International Credit Information Bureaus in the U.S., Britain, and Germany, 1900-1940

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This paper is part of a larger project that ultimately will trace the spread of business credit reporting institutions around the globe from the late nineteenth century to our own time. (In this instance, "credit reporting" refers to the gathering and dissemination of financial and business information on individuals and firms. The world's largest business credit reporting firm, Dun & Bradstreet Corp., currently operates in 200 countries and had 2006 revenues of $1.5 billion.) [1]

Historically, credit information was obtained through networks made up of family and close associates, or more formal groups of merchants in the same line of business. Formal associations that span multiple lines of trade, and which make no distinction between wholesale and retail, are of even more recent vintage. The Society of Guardians for the Protection of Trade against Swindlers and Sharpers, established in London in 1776, was the first such formal group set up specifically to exchange credit information. The Society was purely private; governmental authorities made no contribution to its formation or administration.

Nearly a century later, in the 1860s, similar groups began to appear in Germany. There, the groups were formed with the active participation of the local chambers of commerce and boards of trade – bodies that perform a semi-public function in that country. So the first thing to note about these groups is that they reflect the business cultures and structures of their home countries: in the U.K., the groups were formed as purely private solutions to the problem of information asymmetry in credit granting; in Germany, they were sponsored by semi-public bodies such as chambers of commerce and boards of trade. Both the U.K. and German models shared features in common, however. First, they were non-profit enterprises: members' dues paid the associations' expenses, and no one made a profit from selling the information. Second, the exchange of information involved only those who had sold to, or were considering selling to,

[1] Hoovers, www.hoovers.com/d&b, July 2007. (Hoovers is itself part of Dun & Bradstreet Corp.).

a potential buyer. Access to the information was restricted to members of the group, and severe penalties were imposed on members who shared the information with outsiders. Finally, in both countries, the groups began as purely local endeavors but quickly established correspondence with one another to form large, cross-country networks of information sharing.

In the United States, a different solution to the problem of information asymmetry evolved in the form of credit-reporting agencies. In *A Culture of Credit* (2006), I traced the development of this institution, which first appeared in New York City in the 1830s and was formalized into the Mercantile Agency by abolitionist Lewis Tappan in 1841. (The Mercantile Agency became the R.G. Dun Co. in 1849. It merged with competitor Bradstreet to form Dun & Bradstreet in 1933). [2]

Perhaps the main difference between the U.S. credit reporting agencies and European mutual protection societies was that the American agencies were third-party purveyors of information – that is, they gathered information on individuals and firms and then sold it to anyone willing to pay for the information. This feature of the American system subjected the credit reporting agencies to numerous legal challenges revolving primarily around the question of "privilege"; that is, whether information bought and sold by a third party could be given the same legal status as information obtained by creditors strictly for their own use. American courts decided for and against the agencies beginning in the 1840s. By the 1880s, however, the agencies were deeply enough embedded in American trade so that the challenges to their right to exist had diminished.[3]

In my book, I argue that the process of endowing legitimacy to these credit reporting agencies was entwined with a change in the way that business information was perceived in the United States. No longer was such information necessarily considered confidential, secret, privileged, or private; nor was it seen to be the exclusive preserve of merchants who were

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[2] Rowena Olegario, *A Culture of Credit: Embedding Trust and Transparency in American Business* (Cambridge, Mass: Harvard University Press, 2006).

[3] British and German mutual protection societies also faced legal challenges. See, for example . . . Ironically, in the United States, credit reporting agencies achieved legal protection sooner than did trade associations that exchanged credit information. See Podell, David L. and Benjamin S. Kirsh, "Credit Bureau Functions of Trade Associations: The Legal Aspects," *St. Johns Law Review* 1, no. 2 (May 1927): 101-128.

actually selling goods to the people in question. Instead, access to financial information -- as well as to individuals' past behaviors, including their propensity to drink and gamble – was made available to anyone willing to pay the agencies for it. Thus was embedded the preference for transparency in business dealings, a radical change from traditional attitudes, which regarded the information generated by business transactions as the exclusive preserve of those actually involved in the transaction itself.

