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Mediating Reputation: Credit Reporting Systems in American History

Examining the development of credit reporting in the United States, this article shows how new, formal methods of assessment of risk and trustworthiness came to mediate business reputations in the credit market over the past century and a half. It focuses on the conflicts over reputation provoked by the new means of assessment and how those conflicts were controlled through organizational procedures and routines as new methodologies were introduced. After World War II seemingly objective quantitative methodologies for evaluating credit worthiness were developed, but they did not eliminate the place of reputation in business decision-making.

We commonly think of information as a signal—a clear sign that any party can read, understand, and use to predict outcomes, assess conditions, or determine courses of action.[1] Some information, however, also carries symbolic value. Symbols are complex and can be read and interpreted by the receiver in multiple ways. When decisions have to be made in a fog of ambiguity, symbols act as heuristic devices, rules of thumb to guide behavior when outcomes are uncertain and the information itself is contested.[2] Reputations, I argue, are best seen as

[1]Joseph E. Stiglitz, "Prize Lecture: Information and the Change in the Paradigm in Economics," 20 Nov. 2012, http://www.nobelprize.org/nobel_prizes/economics/laureates/2001/stiglitz-lecture.html; Carl Shapiro and Hal Varian, *Information Rules: A Strategic Guide to the Network Economy* (Boston, 1998). Anthony Giddens has noted that when money made possible anonymous transactions and exchange over long distances, it also meant that parties to exchange lost touch with each other, requiring new means of surveillance and verification in the economy. Anthony Giddens, *A Contemporary Critique of Historical Materialism*. Vol. 1, *Property, Power and the State* (Berkeley, 1981), 115–17.

[2]The literature on semiotics and symbols is vast. Some of the works I have found useful are Terry Eagleton, *Literary Theory: An Introduction* (Oxford, 1983); Michel Foucault, *The Order of Things: Archaeology of the Human Sciences* (London, 1970); Mary Douglas, *How Institutions Think* (New York, 2006). Symbols may signal—that is, carry information as we commonly think of it—but obliquely, often by representing one thing as something else (a national leader as a father figure) or making claims of universality (about human nature, gender, race, or some other category of identity) or structuring how we understand and see the world (about what is true, just, beautiful).

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symbols. They convey a general sense of a person or organization's trustworthiness and dependability to the market. Because of their symbolic import and openness to interpretation, however, reputations can have a deep and lasting effect on the market's evaluation of the trustworthiness and riskiness of a firm or individual. This article examines reputation in the credit market of the United States in the nineteenth and twentieth centuries. It does so by focusing on the impact of formal, bureaucratic methods of credit reporting starting in the mid-nineteenth century. Credit reporting not only conveyed information, it also mediated reputations. Due to its symbolic, reputational effects, credit reporting was a highly contested activity. To reduce conflict among parties, credit agencies had to follow carefully prescribed routines and practices. These practices solidified in the early twentieth century, and remained remarkably stable until the introduction of new, computer-based credit assessment methods after World War II.

Although many works have looked at the history of credit reporting, they have not explored its connection to reputation.[3] Given that credit reporting is often thought of as a more precise, indeed, scientific mechanism of uncovering and conveying market information, the lack of attention to reputation makes a certain sense. Presumably good credit reporting negated the need for reputational knowledge. In fact, as we shall see, the commodification of credit information and its rendering in more abstract forms did not eliminate reputations. Information provided by credit reports inevitably had to be interpreted by the user, even when it appeared in a seemingly "hard" numerical form. Lenders and creditors in locations distant from their borrowers and clients had to decide what a report indicated and act on their subjective reading of that information. Credit reporting thus helped to create and convey reputations in an imperfect information market. It did so by creating a new system of meanings and symbols, ones that remained embedded in social context and social values about people and identities.[4]

[3] On the history of credit reporting, see Barry Cohen, "Constructing an Uncertain Economy: Credit Reporting and Credit Rating in the Nineteenth-Century United States," Ph.D. diss., Northwestern University, 2012. Cohen examines the labor and practices of credit agencies in the nineteenth century as intermediaries who negotiated between constraints in legal, organizational, and market environments. Other major recent works are Rowena Olegario, *A Culture of Credit: Embedding Trust and Transparency in American Business* (Cambridge, Mass., 2006); Josh Lauer, "From Rumor to Written Record: Credit Reporting and the Invention of Financial Identity in Nineteenth Century America," *Technology and Culture* 49 (Apr. 2008): 301–24; Scott Sandage, *Born Losers: A History of Failure in America* (Cambridge, Mass., 2005); Hartmut Berghoff, "Civilizing Capitalism? The Beginnings of Credit Rating in the United States and Germany," *Bulletin of the German Historical Institute* 45 (Fall 2009): 9–28.

[4] Mark Granovetter, "Economic Action and Social Structure: The Problem of Embeddedness," *American Journal of Sociology* 91 (Nov. 1985): 481–510; Viviana Zelizer, *The Social Meaning of Money* (New York, 1994).

