

BETTER CREDIT REPORTING.

Practical Operation of the Credit Clearing- House in Detail.

Working Relation of Credit Departments to the Clearing Centers—A Division of Labor—Description of a Typical Report.

The first credit report was the word-of-mouth statement of one merchant to another concerning his experience with a given applicant for credit. A great advance in communication had to come about before a group of merchants could hit upon the labor saving measure of employing an agent to collect such experiences from the several members of the group, to be distributed in turn to all the members for their common benefit. In a marked way such action gave proof of a growing community of interest.

It has been shown that the beginnings of credit reporting in America date from the advance of post-office facilities in 1840. This or that group of merchants was then able to conceive, within restricted areas, of a prompt exchange of experiences. Such action went to disclose an overwhelming need, and this permitted the rise of Bradstreet's and Dun's. Their reporting systems, as everybody knows, gradually spread over the United States and Canada, parallel with the further growth in communication. But, as we have seen, in place of holding to the principle of exchanging experiences while overrunning the country, the two "mercantile agencies" proceeded to build up an artificial system of credit "reports" and "ratings" which to-day, as regards the important work of determining credits, has the effect of keeping merchants apart in place of bringing them into close working relation. The imperious need of commerce with respect to credit reporting is proven by the continued extraction of enormous revenues on the part of the two "agencies;" they trade on this want without supplying it.

INTERCHANGE OF EXPERIENCES.

The great fact to be noted is that under the conditions outlined no change short of a revolution could take place. The struggle has been to revert to the original principle of a direct interchange of experiences, and by giving it universal application to compel the desired reformation in credit reporting. Illustration of this is disclosed in the attempt of particular trades, such as the Hardware Board of Trade, and the like, to improve credit reporting, each on its own account. On the whole, these efforts have only served to em-

phasize the need. A clear departure has been waiting on the discovery that the principle of direct interchange of experiences may be applied to the entire country without let or hindrance; that under changed conditions the methods in use at the outset of credit reporting may be given universal application.

The clearing house movement in credit reporting is premised on the completion of the post-office, meaning thereby the omnipresent business of letter carrying. Between night mail trains and fast time, along with free delivery at all centers of importance, the swift interchange of experiences in credit making turns upon adequate organization only; the conditions therefor have been reached. The post-office—seen as the whole business of communication—is having further development in the telegraph and the telephone, but there is no occasion to wait thereon, as the facilities of the old post-office alone give ample warrant for employing the clearing-house principle in credit reporting. It is fair to say, that beyond the addition of pneumatic tubes the letter carrying division in the post-office has reached its ultimate; the fast mail trains may become a little quicker, but no radical change is to be expected. The progress noted has made possible the Credit Clearing House.

GROWTH IN MAIL FACILITIES.

When the system of Bradstreet and Dun was given shape the mail facilities were away behind present standards, so much so, indeed, that in place of organizing to effect a direct exchange of the experiences of merchants in credit making, the thing done was to send interviewers to merchants and so build up the literary procedure which came in time to occupy the whole field. In those days something like a week was required for an exchange of letters between New York and Buffalo, whereas now an exchange is effected between the evening of one day and the early morning of the second day, a period of thirty-six hours. The letter carrying division of the post-office reaches out and embraces the whole people. At a nominal cost—the possession of a two-cent stamp—the individual may command its services at all times. No town is so small as not to come within the network of post routes. Sir Rowland

Hill, the projector of penny postage in England, would himself be more than astonished were he able to-day to contemplate the work of the American post-office.

The omnipresence of the letter carrying division of the post-office is explained by its commercial necessity. The post-office is compelled to go out everywhere to the smallest hamlet in order that its patrons may never be compelled to ask the points to which letters can be sent. Were it ever necessary to ask WHERE letters can be sent, the post-office as a commercial enterprise—and it is only this—would thereby be seriously crippled. The post-office embraces all particulars belonging to its function, and is therefore a true universal.

A SOCIAL BODY.