As it turns out, the United States, too, began forming mutual protection societies to serve the needs of trade creditors, but only near the end of the nineteenth century -- later than in Germany, and much later than in the U.K. Associations of firms who operated in the same lines of business (hardware manufacturers, for example) formed the first such groups. But in 1896, a new type of organization -- the National Association of Credit Men (NACM) -- appeared. The NACM represented credit men working in a multitude of businesses, and in both distribution and manufacturing. Its founders were driven not simply by the conviction that the mutual protection society model could fruitfully exist alongside the credit reporting agencies, but also by the desire to achieve professional status. In this, they were part of a trend that swept the United States in the last decades of the nineteenth century, when bankers, accountants, and others sought to enhance their social prestige through the establishment of professional associations. Ironically, the new "credit men" described their organization as progressive and on the cutting edge of change. They praised the cooperation among themselves that made their new association possible and self-consciously contrasted it with the cut-throat competition among businesses that had characterized the past. Yet, in reality, these supposedly new organizations mirrored the kinds of arrangements that had long existed in the U.K. and Germany – arrangements that almost no American credit men acknowledged as historical precedents to their own "modern" endeavors.

I outline briefly here the developments in credit information sharing that occurred in the U.S., and the U.K. in the period 1917-1940. I have been able to piece together the story for Germany only up to the year 1900. (Research in Germany itself will, I trust, allow me to outline the story for that country for the rest of the twentieth century.)

American Practices

Beginning in the 1890s, the feeling grew among some American businessmen and policy makers that foreign markets were a solution to domestic overproduction, depressions, and unemployment. Among the many business groups lobbying for a more robust foreign trade was the National Association of Credit Men. For years, members of the group attempted to establish both a foreign and a domestic credit information interchange, or “bureau.” (Interchanges and bureaus are a formalized system of information exchange. In the American system, sellers of goods “opened their ledgers” to other members; that is, they reported the outcomes of their transactions with particular buyers, whether positive or negative.) Although in theory beneficial, the attempts to establish credit bureaus had run into a number of obstacles. The most serious was the feeling among some credit men that the benefits to themselves would not compensate for the time and effort the system demanded. Others also felt that creditors in certain commercial cities would benefit far more than their small-town counterparts. And because the system relied so heavily on voluntary effort – including the timely response to requests from fellow members – many credit men expressed profound skepticism that a national bureau could be made to work at all.

Numerous sources of information on foreign customers were already in existence. These included the credit reporting agencies, the Philadelphia Commercial Museum (founded in 1894 to promote American and foreign commerce), the National Association of Manufacturers (established in 1895), the American Manufacturers Export Association (founded around 1910), American consular offices, commercial attachés, and trade commissioners, banks, and the credit departments of export publications. [4] Prior to the First World War, the National Association of Manufacturers and the American Manufactures Export Association were the only two groups that operated on a cross-industry basis. Members of these associations were smaller manufacturers that, unlike large firms, had not established their own foreign branches. By 1912, the National Association of Manufacturers reportedly had files on tens of thousands of foreign businesses, some gained by contacting the firms directly, others through special inquiries made to local banks, merchants, and U.S. firms that had previously dealt with the foreign firm. NAM also maintained a collection bureau and lists of foreign attorneys. It had 1,400 correspondents –

[4] L. John Bergman, “Elementary Foreign Credits,” *Credit Monthly,* v. 22, no. 4 (May 1920): 18-19, p. 18.

foreigners and Americans living abroad – who provided information on market opportunities in their localities. [5]

Yet credit men complained that most of the information obtained from these sources was of a general character only. Crucially, they did not include specific information on past transactions ("ledger experience"), such as whether a buyer had paid with cash or credit, the terms of the sale, and whether bills were paid promptly.[6] Members of the National Association of Credit Men argued that exchanging ledger experience rather than simply coming up with a consensus opinion on buyers was the key to providing American firms with the confidence to sell on credit to foreign customers.