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Credit and Reputation

Traditionally, credit and reputation have been closely linked.[5] Since the sixteenth century, Bruce Mann argues, reputation was virtually synonymous with good credit. Credit could be won or lost on reputation, but the causation ran both ways, as ability to secure credit affected one's non-monetary reputation as well. Lending money was a mark of honor, which also signaled the honor and acceptance of the borrower. Loss of credit meant loss of honor. Connections between social status, honor, moral worth, and credit, Mann notes, continued even as society grew more commercial and transactional, with credit available to a wider range of people.[6]

Before the nineteenth century, financial reputations were generally mediated by the local community, where people were well known and where knowledge of their character, behavior, and business practices circulated freely. When trade occurred over long distances or between unfamiliar communities, local knowledge was not sufficient. Lenders and merchants needed new ways to gather information and establish trust. Sometimes they could rely on third parties, transferring the process of reputation-making outside of the local community. In the eighteenth and early nineteenth centuries, for example, merchants employed confidential agents to monitor parties to financial or commercial transactions. While agents could convey information, they also had to instill trust in their employers. Here the reputation of the agent substituted, in essence, for the reputation of other parties. If lenders and merchants trusted the agent, then they trusted what the agent said about others. The agent's reputation for trustworthiness thus was the crucial link in the commercial chain between distant parties. In a similar manner, creditors would ask other merchants they already trusted about parties in their community. A trusted and respected merchant had reason to take this task seriously, for recommending a dishonest borrower might damage his own reputation.[7]

Such methods worked well enough for large merchant houses and bankers, but mediating reputation became expensive when many actors

[5] See, for example, Daniel Klein, ed., *Reputation: Studies in the Voluntary Elicitation of Good Conduct* (Ann Arbor, 1997); and Avner Greif, "Reputation Coalitions in Medieval Trade: Evidence on the Maghribi Traders," *Journal of Economic History* 49 (Dec. 1989): 857–82.

[6] Bruce Mann, *Republic of Debtors: Bankruptcy in the Age of American Independence* (Cambridge, Mass., 2002), 7, 19, 261.

[7] Ralph Hidy, "Credit Rating before Dun and Bradstreet," *Bulletin of the Business Historical Society* 13, no. 6 (Dec. 1939): 81–88. Lewis Atherton, "The Problem of Credit Rating in the Ante-Bellum South," *Journal of Southern History* 12, no. 4 (1946): 534–56. On the activities of Sheldon Church in this regard, see Roy A. Foulke, *The Sinews of American Commerce* (New York, 1941), 360–68.

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were involved. It was in fact this situation that gave rise to new, more formal credit reporting systems in mid-nineteenth-century America. Merchant, evangelical, and abolitionist Lewis Tappan felt the full force of the market economy when the Depression of 1837 wiped out his wholesale silk business. One cause of his failure was an inability to evaluate correctly the trustworthiness of the many merchants to whom he extended credit.[8] Tappan's response was to start the Mercantile Agency in 1841. The Agency contracted with local attorneys to provide reports on the creditworthiness of individuals and firms, and then sold this information to New York wholesalers and merchants.[9]

Properly organized, Tappan argued, credit reporting would "check knavery and purify the mercantile air," protecting circumspect lenders from men on the make tempted by greed to misrepresent or overextend themselves.[10] In one sense, there was nothing new or unusual about this. The agency's "main object" was to "furnish the home standing of the merchant obtained from intelligent and reliable sources."[11] Credit reporting was merely doing the same thing "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."[12]

These benign claims represented the Agency as a neutral channel of information. "[U]nder the Mercantile Agency system," Tappan wrote, "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."[13] Tappan was, however, also transforming personal character into an abstract code of information, as recorded in the Agency's credit reports. This code changed how reputations were made and conveyed.

As reflected in Tappan's own words, reputation at this time was closely linked to character. Character referred to supposedly fixed features that determined how a person would act. Persons of good character were honest, careful, and prudent with money. They paid their

[8] Bertram Wyatt-Brown, "God and Dun & Bradstreet, 1841–1851," *Business History Review* 40 (Winter 1966): 433–37.

[9] The general history of mercantile credit and credit reporting in the nineteenth century is well covered in Olegario, *Culture of Credit*; James Norris, *R. G. Dun & Co., 1841–1900: The Development of Credit-Reporting in the Nineteenth Century* (Westport, Conn., 1978).

[10] Wyatt-Brown, "God and Dun & Bradstreet," 437, 441.

[11] Quoted in Lauer, "From Rumor to Written Record," 303.

[12] "Mercantile Agency," *New-York City and Co-Partnership Directory for 1843 & 1844* (New York, [1843]), n.p., quoted in Lauer, "From Rumor to Written Record."

[13] Mercantile Agency, *Reports of the Four Leading Cases against the Mercantile Agency for Slander and Libel: Beardsley vs. Tappan, U.S. Supreme Court, Billings vs. Russell, Supreme Jud., Court, Mass., Ormsby vs. Douglass, Court of Appeals, N.Y., the Commonwealth vs. Stacey, Court of C.P., Pa.* (New York, 1873), 170.

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bills on time and paid back their debts. They did not drink, gamble, or speculate (or at least did not do so in the public eye). If they succeeded, it was through their own merit, and likewise if they failed.[14] The emphasis on character carried strong moral overtones and studies of character looked to discover the stable grounds of behavior, providing useful knowledge of whom to trust.