From all this the fact is developed that the Credit Clearing House premises a social body, having free communication throughout all its parts. The action, therefore, takes no account of distance, since with respect to the function to be executed there is no distance. By means of the machinery of the post-office all the facts as to the experience of merchants in credit making may be gathered from all points, with direct reference to delivery at all points, and this without hesitation as regards the cost of transmission. Such action is organic and the revelation is the social organism.

The idea of news as a thing of trade dates from systematic communication. Gradually the business of gathering and selling news has been gaining its true place in commerce until now, with communication at the full, news has recognition as a commodity, as something to be universally dealt in on the basis of fact. Proof of this is seen in the rise of the Credit Clearing House, whose function, in ultimate outworking, comprises the gathering and sale of all credit-making news. Its function, as an organ of commerce, is as definite, is as much subject to clear definition, as the bank clearing house. Moreover, the Credit Clearing House, as a further step in the organization of commerce, takes equal rank with the bank clearing house; they are co-ordinate.

At the outset of this inquiry the rise of credit departments in all the great mercantile houses was noted, and further, that the advance had led to a national organization comprising the heads of such departments. It was seen that these men had come to be chiefly solicitous as to the need of improved credit reporting. Accustomed to the "mercantile agencies" the first impulse was to petition them for relief. As well might the advance from iron to steel have been sought through petitioning the iron men, where the need was the incoming of a Bessemer and a new principle. But in struggling toward the light the credit men prompted the dis-

closures of this inquiry, and the discovery of all that follows.

A DIVISION OF LABOR.

The way out is through the far-reaching and absolute division of labor indicated by the Credit Clearing House. The credit manager of a given house determines its credits, but to gather up and exchange the experiences of all credit men in a given circle of trading the reporter has to function, and this with reference to the whole movement. To the National Association of Credit Men the country is one, and so the work of reporting credits has to be dealt with under a like singleness of vision. The organization of credit reporting runs parallel everywhere with that of the credit man as such. The experience of the credit manager is the fact of the credit reporter, who finds his function in the necessities of the grantor of credit, the constant desire of the latter being to act in the light of all the facts.

An old Spanish proverb has it that "when need is highest, help is nighest," and so at the very time when the credit men of the United States are pushing their organization over the whole country, it turns out that the clearing centers for credit facts are for the most part already in place. It is sufficiently accurate to say that one-half the work of the credit department in a given commercial house is to prepare the facts, which constitute from day to day the reports of its action, for transmission as demanded to the nearest center of the Credit Clearing House. The rise of the credit department and the national organization of credit men are but preparatory to this juncture of forces. The various credit reporting "agencies" are in the way of merging into one organism. An identity of interest becomes apparent between the chain of credit departments and the Credit Clearing House, and the identity is as absolute as that obtaining between the several offices in a given banking system and its central clearing house. One reading of the credit department is the rise of exact method, but this method cannot come full circle unless the facts are cleared through common centers. While on one side the growth of the credit department rendered the clearing-house principle practical, on the other the rise of the Credit Clearing House provides the avenue through which the credit department men are enabled to work toward perfect organization.

IDENTITY OF INTEREST.

Credit men cannot attain to systematic effort save through division of labor. The identity of interest between them and the further progress of the Credit Clearing House corresponds to that between the head and the hand in the action of the human body. The centers of the cerebral system register the action of the hand, and so in turn are enabled to supply directing intelligence.

The remark is heard that the mer-

chants should do it themselves. They might but for the ever present distinction between the act and the fact. The right handling of the fact belongs to the province of the reporter. The reporting system, in one aspect, is of course the chain of credit departments, but to achieve rapid and effective handling, the facts are forwarded to the clearing centers. This is done to save time. The relation to the credit departments is constant, and the appeal is directly to the self-interest of merchants.

As showing the state of things, some merchants who are backward in accepting the clearing-house principle have been more energetic than formerly in trying to correct the "agency" deficiencies through house to house canvassing themselves, much as in other days, while in numerous instances the special attempt is made to carry on direct correspondence with the various references given by traveling men. But all this only goes to reveal the overwhelming economy of the clearing-house principle and its necessary acceptance by all.

AN ADVANCE IN PUBLICITY.

The rise of the Credit Clearing House marks a great advance in exact publicity. Regarded in its ultimate development it stands for the credit-making aspect of all news.