From the 1890s onward, the dream of establishing national and international credit bureaus advanced only fitfully in the United States. The First World War, which severely disrupted existing international trade channels, provided the necessary catalyst. With the prospect of the war ending, American credit men felt a heightened sense of urgency about establishing a foreign credit bureau, both to rebuild international trade and to take advantage of America's newly dominant position within it. Thus the Foreign Credit Interchange Bureau (FCIB), whose formation had stalled for so many years, was finally approved by the National Association of Credit Men in 1917 (although it would take two years to become operational.) In 1918, the Foreign Credit Round Table – a related project involving a group of American exporters -- began to meet monthly in cities like New York and Boston; by 1920, its membership had grown to eighty export managers. In 1926, the FCIB had some 460 members, and two years later, the organization reported issuing well over 100,000 reports and inaugurated surveys of credit and collection conditions in Latin America. It published a weekly Confidential Bulletin containing information on the economic and credit conditions in foreign countries. The National Association of Credit Men was in communication with twenty-five American

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[5] William H. Becker, *The Dynamics of Business-Government Relations: Industry and Exports, 1893-1921* (Chicago: The University of Chicago Press, 1982), chapter 3.

[6] Address by Louis S. Goldstein, New Orleans, La. . . June 23-26, 1914 (pamphlet), n.p., in Proceedings of the Nineteenth Annual Convention of the National Association of Credit Men, Rochester, N.Y., June 23-26, 1914, scrapbook ledger, NACM Archives.

Chambers of Commerce around the world, and information on the association was placed on file in over fifty foreign branches of the U.S. Bureau of Foreign and Domestic Commerce. [7]

The Foreign Credit Interchange Bureau became something of an evangelical cause for American credit men. "Our foreign credit department is in effect a commercial missionary carrying to many lands the ideals, aims and aspirations of the National Association of Credit Men," declared International General Electric Company's P.M. Haight. He envisioned "that day in the future when business in all the civilized countries of the world will be working for the same ideals, the same code of ethics" as the NACM. [8] The attitude mirrored the one held by U.S. foreign policy makers, who had adopted what diplomatic historian Emily Rosenberg terms a philosophy of "liberal-developmentalism." According to this philosophy, America's robust economic development was based on the tenets of nineteenth-century liberalism and could be applied universally – with the United States, of course, as the benign driving force. Free trade was not at the forefront of this ideology, for America itself was strongly protectionist. Instead, what Rosenberg describes as "support for free flow of information and [American] culture" constituted one of its most important tenets. [9]

American credit men speaking to audiences abroad repeatedly stressed the desirability of open information sharing, and they almost always commented on the "Americanness" of the practice. In 1925, for example, Dr. John Whyte, head of the Education and Research Department of the National Association of Credit Men, and Assistant Professor of German in the College of the City of New York, gave a lecture at Leipzig Commercial University in which he described the credit interchange system as peculiarly American. [10] That same year, in a meeting of the International Chamber of Commerce in Brussels, another American credit man stated that "the doctrine of cooperation" embodied by the interchange system was "revolutionary in character"

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[7] National Association of Credit Men, Convention Reports, Thirty-Third Annual Convention, June 1928, Seattle, Washington, p. 54, NACM Archives; P.M. Haight, "Foreign Credit Work Gets Increased Attention from American Business," *Credit Monthly*, v. 31, no. 7 (July 1929): 39.

[8] Proceedings of the Thirty-Second Annual Convention of the National Association of Credit Men, Louisville, Kentucky, June 6-10, 1927, p. 264, scrapbook ledger, NACM Archives.

[9] Emily S. Rosenberg, *Spreading the American Dream: American Economic and Cultural Expansion, 1890-1945* (New York: Hill and Wang, 1982), p. 7

[10] *Credit Monthly*, v. 27, no. 10, October 1925, p. 30.

and did not exist anywhere but in the United States. “Surprise has often been expressed by foreign firms,” maintained yet another American exporter, “at the generosity of the American business man in giving of his hard won experience to other firms, even to competitors.” [11]

American credit men exaggerated the extent to which their association was “revolutionary in character.” Creditors’ mutual protection societies were neither new nor peculiarly American; they had existed for nearly 150 years in the U.K., and for many decades in Germany. Yet the Americans were correct in emphasizing the unique features of their Foreign Credit Interchange Bureau: the exchange of *specific* ledger information (both positive and negative), and the greater reliance on financial statements.