Reputation in the nineteenth-century sense is best defined as the public knowledge or understanding of character—what was generally believed about a person. But reputation and character were not exactly the same thing. Character spoke of the essential moral makeup of a person. Reputation, on the other hand, might be mere popular belief—delusional and unstable—and thus the opposite of solid character. False representations and popular delusions could set a trap for the unwary investor, who listened to the foolishness of the crowd without inquiring more deeply into the essence of the man. A good reputation might hide an evil character, while virtuous character could redeem a suspect reputation.

The tension between character and reputation affected Lewis Tappan himself. Southern business people (and pro-slavery New York cotton merchants) held him in low esteem because he was a committed abolitionist. When asked to temper his antislavery opinions, he replied, "My reputation is a thing upon which I place no value."[15] Principles, morals, and character were the stable bases on which to build relationships with others. Tappan understood his credit reporting innovation as seeking out those with solid character, and not merely dallying with fickle reputations.

Throughout much of the nineteenth century, the Mercantile Agency negotiated the line between solid character and popular reputation. A lender who risked money on a client's false standing or superficial public appearance fell prey to the dangers of popular reputation, just as Lewis Tappan warned. But reputation still had probative value. There was a certain safety in sticking with the herd and refraining from taking a risk where others feared to tread. If one merchant gave credit, then others would likely follow, whereas if some merchants started to withdraw credit, the reputational effect would probably cascade down to other lenders as well. However much credit reporting looked to assessment based on clear information or firm character, it could not avoid circulating popular assessments of people that affected their reputations.

[14] See Sandage, *Born Losers*, on character.
[15] Wyatt-Brown, "God and Dun & Bradstreet," 447.

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The Organization of Reputation

What credit reporting did change, however, was the way that reputational knowledge circulated. In place of local information exchanged among merchants, the Agency provided a vertical flow of information from the reporter through the Agency to the subscriber. This system (and those of competitors) depended on a carefully constructed confluence of interests.[16] Creditors had an interest in obtaining as much information as possible to make wise decisions. They did not, however, have incentive to share what they learned. No wholesaler wanted to encourage competition by revealing who his best customers and safest credit risks were. The objects of credit surveillance, the borrowers and retailers, had different motives. They needed to be seen as worthy of credit. But they resisted too much or the wrong sort (in their view) of surveillance that represented them unfavorably. Uncertain of how they might be assessed, they gave up information about themselves strategically, revealing enough to gain access to credit, but avoiding anything that might work against their reputations.[17] The Mercantile Agency had incentive to collect information to sell for profit, but it had a strong disincentive to let that information flow freely to non-subscribing merchants, or to permit it to move horizontally from merchant to merchant without intermediation.

The profitability of the Agency thus depended on excluding outsiders, controlling information flows, and maintaining secrecy. As Lewis Tappan recognized from the start, if non-subscribers gained access to credit information, this would "lessen their inducement to subscribe." Contracts with clients forbade sharing—indeed, subscribers were not even supposed to tell others that they subscribed.[18] "You cannot afford to pay for your neighbor's information, and it defeats our manager in his object of obtaining as many patrons as possible," warned the Agency.[19] "The information . . . [is] communicated in the strictest confidence, to be used for your guidance in your own business, and not to be communicated to any other person or persons."[20]

Both the Agency and the borrower-subjects of its reports were thus

[16] There was also a fear that credit used to encourage sales would create competitive rounds of customer poaching. Robert Hunt, "A Century of Consumer Credit Reporting in America," Working Paper no. 5-13, Federal Reserve Bank of Philadelphia, June 2005.

[17] Margaret J. Miller, "Credit Reporting Systems around the Globe: The State of the Art in Public Credit Registries and Private Credit Reporting Firms," in *Credit Reporting Systems and the International Economy*, ed. Margaret J. Miller (Cambridge, Mass., 2003).

[18] Wyatt-Brown, "God and Dun & Bradstreet," 441.

[19] Research on Slander and Libel Cases, 1851–1925 v. 23, Subseries B: Legal records, 1851–1933, R. G. Dun Collection, Baker Library Historical Collections, Harvard Business School, Boston, Mass. (hereafter, R. G. Dun Collection).

[20] Research on Slander and Libel Cases, 1851–1925, R. G. Dun Collection.

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in agreement on the importance of discretion. Limiting the circulation of information thwarted free riders who cut into profits, while preventing a gossipy sharing of information that could damage reputations. If unfavorable reports got into general circulation, they could promote a self-fulfilling prophecy—no lender would be willing to take a chance on the business, leading it to fail. Creditors had reason to accept some of these limits on the flow of information. Small wholesalers, for example, feared that the largest clients of the Mercantile Agency would get the best information first. This was a great concern when it came to insolvency. Vagaries of American bankruptcy law meant that the first unsecured creditor on the scene had the best chance of being repaid, a sort of free-for-all that left creditors uncertain about what would happen when a borrower became insolvent. Given this uncertainty, debtors could exploit their creditors by paying the largest first, while keeping the smaller ones dangling for as long as possible.[21]

Much thus depended on all parties believing that credit reporting's methods of operation were fair and honest.[22] Agencies strove to include all businesses, usually relying on reporters best positioned to understand local conditions. Initially at least, the credibility of the reporting system came from the close contacts between the reporter and the would-be borrower's hometown context.[23] But intimate local knowledge also raised the specter of spying and reputation mongering to which many businesses objected.[24] They denounced credit reporting for being too personal and intimate when it pried into the "associations, the business, the family, and the personal habits of every man engaged in trade."[25] By formalizing matters that had been local and personal, by inscribing character into the record books of a distant bureaucratic organization, credit reporting transformed the way that reputations were made.