The complete interchange of merchants' experiences in credit making is a distinct and important step in the organization of experience as a whole, that great idea of which the philosophers have made so much. It is impossible, therefore, to exaggerate the importance of putting credit reporting on the right basis. The integrity of commerce itself lies at the heart of the question.

CLEARING PRINCIPLE IN PRACTICE.

The practical working of the Credit Clearing House is of exceeding interest. Light will be gained by examining a typical report, but first as to the operation of getting reports. As already learned, the "agency reporter" is done away with. The desired facts are contained in merchants' ledgers, being the actual experience of merchants with credit seekers. To enable merchants to communicate such facts freely it must be done in such a way as not to disclose the private affairs of a given house. In short, provision has to be made for entire secrecy on one side and the fullest inter-change of experiences on the other. To compass this a key to the lines of trade is provided, the result being to remove the possibility of members becoming acquainted with each other's accounts. The facts are read in their public aspect only.

Each clearing center in the system issues a daily inquiry sheet which gives a list of the trading concerns on which reports are wanted. These go to all houses that are members of the Clearing House. This list is examined and a

statement of experience is made out for all the concerns with which a given credit department happens to be doing business, provided always that the combined report is desired in each case from all members of the Clearing House belonging to the particular trade. There is no compulsion here, as any member of the clearing system may refrain from reporting in a given case. It is provided, however, that if a report is desired one must be given in exchange. The plan enables a merchant to trade his single experience for the experiences of all within the trading circle.

Reports so made up are matters of fact; they are true. The Credit Clearing House is therefore under no necessity of publishing that the accuracy of reports cannot be guaranteed; instead the reports carry their own guaranty. In each case the merchant is the reporter, and he cannot afford to do otherwise than report truthfully. For one thing, each member contracts with the center that all reports of experiences shall be honest and faithful on pain of forfeiting the Clearing House relation. Such reports tell what a trading concern is doing in place of what it is saying of itself. Each report is a story of action. By means of the clearing-house principle credit reporting is removed at a bound from the region of opinion.

CHECKING UNSAFE CREDITS.

Under the clearing-house principle the multiplication of unsafe credits becomes impossible, as unusual action in any part of the organism is at once felt in every other part. With the system fully extended fraudulent practices in ordering goods could not get a foothold. The moment it were attempted suspicion would be aroused and a record made. Defects of character, in the sense of loose morals or incompetency, are registered the moment action is affected. In the endeavor to make unwarranted purchases and so contrive a profitable failure, a frequent trick is to buy outside of the natural market; through the clearing-house principle such action is at once detected.

On the next page will be found a copy of the reporting blank furnished to all members.

These blanks facilitate the making of reports which reveal the actual conduct of traders with their creditors; they tell how much a man owes, how many goods he is buying and where he is buying them. Reference to the key shows at a glance the lines of trade in which purchases are made. Such reports quickly reveal a tendency toward bankruptcy, so that credit reporting under the clearing-house principle is something more than a commercial death record. The work of science here, as everywhere else, is successful prediction.

ULTIMATE EFFECT.

When the force of the principle is considered this opinion from a leading

dry goods house is not surprising: "The universal use of the system will revolutionize the methods of handling credits." The principle makes rapidly for the highest possible morale of commerce, as in the most direct way it brings into play the influence of the highest character and ability on the poorest, the effect being to bring up the whole. With the principle in full play the morale of commerce will closely approximate the character of its foremost members. The old saw that "trade is

at New York at the hands of a house in receipt of a first order. The department store in question first appeared on the New York inquiry sheet January 7, 1897. Forty houses in the State of New York at once responded with their experience in detail. Twelve in Pennsylvania followed, six in Maryland, five in Massachusetts, eleven in Ohio, two in Kentucky, one in Wisconsin, one in New Jersey, five in Illinois, three in Michigan and one in Indiana; a total of 87. At the time this department store

up covered all the points named. One report, therefore, under the clearing-house principle, is all reports. In such a case one can imagine the absurdity of an "agency reporter" trying to get at the realities through any number of interviews.