British practices

In 1927, Bertram J. Perkins, European director of Fairchild Publications, observed that credit men’s associations of the sort that existed in the U.S. did not exist in the Europe, where information tended to consist of “glittering generalities . . . What [a man] is rather than what he has.” In the U.S., asking potential buyers for their financial statements had become more accepted (although by no means wholly so); but in the U.K., to ask for a statement was still considered insulting – an indication that an individual’s word was not considered trustworthy. [12] Further, the interchange of ledger information, particularly among manufacturers in different lines, did not occur in the U.K. Instead, such information flowed among specific trade channels only. Cuthbert Greig, Secretary of the London Association for the Protection of Trade (discussed below), and the author of two textbooks on credit granting, believed it was important to have a national clearing house for all lines of business -- among manufacturers *and* distributors -- in the manner of the National Association of Credit Men. Unless this was done, he argued, swindlers in the U.K. could continue to defraud firms in one line of business before

[11] Ernst B. Filsinger, “No Counterpart in Europe: National Association of Credit Men Purely Indigenous,” *Credit Monthly*, v. 27, no, 7 (July 1925): 23, 41, p. 23; Lewis S. Thomas, “Credit Granting Abroad: A Delicate and Essential Feature of Export Trade,” *Credit Monthly*, v. 28, no. 3 (March 1926): 10, 31-32, 36, p. 32.

[12] Bertram J. Perkins, “What He Is, Not What He Has: Basis of Credit Reference in France and England,” *Credit Monthly*, v. 29, no. 11 (November 1927): 18, 35.

switching to others, secure in the knowledge that information did not cross trade and sector boundaries. [13]

The practice of credit information sharing had already had a long history in Britain. In the late eighteenth century, attempts to stem fraud by improving the flow of credit information had led English mercantile and retail creditors to band together into trade protection societies. Based loosely on the guilds, the societies were established in London and other commercial centers to protect members against “swindlers and sharpers” by formalizing the transmittal of trade gossip. The earliest such group was the Society of Guardians for the Protection of Trade against Swindlers and Sharpers, established in London in 1776. A surviving list of members for the year 1812 indicates that the society at that time had approximately 550 members, nearly all in London. Members operated in a wide variety of trades, both wholesale and retail, and included, druggists, stationers, flour factors, lead merchants, and woolen drapers, among many others. [14]

It is unclear how long this group remained in operation, but another, the Society of Mutual Communication for the Protection of Trade (later the Mutual Communication Society), proved more long lasting. Modeled on the Master Tailors guild, the society was founded in 1801 at the British Coffee House in London's Charing Cross. Its constitution expounded two principles that were to lie at the heart of all trade protection societies: “Every Member is bound to communicate to the Society without delay, the Name and Description of any Person who may be unfit to trust, for the security and satisfaction of the other Members; and shall, on all occasions, impart, without reserve, any information that may be solicited by any of the Members.” The second principle decreed that the society was run not for profit, but solely as a service to its members; all expenses were to be paid from a common fund. [15] Three further regulations governed the society: first, that the information would not be divulged outside of the

[13] Cuthbert Greig, “All in the Same Boat: Here and Abroad Credit Problems are Similar,” *Credit Monthly* v. 30, no. 11 (November 1928): 5-6.

[14] *A List of Members of the Society of Guardians for the Protection of Trade Against Swindlers and Sharpers* (London: G. Sidney, 1812).

[15] C. McNeil Greig, *The Growth of Credit Information: A History of UAPT-Infolink plc.* (Oxford, U.K.: Blackwell Publishers, 1992), pp. 12-14, 106.

membership; second, that members' decisions about whom to trust for credit would not be constrained in any way by the society; and finally, that no member would give false or malicious information, or combine with others to deny credit to any individual. Tickets were issued and a strict procedure implemented so that only members had access to the society's records.

