. They were struck by the degree to which credit circumscribed individual behavior. The "sensitive institution of credit," they observed, "serve[d] as a repressive agent tending to standardize widening sectors of the habits of the business class—to vote the Republican ticket, to adopt golf as their recreation, and to refrain from `queer,' i.e., atypical behavior—will be noted."[667] Credit relationships, they realized, imposed

[667] Robert S. Lynd and Helen Merrell Lynd, *Middletown: A Study in American Culture* (New York: Harcourt, Brace, 1929), 47. Though commenting specifically about commercial rather than consumer

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normative standards that regulated the conduct of individuals, even in seemingly non-economic aspects of life such as politics and sports.

One of the most striking aspects of early consumer credit reporting, particularly from the perspective of our privacy obsessed age, is that it generated so little public reaction. While many credit applicants feared and resented credit manager's interrogation, and some were annoyed by administrative delays caused by authorizations, there is nothing to suggest that Americans were particularly concerned about their privacy or the circulation of their personal information among credit bureaus and credit departments. This is conspicuous in light of the vitriol hurled at the nineteenth-century mercantile agency system. Why investigations into the business assets and reputations of Americans incited more outrage than those used for granting consumer credit can not be readily answered. Perhaps a half century of mercantile credit reporting coupled with the American consumer's eagerness for instant gratification mitigated this. The development of consumer credit reporting during the early twentieth century was certainly no secret. As described in the previous chapter, credit bureaus and local associations went to great lengths to advertise their role in the community in order to maximize the disciplinary effects of their perpetual surveillance. But despite such efforts, much of the American public seems to have remained ignorant or indifferent. Analyzing popular press coverage of credit reporting between 1910 and 1930, one scholar has suggested that opposition was neutralized, or at least kept at bay, by its portrayal as a "necessary, proper, non-threatening" check.[668]

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credit, their observations are relevant to both.
[668] Arena, "Framing an Ideology of Information," 442.

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In this way, credit surveillance was presented as a socially redeeming technology that merely affirmed the goodness of honest Americans while exposing the malignant, professional crooks and the arrogant rich alike. A rare expression of discontent appeared in a San Diego newspaper in 1930. "No reasonably honest citizen objects to it," the writer observed. Such blind acceptance was "picturesque proof of the docility with which we submit, for the sake of business, to a spy system which we would indignantly resent if it were set up on behalf of government."[669] Underwriting the credit bureau's disciplinary surveillance was an ideology of financial morality the privileged the economic welfare of the nation over that of the individual.

Recalling a lifetime of retail credit work, a Massachusetts credit manager marveled at the rapid progression from cumbersome ledger books to rapid telephone communication that he had witnessed since his start in 1886. "But the inventive genius of man has not, yet produced a robot which can judge between a desirable and undesirable applicant for credit," he concluded in 1935.[670] The fantasy of the robot credit manager stirred mixed feelings: it signaled the perfection of the science of credits and the obsolescence of the credit professional. The technological problem of retail account management figures prominently in one of the most famous documents of twentieth-century computer history, Vannevar Bush's "As We May Think."[671] Despite the millions of coded records documenting the personal and financial lives of American's in every part of the nation by 1940, the idea that credit assessment could be fully textualized and automated was doubted by practitioners. The development of

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[669] "The San Diego Daily," *Credit World* 18, no. 10 (June 1930): 7.
[670] James Wilson, "Fifty Years in Retail Credit," *Credit World* 23, no. 11 (August 1935): 5.
[671] Vannevar Bush, "As We May Think," *Atlantic Monthly* 176, no. 1 (July 1945): 106.

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consumer credit reporting was characterized, above all, by fundamental tensions between vying forms of knowledge: embodied versus textual, intuition versus science, singularity versus standardization, subjectivity versus system. These tensions were largely resolved, in principle if not in practice, during the 1970s and 1980s when consumer credit reporting was computerized and consolidated in the hands of several national corporations. The use of sophisticated credit risk scoring algorithms, particularly that introduced by Fair Isaac in the late 1960s, seemed to augur a new technocratic age.

Yet, as this study has attempted to illustrate, financial identity—codified by such institutions and used to predict the behavior of individuals—is a form of moral identity. To be a good credit risk is, to some extent, to be considered a good person, one who is responsible and trustworthy. On the other hand, poor credit ratings may be taken as a sign of incompetence, extravagance, weakness, or at best a susceptibility to misfortune. Indeed, the common causes of financial distress—illness, divorce, and job loss—are themselves tinged with moral failure: a failure of self management in the care of one's health, personal relationships, or career. Why else do some employers conduct credit checks for prospective employees? The moral dimension of credit reporting is hardly concealed even today. According a U.S. Federal Trade Commission, a consumer report consists of "information about your personal and credit characteristics, character, general reputation, and lifestyle."[672] But while pointing to the conflation of the economic and the moral, it would be disingenuous to

[672] "Using Consumer Reports: What Employers Need to Know," Federal Trade Commission, Bureau of Consumer Protection, <http://www.ftc.gov/bcp/conline/pubs/buspubs/credempl.shtm> (accessed 9 June 2008).

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suggest that they should be held separate. Indeed, the problem of credit reporting and financial identity is not that they should be more objective or technologically sophisticated, but that the economic is always embedded in the social and thus cannot help but reflect certain moral assumptions. In the end, all systems of credit reporting, including those used to identify, track, and predict the behavior of consumers, are also systems of moral communication. As a mechanism of social control, financial surveillance works, if it works at all, because it is also a form of moral accounting.

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