Three days after this department store inquiry appeared on the New York sheet, returns were in from the local region—New York, Philadelphia, Baltimore, Boston—and in seven days Chicago and Milwaukee had reported.

ST. LOUIS, ODD FELLOWS' BLDG. CINCINNATI, CHAMBER OF COMMERCE. BALTIMORE, EXCHANGE BANK BLDG. BOSTON, SHAWMUT BLDG.	THE CREDIT CLEARING HOUSE, (INCORPORATED) NEW YORK: N. Y. LIFE BLDG. PHILADELPHIA, DREXEL BLDG. CLEVELAND, MOHAWK BLDG. ATLANTA, KAISER BUILDING.	ST. PAUL, GILFILLAN BLOCK. LOUISVILLE, COLUMBIA BUILDING. DETROIT, CHAMBER OF COMMERCE. ST. JOSEPH, CHAMBER OF COMMERCE.
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Please furnish us, in confidence, with the experience of members, as to the commercial standing of

NAME BUSINESS.....

ADDRESS

HAVE FIRST ORDER \$..... 189.....

SHEET NO..... NAME NO..... INITIALS.....

SOLD (HOW LONG ?)..... TO..... 189.....

HIGHEST CREDIT \$..... TERMS.....

ORDERED NOT YET CHARGED } \$..... MAKE UNJUST CLAIMS ?.....

AMOUNT OWING \$..... NOTES PAID WHEN DUE ?.....

AMOUNT DUE \$..... PAY DRAFTS WHEN MADE ?.....

WHEN DUE ?..... EVER COLLECT BY ATTORNEY ?.....

SECURED ?..... EXTENDED ?.....

PAYS ?..... REFUSED..... 189.....

REMARKS:..... SATISFACTORY AC'T ?.....

GIVE NAMES OF FIRMS KNOWN TO BE SELLING.....

Form A-5. (Copyright 1895, by Robert J. Lyle.)

No.....

Exact Size of Original.

corrupting" is destined to become worse than groundless. It is indeed worth recalling that the man of business invented the idea of integrity as test of character; it grew out of a transaction in trade. The church has been crying for centuries that honesty is the best policy; commerce is in the way of proving it.

A TYPICAL REPORT.

The typical report referred to was prompted by an inquiry concerning one of the largest department stores in the central West. The inquiry originated

was buying from probably 130 wholesale houses. The experiences of so large a proportion of creditors revealed just what the store was doing, and the resultant, telling as it did of straitened circumstances, worked benefit on all sides. The facts could not have been reached without the clearing-house principle.

This department store was buying in New York, Philadelphia, Baltimore, Cincinnati, Cleveland, Louisville, Milwaukee, Chicago, Trenton, Detroit and Indianapolis. The report when made

The credit departments interested are prompted to quick replying for they are all anxious to get the combined report of experiences; the play of interest is automatic. Each member of the Clearing House is a reporter, and this both at the initial point and when receiving the combined experiences, which are so tabulated that the trained eye quickly discovers the amount owing, amounts overdue, and the like. In this way skillful tabulation amounts to a synopsis. The grantor of credit is the only possible expert in translating

each report; the interested man is always the expert.

FREEDOM OF ACTION.

The whole machinery of the Credit Clearing House is at the service of each member, just as the post office is subject to the will of any individual who is armed with a two cent stamp. Any member of the Clearing House may start an inquiry at pleasure with the certainty of receiving promptly the experiences of all other members. The clearing center receiving an inquiry knows where a given concern is buying, and sends to such centers accordingly for entry in the inquiry sheets.

INTEGRITY OF THE CENTER.

The integrity of the clearing center is protected by its own self-interest, by its own selfishness, as the organization can have no prosperity save on the basis of absolute integrity. In illustration of this Mr. Thomas S. Couser, manager of the Credit Clearing House at New York, has kindly permitted me to make a transcript of certain correspondence. On August 6 last a member of the Clearing House addressed the New York office as follows:

"For certain reasons we would prefer not to have our experience on

appear on report. We enclose blank showing that we have his order for \$—. This is the first time that we have asked anything like this, and it will probably be the only time, and we would appreciate it if you could send us report as requested."