In 1823 John Smith, owner of the *Liverpool Mercury*, called a meeting of that city's businessmen at a local hotel, where they agreed to set up the Liverpool Society of Guardians. Three years later he convinced traders in Manchester to establish a society there. Similar groups were soon operating in Bath, the Yorkshire/Lincolnshire area (centered in Hull), Leeds, Leicester, Glasgow, and Aberdeen. In 1839 steps were taken to form the London Association for the Protection of Trade, and the society was officially established in that city's West End in 1842. [16] Membership requirements in all of the societies were strict, to ensure that information was trustworthy. The Liverpool society bylaws, for example, specified that businesses who wished to join had to be recommended by two existing members. Their acceptance was voted on by the entire membership during the quarterly general meetings. Withholding information, sharing information with non-members, and bankruptcy were cause for expulsion, and the Secretary kept a list of persons who were deemed inadmissible into the society. [17]

From the beginning, the Liverpool society bylaws recommended that "correspondence be established with similar Societies throughout the Kingdom," indicating that national coverage was an early goal. [18] Some sharing of information appears to have occurred in the 1830s, when a number of the association heads (or "secretaries") began meeting informally. The meeting became a conference of secretaries in 1848, and in 1865 the National Association of Trade Protection Societies was established. Its constitution required all member societies "to reciprocate with all and each of the other Societies, in procuring and giving information in answer to enquiries without undue delay," and to exchange circulars with one another. By 1868, according to its annual report, the confederation had "solicitors, agents, or correspondents in

[16] *Ibid*., pp. 14-17, 21.

[17] *Society of Guardians for the Protection of Trade Against Swindlers and Sharpers. Established Feb. 26, 1823* (Liverpool: J. Nevett & Co., 1824).

[18] *Ibid.*, p. 12.

2,500 towns and places" throughout the United Kingdom. By the end of the nineteenth century, the national association had seventy-six member organizations totaling some 40,000 individual members. [19]

The nineteenth century saw an explosion of bureaus within the United Kingdom and the formation of an apparently dense network of information exchange. Yet in 1934, Cuthbert Greig, who had become secretary of the LAPT more than a decade earlier, felt it necessary to explain to an American audience why business and consumer credit reporting in Britain seemed "old fashioned" from a U.S. perspective. Why, despite having pioneered the use of mutual protection societies for the sharing of credit information, had British practices not advanced to the level of the U.S.? Greig pointed, first, to the fact that distances in Britain were much smaller, and its population much less mobile. Except in a few large towns, therefore, retail traders in provincial areas knew their customers, and meetings among local retailers were sufficient for sharing information on bad debtors. Greig acknowledged that the reports produced by British associations were not as sophisticated as those of American credit men. British reports consisted of "a 'chatty' reply giving every sort of information from history of the parents of the subject of inquiry down to the subject's childhood, past employment, and character." Financial information was sparse, and the exchange of ledger experience non-existent. The Great War may have changed the old, settled ways, wrote Greig, but the existing structures and methods remained largely intact. Signs of change were in the air; the U.K.'s Builder and Allied Trades, for example, had set up a bureau to exchange ledger information. But Greig believed that much more needed to be accomplished before the U.K. would catch up to America. "The old country in the twentieth century," he wrote, "goes to the new country to consider new applications of old principles." [20]

When it came to cross-border reporting, however, the U.K. and Europe clearly were at the forefront. The London Association for the Protection of Trade opened an office in Brussels

[19] Margot C. Finn, *The Character of Credit: Personal Debt in English Culture, 1740-1914* (Cambridge, U.K.: Cambridge University Press, 2003), pp. 290, 299. By 1939, some seventy societies were affiliated with the National Association of Trade Protection Societies (NATPS). The trade protection society movement declined dramatically after WWII. C. McNeil Greig argues that the societies' not-for-profit orientation contributed to their demise. Greig, *The Growth of Credit Information*, pp. 14-17, 19.

[20] Cuthbert Greig, "John Bull's Credit System," *Credit and Financial Management* , v. 36, no. 11 (November 1934): 18-19, 42.

in 1925-26 and one in Antwerp soon after, and it had ambitious plans to open many more. An LAPT report referred to an agreement that had been reached with over 700 local bureaus across continental Europe to share information on local market conditions and on businesses listed on their registers with British merchants – all free of charge. In addition, some 740 offices located in the United States were potentially available for consultation. (Presumably, these 740 offices included not just the local chapters of the National Association of Credit Men – since they numbered only some 150 at this date -- but also chambers of commerce, trade groups, and the like.) The LAPT's proposed offices on the continent never materialized, and the Brussels office was closed in 1946, twenty years after it had opened. [21] But the association (which in 1927 changed its name to the International Association for the Promotion and Protection of Trade Limited, or IAPPT), reported that year that in addition to its correspondence with European bureaus, it had set up working arrangements with trade groups in South Africa, India, and Latvia.