When a local community had determined a person's or a business's reputation, it became a shared good, an "open source" form of information that everyone could contribute to and draw on. Now the credit agencies were gathering this free data and reselling it for a profit. As one skeptic put it, "If . . . it is immoral to speak evil . . . much more is it immoral to do so for that root of all evil, the love of money."[26] The

[21] Edward Balleisen discusses the problems of nineteenth-century bankruptcy in *Navigating Failure: Bankruptcy and Commercial Society in Antebellum America* (Chapel Hill, 2001).

[22] Olegario, *Culture of Credit*, 167–68.

[23] James Madison, "The Evolution of Credit Reporting Agencies in Nineteenth-Century America," *Business History Review* 48 (Summer 1974): 171.

[24] Lauer, "From Rumor to Written Record," 311.

[25] Ibid. See also Sandage, *Born Losers*, 150.

[26] Johnson v. Bradstreet Company (1886), 77 Georgia 172, quoted in Research on Slander and Libel cases, 1851–1925, 53, R. G. Dun Collection.

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charges of the critics centered on the very secrecy and confidentiality that was key to keeping the interests of the various parties aligned. While the Agency sought to uncover everyone else's secrets, it kept its own counsel, leading to fears that reputation was now in the hands of a remote entity that could neither be questioned nor controlled. This fear lay behind the language that the "secret system" and "organized espionage" had penetrated every locality.[27] Agents gathered up local information and spirited it off to New York, where it was inscribed in books that no one, not even the subscribers, could access, except through the intermediation of the Agency.[28] Purported revelations about how credit reporting "really" worked often preyed upon these fears. In 1876, a disgruntled employee of the Mercantile Agency named Thomas Meagher charged that reports were inaccurate, collected with a casual indifference, often based on hearsay from disgruntled locals—reputation in the most gossipy and vain sense of the word.[29] Meagher's sensational account, true or not, fed into the fears that reputations were now in the hands of a monopoly with the power to make or break a business at will.[30]

While the contents of the reports were, quite literally, a closed book, this potentially damaging information could also leak out at inopportune moments. Despite the best efforts of Tappan and his successors, it proved difficult to enforce restrictions on the flow of information.[31] Competitors to the Mercantile Agency, for example, would sometimes subscribe to the service so that they could get at the contents of the reports, which they would then reproduce and sell themselves.[32] Plagiarism of this sort threatened to turn a carefully circumscribed system of information into a much broader and more public medium of communications. What began as a one-to-one relationship between the agency and its lender-clients sometimes became the source of the very sorts of wild rumors that "rational" credit reporting was meant to replace. The courts soon weighed in on these issues.

One of the key cases on the legality of credit reporting, *Beardsley v. Tappan*, was filed in 1851 and bounced through the courts for the next twenty years. The case stemmed from a report issued on Ohio storeowner John Beardsley. The report stated, or at least strongly implied, that he was in the midst of a messy divorce. Leaving aside personal scandal, divorce raised questions about property settlements and alimony

[27] Madison, "The Evolution of Credit Reporting Agencies," 169.
[28] Olegario, *Culture of Credit*, 167–70.
[29] Madison, "The Evolution of Credit Reporting Agencies," 170.
[30] Lauer, "From Rumor to Written Record," 319–20.
[31] Madison, "The Evolution of Credit Reporting Agencies," 25.
[32] Ibid., 183.

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payments that might reduce Beardsley's net worth. Wholesalers did not take any chances and began to shut down his credit, leading to his business failure.

The Beardsley case exposed potential contradictions between business information, personal character, and public reputation, related areas that the Agency had tried to keep separate and distinct. It became impossible to process the seemingly straightforward statement of facts about Beardsley without taking sides in what was shaping up to be a marital discord of melodramatic proportions. At trial Beardsley brought forth a witness who testified that he had spoken directly with Lewis Tappan, who "inquired very particularly about the circumstances and character" of Beardsley, especially with regard to reports of infidelity to his wife. The witness stated that he had heard that Beardsley was "unchaste" and dishonest. On the other hand, while it was locally known that Beardsley "did not live pleasantly with his wife," the witness admitted that he had no evidence of infidelity. In fact, it was known that Mrs. Beardsley was "a monomaniac upon the subject of jealousy of her husband and that insanity had been in her family."[33]

As the case made clear, information of different quality and import traveled along the same communication channel. Hearsay, gossip, and moral judgments all mingled with "known" facts of the matter to determine character and to set creditworthiness. The issue of how such communications were made became an important part of the trial. Sometimes, witnesses stated, the Agency received reports from sources other than its regular correspondents—presumably local rumor or gossip. Subtle differences in how information was inscribed in the ledgers could be used to convey implications and subtexts, for example, by writing damaging personal information in pencil rather than ink. "I got the impression that he [Tappan] wished me to understand that some parts of the report that bore the hardest on Beardsley['s] credit was in pencil," a witness stated.[34] Pencil writing served as a raised eyebrow that lent a new meaning and connotation to bland facts.