This application elicited the following reply from the Credit Clearing House:

"We return your ticket on and in reply to your letter would say that, as you will note by our contract, we are conducting an interchange of absolute experiences, and under no circumstances could we give the absolute experiences of the combined trade without receiving first from you your complete experience. That is the basis of equity upon which the clearing system is founded. If we made an exception in your case you would be justified in thinking and believing that we made exception in the case of others, and the system would fall to the ground.

"We regret that we cannot accommodate you in this, but feel sure that you have nothing whatever to fear from giving us your complete experience in this case, as we happen to know this man personally and think there could be nothing in your dealings which would injure you, him or the trade."

The inquiry sheet of the Credit Clearing House has two groupings. Dry goods and such allied interests as boots

and shoes and clothing make up one grouping, while groceries, hardware and other things as nearly kindred as possible, constitute the second grouping.

SIGNED STATEMENTS.

The Credit Clearing House adds to the exchange of merchants' experiences wherever possible the signed statements of the trading concerns on which inquiries are made. In all cases application is made for such statements, and a very large proportion quickly respond. Various causes are contributing toward the fullest freedom in the giving of statements by traders, one of these being, of course, the influence of the Credit Clearing House itself. At the same time the banks are insisting upon signed statements from applicants for advance credits in a greater degree than ever before. Such statements in the hands of the Credit Clearing House go only to those having a right to examine them. In fact, any exchange of experiences under the clearing house principle is in the nature of a privileged communication.

Great interest attaches to determining the exact progress of the clearing house principle in credit reporting; also, to the influences making for its complete acceptance, with a reference to the obstacles in the way. Beyond, there remain the relation of the system to the bank clearing house, and the wide effect of the development on the organization of commerce as a whole.

FRANKLIN FORD.

SHEEP GROWING IN THE UNITED STATES FROM 1865.

The following exhibit is taken from the Congressional Record of July 24, and was furnished to the Senate Finance Committee by Assistant Appraiser Jacob Schoenhof, of the New York Custom House:

I.—Number of sheep in the sheep raising States east of the Mississippi River and north of Virginia in the different years given below.									
State.	1865.	1868.	1871.	1876.	1881.	1886.	1891.	1895.	1896-97.
Maine	905,000	752,000	415,000	525,000	630,000	537,000	548,000	284,000	230,000
New Hampshire	655,000	530,000	230,000	242,000	246,000	195,000	183,000	108,000	77,000
Vermont	1,252,000	1,042,000	548,000	490,000	508,000	378,000	351,000	227,000	158,000
Massachusetts	202,000	175,000	72,000	76,000	65,000	64,000	56,000	50,000	42,000
New York	4,576,000	4,987,000	2,080,000	1,936,000	2,338,000	1,596,000	1,394,000	1,096,000	809,000
New Jersey	175,000	194,000	150,000	130,000	127,000	107,000	100,000	50,000	41,000
Pennsylvania	2,871,000	3,422,000	1,762,000	1,640,000	1,633,000	1,189,000	1,040,000	1,179,000	799,000
Maryland	250,000	276,000	135,000	141,000	153,000	109,000	157,000	138,000	125,000
Ohio	5,795,000	6,730,000	4,641,000	4,547,000	4,243,000	4,753,000	4,061,000	3,577,000	2,369,000
Michigan	3,020,000	3,948,000	3,078,000	3,451,000	1,930,000	2,269,000	2,263,000	1,962,000	1,342,000
Indiana	2,456,000	2,882,000	2,100,000	1,250,000	1,029,000	1,088,000	1,150,000	896,000	655,000
Illinois	2,062,000	2,736,000	1,424,000	1,311,000	1,155,000	1,005,000	771,000	857,000	604,000
West Virginia	* 580,000	880,000	653,000	544,000	660,000	625,000	519,000	635,000	458,000
Total	24,799,000	28,564,000	17,198,000	16,283,000	14,717,000	13,975,000	12,593,000	10,897,000	7,709,000
* Estimated.									
II.—Number of sheep in the principal sheep raising States south of Maryland.									
State.	1865.	1868.	1871.	1876.	1881.	1886.	1891.	1895.	1896-97.
Virginia	458,000	658,000	395,000	356,000	447,000	463,000	444,000	449,000	392,000
North Carolina	226,000	326,000	315,000	284,000	386,000	469,000	308,000	357,000	319,000
South Carolina	150,000	180,000	157,000	143,000	187,000	113,000	96,000	78,000	73,000
Georgia	250,000	346,000	269,000	371,000	378,000	501,000	383,000	403,000	345,000
Alabama	175,000	257,000	200,000	186,000	225,000	337,000	275,000	326,000	252,000
Mississippi	150,000	193,000	200,000	152,000	202,000	276,000	235,000	391,000	306,000
Tennessee	175,000	264,000	400,000	342,000	858,000	604,000	511,000	404,000	382,000
Kentucky	813,000	896,000	904,000	684,000	1,021,000	903,000	766,000	1,046,000	738,000
Total	2,297,000	3,120,000	2,840,000	2,518,000	3,704,000	3,666,000	3,111,000	3,544,000	2,807,000
III.—Number of sheep in the below-mentioned States in the Southwest.									
State.	1865.	1868.	1871.	1876.	1881.	1886.	1891.	1895.	1896-97.
Missouri	809,000	1,377,000	1,578,000	1,284,000	1,619,000	1,285,000	896,000	880,000	697,000
Texas	827,000	1,137,000	1,137,000	1,691,000	6,023,000	6,802,000	4,900,000	3,738,000	2,789,000
California	2,200,000	3,636,000	3,636,000	6,750,000	7,493,000	6,069,000	3,712,000	3,526,000	2,577,000
Total	4,404,000	6,351,000	9,725,000	15,135,000	14,156,000	9,601,000	8,124,000	6,063,000	
IV.—Number of sheep in the older Northwestern States in the years given below.									
State.	1865.	1868.	1871.	1876.	1881.	1886.	1891.	1895.	1896.
Kansas	60,000	102,000	115,000	124,000	450,000	1,190,000	447,000	274,000	222,000
Iowa	1,466,000	2,591,000	1,822,000	1,664,000	463,000	468,000	452,000	628,000	554,000
Wisconsin	970,000	1,081,000	1,056,000	1,163,000	1,319,000	1,219,000	890,000	806,000	709,000
Minnesota	65,000	129,000	140,000	190,000	314,000	278,000	331,000	489,000	405,000
Total	2,561,000	4,703,000	3,133,000	3,141,000	2,556,000	3,155,000	2,120,000	2,287,000	1,890,000
V.—Number of sheep in the new far Western States.									
State.	1870.	1880.	1883.	1886.	1891.	1895.	1896-97.		
Nebraska	22,000	172,000	324,000	448,000	234,000	183,000	188,000		
South Dakota	140,000	254,000	270,000	254,000	270,000	323,000	336,000		
North Dakota	140,000	254,000	320,000	320,000	320,000	367,000	356,000		
Montana	405,000	719,000	2,080,000	2,080,000	2,808,000	3,122,000	3,122,000		
Wyoming	520,000	518,000	1,119,000	1,119,000	1,222,000	1,672,000	1,672,000		
Colorado	1,212,000	1,126,000	1,119,000	1,119,000	1,305,000	1,411,000	1,411,000		
New Mexico	3,960,000	4,328,000	3,123,000	3,123,000	3,008,000	2,683,000	2,683,000		
Arizona	602,000	896,000	594,000	594,000	745,000	829,000	829,000		
Utah	513,000	651,000	2,055,000	2,055,000	2,039,000	1,998,000	1,998,000		
Nevada	307,000	661,000	504,000	504,000	544,000	544,000	544,000		
Idaho	125,000	210,000	502,000	502,000	919,000	1,376,000	1,376,000		
Washington	390,000	545,000	673,000	673,000	748,000	741,000	741,000		
Oregon	500,000	1,265,000	2,469,000	2,469,000	2,431,000	2,530,000	2,604,000		
Total	2,612,000	5,456,000	10,961,000	12,825,000	15,733,000	17,141,000	17,890,000		