Greig visited the U.S. and Canada in 1928, and as a result, formal agreements were signed with the National Association of Credit Men (150 offices), the National Retail Credit Association (a consumer credit bureau that had 900 offices), and the Canadian Credit Men's Trust Association Limited. Agreements were also made with two agencies in New Zealand. By 1929, the IAPPT reportedly had a total of some 1,500 affiliations and branches throughout the world. British exporters also could get assistance from the Overseas Department of the Board of Trade, the Federation of British Industries, and the Chamber of Commerce. In 1932, the IAPPT reported that it had over 2,000 affiliated offices throughout the world and had acquired the Indian and Eastern Association, with over eighty members. [22]

German practices

At the beginning of the Great War, an American expert on German export trade compared it favorably to that of the United States. With the exception of the very largest

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[21] C. McNeil Greig, *The Growth of Credit Information,* pp. 164-166, 184.

[22] *Ibid.,* pp. 168-169, 177, 268-274; Cuthbert Greig, "Foreign Collections," *Credit Monthly*, v. 31, no. 10 (October 1929): 27; National Association of Credit Men, Meeting of the Board of Directors, October 9-11, 1928, Chicago, scrapbook ledger, p. 3, NACM Archives.

manufacturers, he said, Germany's foreign trade was controlled by a few export commission firms that had immense resources. The export firms were backed by almost unlimited assistance from German banks. "Both the commission houses and the banks," he explained, "have a network of 'over-sea' branches, presided over by picked men of ability, trained in the language and customs of the countries to which they are accredited, who eagerly welcome temporary expatriation as a splendid opportunity for a career." [23] American exporters, in contrast, did not have the arrangements on which German and British exporters had long relied. (British banks, for example, had established branches in Argentina in the early 1860s for the express purpose of providing short-term credit to Argentine buyers.) U.S. foreign trade had increased tenfold in the fifty years preceding World War I, but most of it was financed by European banks. [24] Unlike European banks, U.S. national banks were legally prohibited from establishing branches in foreign countries. Thus, "there has been denied to the United States a factor which has been of inestimable value to Germany, England and France in the treatment of foreign credits." [25]

A large force of German commercial travelers (traveling salesmen) working for the commission houses also constituted "a most complete information bureau, supplying their principals with exhaustive details as to political, economic, and commercial conditions." With such resources at their command, it was no wonder that the German export houses had comparatively few problems making credit decisions. Unlike their American counterparts, the lucky German exporters had little need to scramble for information on foreign buyers. [26]

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[23] Address by Louis S. Goldstein, 1914, n.p.

[24] Siegfried Stern, "The Role of Private Credit in Hemispheric Trade," *Law and Contemporary Problems*, vol. 8, no. 4 (Autumn 1941): 737-751, p. 737.

[25] Address by Louis S. Goldstein, 1914, n.p. The first foreign branch of a U.S. trust company was established in 1887 by Jarvis-Conklin Mortgage Trust Co. In 1914, the National City Bank of New York also established a foreign branch, but generally, U.S. banks did not begin to establish foreign branches until the country began to export capital after World War I. Following a post-war retrenchment, the number of U.S. banks with foreign branches rose beginning in 1925. In 1930 they numbered 234, probably the highest in U.S. history, although only fourteen banks and trust companies accounted for nearly all the branches. The majority of U.S. banks instead relied on foreign banks as correspondents. Clyde W. Phelps, "The Future of American Banking Abroad," *Credit Monthly*, v. 32, no. 11 (November 1930): 21-22, 43-45.

[26] Address by Louis S. Goldstein, 1914, n.p.

Germany also had established a credit information network that served the needs of smaller firms -- precisely the kinds of businesses that American credit men hoped would participate more actively in foreign trade. Characteristically, in Germany the solution to the problem of information asymmetry in trade credit was a mixture of private initiative and semi-public sponsorship. Like the U.K., German businesses first established local mutual protection societies. And, again like the U.K., they eventually formed a network of reciprocal privileges.