How reputation was being mediated became a central issue of the case. In his defense, Tappan replied that the divorce was commonly known, so the Agency was merely conveying fact. Merchant-subscribers also testified that they withdrew credit from Beardsley based on information other than that provided by the Mercantile Agency. The defense thus argued that each merchant made up his own mind to extend credit or not. Beardsley argued the opposite. The power of the Agency, and its logic of seeking out all information on people, even to the point of

[33] Mercantile Agency, *Reports of Four Leading Cases*, 30.
[34] Ibid.

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conveying in subtle fashion implications that could not be stated straightforwardly, meant that the credit reports were conveying a mixture of facts, suppositions, and gossip in such a way that they could destroy a person's public reputation.

Much as one might hope that truth would emerge, the long Beardsley case only showed how tricky it was to segregate "hard" information from scurrilous rumor. Mary Beardsley did indeed sue her husband for divorce, charging adultery with Martha Huron, Huron's daughter, and a slew of other women. John denied the charges and countered that his wife "is possessed of an irritable, unhappy and jealous disposition," and had "placed herself in the hands and powers of designing and wicked persons who . . . have advised and influenced the complainant to commence this libelous and disgraceful proceedings."[35] The designing and wicked persons were Lewis Tappan and his confederates. The Agency, Beardsley claimed, was trying to protect itself against the charge of libel by making its lies come true! While this charge may seem farfetched, it illustrated how much in dispute the issue of fact and question of truth were when it came to reputation. Rather than serving as a neutral channel, credit reporting was performative.[36] If it raised suspicions in the minds of creditors, and if those suspicions circulated in the business community, they would affect reputation.

Was this credit report a libel, or merely a caution that the wise person of business took under advisement? The issue of libel turned on the question of privileged communication. In the original trial, Judge Betts had ruled that the Mercantile Agency was not guilty of libel, for it was providing privileged communication to its subscribers. Anyone with an "interest" in another person had the right to receive information as to that person's standing, for example, the wholesalers who extended credit to Beardsley. But publishing or broadcasting such information beyond the circle of those with a direct business interest violated privilege. Here, Judge Betts took a dim view of credit reporting. The Mercantile Agency used clerks to communicate its reports about Beardsley to the clerks of its clients. This, Betts determined, violated privilege by involving third parties in sensitive information. The case went in Beardsley's favor.

This ruling threatened to upset the carefully constructed balance of interests on which credit reporting depended. On the one hand, it would have drastically restricted the flow of information, so that reports could go only from Tappan (or a principal in his Agency) directly to a client. Such practices would have made it impossible to provide credit reports

[35] Ibid., 60–61.

[36] On performativity in finance, see Donald MacKenzie, *An Engine, Not a Camera: How Financial Models Shape Markets* (Cambridge, Mass., 2006), 16–25.

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in a cost effective and timely manner. Beyond these practical problems, the case demonstrated how difficult it was to filter out facts from rumor, gossip, falsehood, and suspicion. Tappan might have satisfied the court with a defense based on the truthfulness of his reports alone, regardless of who read them. But assuring strict truthfulness required a process for seeking out and correcting all errors. To do so would have required divulging the sources of information in the reports, violating the confidentiality of those who fed information to the agents and reporters on the ground.[37] Merchant-clients also wanted less-than-completely verified facts—the penciled notations—for a wise creditor acted on suspicious activity ahead of his competitors. Try as it might to restrict itself to clear facts, credit reporting depended on the vaguer sort of knowledge that comprised reputations.

In subsequent appeals of the Beardsley case, these issues came up again and again. Information that bore on someone's reputation, another judge wrote, should only move in the traditional fashion—from individual to individual and "not in an establishment conducted by an unlimited number of partners and clerks."[38] Ironically, the well-organized credit reporting system was seen as promiscuous because of the many nonprincipals involved in the labor of information processing, whereas the traditional method of community voice and gossip by merchants was seen as legitimate and confidential. Who determined reputation and how reputations were constructed was still in question.

The case finally made its way to the U.S. Supreme Court, two decades after the original trial. The Court reversed the verdict in favor of Beardsley and ordered a new trial.[39] By this time, the Agency had a much longer track record and stronger position in the business community. Wholesalers testified that they found credit reporting invaluable. Courts began to consider practical value as they determined what information could be communicated. This became the line of defense for the Agency in subsequent legal cases. So long as clerks were not "wantonly" trafficking information, they might help to fulfill the Agency's duties to its subscribers.[40] It would be "going against progress" to prevent a useful act—communicating mercantile intelligence—merely because of the system by which it was carried on.[41]

[37] Ibid., 82–85.

[38] Ibid., 127.

[39] The reason was somewhat technical. Beardsley's attorney had been able to introduce testimony that Tappan had tried to "make good" on his claim that the Beardsleys were getting a divorce, importuning Mrs. Beardsley into filing for a divorce well after the original report had been issued. This, the High Court ruled, should not have been permitted at the trial. 77 U.S. 427.