In 1864, two tradesmen in the town of Dresden formed the "Mercantile Protective Association" under the direction of the local chamber of commerce. Other localities in Germany soon copied the arrangement, also assisted by their chambers of commerce. But the limitations of these groups' purely local orientation apparently proved unsatisfactory. In 1881, seventeen years after the formation of that first association, a group of business men in Mainz organized a Credit Reform Association that covered a larger range of businesses and a wider geography. [27]

The new association took upon itself the task of encouraging businessmen throughout Germany to form similar bodies, with the goal eventually of establishing correspondence among them. Credit Reform Association agents called on local chambers of commerce, boards of trade, and other businessmen's associations. The agents apparently were successful, for only a year later (1882) representatives from the newly created bodies met in Mainz to agree a basis for reciprocal exchanges of information. Thus was established the Union of the Credit Reform Associations (Creditreform). In addition to distributing confidential credit information and helping to collect bad debts, the Union pledged in its constitution – and in its name -- to help prevent the abuse of credit by lobbying for reforms. [28] (Creditreform exists today in a number of European countries, including the newest members of the European Union. In 1995, nineteen Creditreform associations formed a federation, Creditreform International.) [29]

The Union gave primacy to the individual associations, which remained self-governing, each with its own constitution and by-laws. Independence was yielded only in matters that

[27] James G. Cannon, "Plan and Scope of the Union of the Credit Reform Associations of Germany . . . read before the Philadelphia Credit Men's Association, March 22, 1898" (pamphlet, no publisher), pp. 4-5.

[28] *Ibid*., pp. 5-6.

[29] Creditreform International, www.creditreform.com, July 2007.

affected the interests of the Union. The structure was hierarchical: each local association had subordinate offices, or branches, which provided written and oral reports on businesses within their neighborhoods. Above the locals were the District Unions, which united several locals with common interests – for example, those engaged primarily in manufacturing or mercantile activities. A newspaper, the *Union News*, kept members apprised of developments. From the beginning, the Union was envisioned as international in scope. A "Warning Bulletin" provided a list of fraudulent dealers throughout the world, and a "search list" of debtors who had reneged on their obligations was issued as a supplement to the *Union News*. The publication of such lists had recently been deemed legal by the Supreme Court in Germany, a move that mirrored developments in both the U.S. and the U.K., [30]

Every local had a business manager. In small cities, a local lawyer, a well-known business such as a local bank, or an official in the Board of Trade or the Chamber of Commerce, took on the work of getting and giving information. The designated person or organization was compensated by member dues and payments for special reports, out of which the bureaus' expenses also were met. As with all mutual protection societies, members were forbidden from sharing information with non-members. Bureaus that revealed information to a third party were fined heavily, and more serious transgressions were met with expulsion. Whether the ultimate penalty would be imposed was decided by the Executive Committee, and although expelled members could appeal its decisions, they could not take their grievances to the courts. [31]

To make information available as quickly as possible, members requested written reports directly from the local bureau rather than the head office. Where a bureau did not exist, correspondents were used; in the mid-1890s, the Union reportedly had a list of some 18,000 European correspondents, as well as a few in North America. Other sources of information included commercial travelers, who frequently visited the local bureaus. The process of trying to collect bad debts also yielded valuable information. [32]

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[30] Cannon., pp. 6-7, 18, 20.

[31] *Ibid*., pp. 11-13.

[32] *Ibid*., pp. 15-16.

Any information already in the files was free to members. The equivalent to twenty American cents was charged for customized reports done in Germany. For research done in foreign countries that had branch offices, the charge was 25 cents, and in countries without branches, the charge reflected the actual costs. Reports could be sent by telegraph through the home bureau. For six months after an inquiry was made, the local bureaus were obliged to report any information that could materially affect the credit of the business inquired about. Certificates of membership were furnished in eight languages to facilitate inquiries made in foreign branch offices by members traveling abroad. The Union made it clear that it did not interfere with the credit decisions made by its members. Rather, it provided facts alone and left the decision making to those actually extending credit, based on their analysis of the conditions in each particular case. (The disclaimer mirrored ones made by the American credit reporting agencies at about the same time, indicating that Americans and Europeans may have been aware of each other's institutional practices.) [33]

In addition to making information available to members, the Union lent its name and prestige to help collect bad debts. No charge was made for the service, and when a payment was collected, the Manager was responsible for transmitting the entire amount to the creditor, deducting only for postage. Members asking the Union to exert moral suasion on debtors were responsible for making certain their claims were correct. They, not the Union, were liable for any adverse consequences of false claims against debtors. The Union also helped foreign firms obtain local agents and helped secure attorneys to represent members in court cases, or in cases before the Board of Trade or Arbitration. [34]

In the mid-1890s, the Union included 330 local associations, 326 branches, and five "Official Agencies." In addition to Germany, these were located in Belgium, Bulgaria, Denmark, Great Britain, Italy, Holland, East Roumelia, Switzerland, Serbia, Turkey, and Austria. (Great Britain, Holland, Switzerland, and Austria were particularly well served.) The Union reported having over 50,000 members. Differences in legal and regulatory regimes among countries presented problems. For example, German courts had affirmed the right to publish

[33] *Ibid*., pp. 16-19, 29.

[34] *Ibid.*, pp. 19, 21, 26-27.

black lists, but other countries had not. Nor had the process of exerting pressure on debtors in the collection of bad debts been recognized in other countries. A proposed solution was to decentralize the Union into a federal structure, with each local office conducting business in conformity with the laws of its home country. [35]

A few generalities and some questions for further research

Documents from the 1890s to the beginning of World War II reveal the existence of networks of credit societies (bureaus) for the exchange of credit information. The networks consisted of thousands of local bureaus in the United States, Canada, the U.K., Europe (including central and eastern Europe), India, South Africa, and no doubt other parts of the world as well. Little research has been devoted to understanding these networks, perhaps precisely because they consisted of small, not-for-profit societies rather than large corporations like Dun and Bradstreet. Further research is needed to discover precisely how they worked, who they served, and the extent of their effectiveness.

Although my own research is still at the initial stages, a number of generalities and questions emerge. First, we can summarize the differences among the European and American approaches to credit information sharing:

European approach

- No separation of business and consumer credit reporting
- Financial statements not requested for fear of causing offense
- No exchange of ledger experience (i.e., reports on outcomes of specific transactions)
- Focused more heavily on negative information (i.e., alerted fellow members about bad debtors, but did not share all information)
- Third-party, for-profit providers of credit information (e.g., Dun and Bradstreet) absent or poorly developed
- Very little cross-industry sharing of information among manufacturers

[35] *Ibid.*, pp. 21-22, 30-31.

- Up to World War I, U.K. and Germany had more developed system of banking for overseas trade
  - Banks were a source of information on overseas customers

American approach

- Greater separation of business and consumer credit reporting
  - Business credit reporting pre-dated consumer credit reporting by several decades
- Greater success in obtaining financial statements
- Ledger experience exchanged
- Exchanged positive and negative information
- Well-developed third-party, for-profit providers of credit information (e.g., Dun and Bradstreet)
- More cross-industry sharing of information among manufacturers
- Until World War I, had poorly developed system of banking for overseas trade
  - Less access to this source of information on overseas customers

Among the questions suggested by the research are the following:

- Who were the primary users of these credit information sharing services? In the U.S. U.K., and Germany, large manufacturers and exporters hired their own agents, or had close relationships with intermediaries (such as large banks) from whom they could obtain information. Presumably, the networks existed primarily to help smaller exporters, or firms that did only a small amount of exporting. If so, did the networks enlarge the number of such companies that engaged in foreign trade?

- What does the existence of a cross-border network of credit bureaus, which was particularly strong in northwest Europe and Germany, tell us about the extent to which that area was economically integrated, at least until World War I?

- Did the existence of these networks – and their attempts to make business information more available to creditors – have an effect on business culture? Was that effect the same in all countries?

- How aware were European and American business people of the way this institution was developing across the Atlantic? What did they make of these developments, and did the knowledge affect the way credit reporting evolved in their own countries?