[40] Mercantile Agency, *Reports of Four Leading Cases*, 109–110.

[41] Ibid., 118.

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In the 1858 case of *Ormsby v. Douglass*, a New York court extended privilege to good faith communication of information even where those communications adversely affected reputation.[42] The decision was upheld on appeal in 1868. As with Beardsley, the case stemmed from an unfavorable report that implicated Waterman Ormsby, a New York engraver, in a personal scandal involving his wife, with charges of divorce and prostitution. The court ruled that though the charges might be false, there was no evidence of malice. Urban growth and the extension of market relations among people who were strangers affected the court's view. "I cannot concede," wrote the judge, "that in the large population of a crowded city . . . where false representations, fraud, dishonesty and insolvency are easily concealed but imperfectly known . . . a business is to be characterized as unworthy [the Mercantile Agency, that is] which aims only to give correct information to those whose interests entitle them to seek it."[43] The "reputation" of the potential lender was relevant to the community of merchants, both to detect misrepresentation and to discipline fraud. While such matters might have been policed locally by the community in days past, "the large population of a crowded city" and potential for all sorts of false representations made the work of the Agency too valuable to prohibit.

Still, the courts remained unwilling to give credit reporting agencies blanket protection. "If it [credit reporting] is a greater benefit to trade . . . because more extended and continuous in its operation, it is for the same reason capable of doing more harm by its false reports."[44] But the courts gradually granted agencies a legitimate role in business. Indeed, soon only the vertical communication between agency and subscriber had legitimacy—reputation in its new form of carefully prepared and closely guarded credit reports—not its old form of community gossip and whispering. So long as credit agencies took normal care with information, they were not liable for mistakes. Normal care was defined as the normal practices of the credit reporting business, a decree that favored standardizing and routinizing operations.[45]

[42] Ormsby v. Douglass, 37 N.Y. 477. Madison, "The Evolution of Credit Reporting Agencies," 171.

[43] Research on Slander and Libel Cases, 1851–1925, 486, R. G. Dun Collection.

[44] Charles Robbins, "Commercial Agencies," *American Law Register* 37, no. 5 (May 1889): 259, quoting Bradstreet Co. v. Gill, Superior Court of Texas, 27 Nov. 1888.

[45] Norris, *R. G. Dun*, 133. In *Gibson v. Dun*, a client who lost money based on a rating of a borrower lost his case for negligence against Dun, the courts accepting that there was no guarantee or warranty in the reports, so long as standard reporting procedures had been followed. In *Eaton v. Avery* (1880) the court ruled that when a merchant deceived a reporter it was the merchant who was liable for any loss incurred by the lender or creditor not the reporting agency. See Madison, "The Evolution of Credit Reporting Agencies," 180; Olegario, *Culture of Credit*, 153.

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Reputation and Narrative

The position of the courts reinforced the bureaucratic processes of the Mercantile Agency. The Agency recorded reports in massive ledgers in New York, only yielding their secrets to paying clients who presented a valid ticket at the office.[46] Clients received the contents verbally, not in writing. They could take notes, unless the report was considered too inflammatory.[47] The court rulings also encouraged changes in the way the Agency gathered raw data. Originally, Lewis Tappan had emphasized "the local agent," as "having his eye on every trader of importance in his country."[48] "As near as possible to personal acquaintance," claimed *Hunt's Merchant's Magazine*.[49] Practices began to change, however, as careful procedures and quality of information increasingly referenced formal, systematic methods over intimate familiarity.

In part this shift was a result of the much greater scale of operations. In 1859, the Agency was sold to its long-time general manager, Robert Dun, and was renamed R. G. Dun & Company. A stronger believer in bureaucratic routine, Robert Dun oversaw a vast expansion of the credit agency's reach. Growth placed more emphasis on system, if merely to keep up with the number of reports and sheer volume of information. Dun also instituted the system, however, to gain legitimacy by emphasizing the span of coverage, consistency of work, and ability to evaluate, in non-prejudicial fashion, every business person in every city, town, and hamlet in the nation.

As part of the new policies, between 1870 and 1890, Dun replaced the unpaid local attorneys who had been the primary report writers with company employees.[50] Paid professional reporters, Dun argued, would operate full time to increase the quantity and quality of information. After 1870, for example, the reporters began asking businesses to fill out forms and checked the public record for notices of bankruptcies and lawsuits. They looked as well at account books and financial statements (though few businesses at the time had detailed records). By emphasizing professionalism, Dun worked to counter the claim that credit reporting was no better than gossip and casual espionage.[51]

The emphasis on professionalism and solid facts defended credit reporting against charges of carelessness and permitted an expanded

[46] Norris, *R. G. Dun*, 26.
[47] Ibid., 44–46.
[48] Lewis Tappan quoted in Norris, *R. G. Dun*, 22.
[49] Quoted in Sandage, *Born Losers*, 143. Olegario, *Culture of Credit*, 128, 141.
[50] The attorneys worked without pay in hopes that creditors would give them work collecting debts and handling bankruptcies, which led to charges that they had incentive to provide negative reports to encourage failure.
[51] Madison, "The Evolution of Credit Reporting Agencies," 178–79.

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scope of coverage, reinforcing the sense that credit reporting was too valuable to do without.[52] Still, the gathering of true facts was not all that credit reporting was about. Fulfilling in good faith all obligations to clients meant bringing to light less-than-certain suspicions and potential problems about would-be borrowers. As the ledgers of R. G. Dun & Co. filled up with facts and as new reports layered on top of older ones, rich detail threatened to devolve into a messy collection of discreet bits of data open to any interpretation. Such information overload invited complaints from injured parties, while doing little to satisfy clients who had to make lending decisions. In response, credit reporting evolved a particular style of reporting. This style conveyed facts in a narrative manner that satisfied the conflicting interests of the various parties.

Narrative is a way of giving shape and meaning to information. Among its virtues, it provides a clear guide on how to organize the raw data chronologically (with a beginning, middle, and end) and a sense of causation. As historian Allan Megill has argued, narrative has cognitive value. It projects a vision of the world and thus shapes how people see and react to that world.[53] Indeed, as Megill notes, even in an age of massive data, people still construct narratives.[54] By connecting one event to another, narrative builds a sense of predictability and outcome. By linking seemingly random occurrences into a meaningful pattern, it distinguishes the vital from the inessential, the necessary from the ephemeral. In this way, it provides a logic and reason for action, permitting actors to interpret the same information in different ways and filling in the gaps where information is missing or ambiguous.

By the twentieth century, narrative was the favored mode of expression for credit reporting. "The report is a story," noted the R. G. Dun guide to report writers, an effective story well told. It was written in

[52] *Ormsby v. Douglass*, 1858, is a key case in this respect, ruling that information conveyed in good faith with reasonable diligence was protected under privilege.

[53] Allan Megill, *Historical Knowledge, Historical Error: A Contemporary Guide to Practice* (Chicago, 2007), 78–103.

[54] Ibid., 70. The continued reliance on narrative runs counter to predictions by theorists such as Walter Benjamin and Jean-François Lyotard that the age of instant information would negate or obviate narrative. In "A Message from Psychologists to Economists: Mere Predictability Doesn't Matter Like it Should (Without a Good Story Appended to it)," *Journal of Economic Behavior & Organization* 39 (1999): 29–40, Robyn M. Dawes argues for the independence of quantitative information and narrative. The role of narrative in the economy has recently become a topic of interest. See, for example, George Akerlof and Robert Schiller, *Animal Spirits: How Human Psychology Drives the Economy and Why it Matters for Global Capitalism* (Princeton, 2009); and John Kay, "The Map is Not the Territory: An Essay on the State of Economics," http://www.johnkay.com/2011/10/04/the-map-is-not-the-territory-an-essay-on-the-state-of-economics. An older argument along similar lines appears in J. Michael Harrison and David Kreps, "Speculative Investor Behavior in a Stock Market with Heterogeneous Expectations," *Quarterly Journal of Economics* 92, no. 2 (1978): 323–36.

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plain, non-technical language, without lengthy digressions. It progressed in chronological stages until reaching a climax. It had to "explain and illuminate, otherwise reports are dreary and lifeless, and readers shrink from reading them."[55] Narrative credit reports also connected facts to character. Character, recall, was meant to be a bedrock reference for lenders, when purely factual information was ambiguous or uncertain. Narrative put character into motion, giving a person's life a plot. The story in the reports pointed to a conclusion, even a moral, but avoided direct judgment or advice, which would have overstepped the legally secure territory of confidentiality.

Narratives of credit have a long history, going well back into the early days of commercial society.[56] As historian Scott Sandage has shown, the credit reports carried many encoded meanings—of good and bad borrowers or of those who deserved a second chance and those beyond hope of redemption.[57] Credit reports' persuasive power and sense of authenticity grew out of the narrative's causal structure, which denied that occurrences were merely random or unpredictable. Narratives constructed an identity for the borrower, giving the lender a clear sense of the person with whom he was dealing—"as near as possible to personal acquaintance."[58] In these ways, the credit narrative yielded the "reputed standing" of the businessperson based on solid character rather than salacious rumor or gossip.[59]

The narrative mode also fended off legal challenges and public criticism about reputational effects. By their very nature, narratives require the active participation of the reader. Although different narrative tropes may prefigure different causal mechanisms and imply different outcomes, the reader also brings his or her own ideas and preconceptions to the text. Good narrative reports could both make sense out of messy detail and complex reality, yet leave the reader (the creditor) free to draw his or her own conclusions.[60] In short, reports in narrative form constituted an acceptable way to construct and convey reputation.

[55] Dun & Bradstreet, *Report Writers Guide, General Suggestions and Examples: Narrative Form Reports* (New York, 1944). For other examples making the same point, see the Dun & Bradstreet house organ, *The Wagon Wheel* (Apr. 1935), n.p.

[56] Daniel Rabuzzi, "Eighteenth-Century Commercial Mentalities as Reflected and Projected in Business Hand Books," *Eighteenth-Century Studies* 29, no. 2 (1995–1996): 169–89; and John Smail, "The Culture of Credit in Eighteenth-Century Commerce: The English Textile Industry," *Enterprise & Society* 4, no. 2 (2003): 299–325. Margot Finn, *The Character of Credit: Personal Debt in English Culture, 1740–1914* (Cambridge, U.K., 2003).

[57] Sandage, *Born Losers*, 147.

[58] *Hunt's Merchant's Magazine*, quoted in Sandage, *Born Losers*, 143.

[59] William Prendergast, *Credit and Its Uses* (New York, 1914 [1906 copyright]), 151.

[60] On narrative form, see Hayden White, *Metahistory: The Historical Imagination in Nineteenth Century Europe* (Baltimore, 1973).

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Ratings and Reputations

The virtues of narrative in the tricky business of mediating reputation became clear when credit rating agencies attempted to replace soft but dense narrative information with hard, quantitative data, in the form of numerical ratings. R. G. Dun's competitor John Bradstreet introduced ratings in 1857.[61] Dun entered the ratings competition soon after. The Dun ratings both measured a firm's capital worth and provided a non-quantitative assessment, a boiled-down version of the narrative in the form of a rating letter reflecting "willingness to pay."

For all their sense of objectivity, ratings missed much of the subtlety and nuance the narratives sought to convey. Larger enterprises invariably rated more highly than smaller ones, since they had more capital.[62] Mainly large corporations kept detailed books, credit expert T. J. Zimmerman pointed out, so "the capital rating is really the judgment of the rater as to the amount of commercial value or par value of the assets."[63] There was, perhaps not surprisingly, little evidence that ratings predicted failures or even that two different agencies would rate a firm the same way.[64] Rather than making credit reporting objective, the ratings seems to have encoded the social and cultural prejudices of the day, much like the written reports.[65]

Still, with their ability to compact data, ratings were more easily taken as an endorsement or rejection of a particular debtor. They were "approximate guides of the reputed standing of the merchant," for at one glance one could see how someone "rated."[66] Herein arose a problem. The courts were clear that privilege could only be obtained when communication took place between interested parties. Ratings books, however, had the potential to circulate information widely. All subscribers received information on all firms in the book, regardless of whether

[61] Norris, *R. G. Dun*, 51–52.

[62] Ibid., 86–93.

[63] T. J. Zimmerman, "The Function and Work of the Commercial Agency," in *Credit and Collections: The Factors Involved and the Methods Pursued in Credit Operations*, ed. T. J. Zimmerman (Chicago, 1904), 47.

[64] Norris, *R. G. Dun*, 93–94; Lauer, "From Rumor to Written Record," 314; and Bruce G. Carruthers and Barry Cohen, "The Mechanization of Trust: Credit Rating in 19th-c. America" (unpublished manuscript). Nor did the ratings, even those for capital worth, reflect hard, standardized data. Many, indeed most of the firms that were rated kept either rudimentary books, or none at all. Without widely used and accepted standards of accounting, individual agents did calculations of net worth on a case-by-case basis. Instructions from the New York office provided general guidance on how to do this, but both the raw data and final figure reflected the judgment of the agent.

[65] Kelly Patterson, "Credit Evaluation and Organizational Context: Decision-Making and R. G. Dun & Co." (unpublished working paper).

[66] Prendergast, *Credit and Its Uses*, 151.

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or not they did business with those firms. If this made ratings more useful to the trade, it also undermined claims of privilege.[67]

To prevent information leakage, subscribers were specifically prohibited from sharing what they saw in the rating books. Each year outdated books had to be turned in and replaced with the new edition, preventing a secondary market for slightly out of date information. These procedures limited the usefulness of the rating books by making it difficult to compare a business from one year to the next (possibly a good predictor of default). But the play of interests and the course of commercial law necessitated the policies. Credit reporting agencies continued to issue ratings, but they never replaced the narrative reports.

The same results occurred with other attempts to create a hard, quantitative form of credit information. Professional credit managers, for example, argued that credit reporters should solicit signed statements from borrowers and examine accounts.[68] They should also survey lenders for the credit data in their ledgers.[69] Most credit-seeking business owners, however, refused to sign statements. They also resented the time required to fill out standardized forms and, for the most part, did not keep formal accounts. Lender merchants, meanwhile, were reluctant to pass on their ledger information, which they saw as "giving information into the hands of those who will market it for money-making purposes."[70] Most wholesalers and manufacturers relied on credit reports rather than ledger information.[71]

Narrative reports continued to be the main mode of credit surveillance through the first half of the twentieth century. R. G. Dun refined the techniques of report writing, asking its writers to filter out trifling details, provide a chronology of major developments of the subject's life, and shape their reports to emphasize important insights, particularly insights revealed by the subject's life over time.[72] Writers practiced their craft until they developed an intuitive "agency sense" of how much detail to include, when and how much to revise information from period

[67] Indeed, even simply listing a business in a rating book might imply a negative report, and hence be libelous. A subtle hint, intended or not, that received wide circulation could affect the commercial standing of a firm. Robbins, "Commercial Agencies," 257–64. A & B Moog v. R.G. Dun & Co., 1882, Folder 8, Box 3, Cases, 1851–1933, R. G. Dun Collection. Also Erber v. R. G. Dun (1882), 12 Fed Reporter, 526.

[68] Olegario, *Culture of Credit*, 175–79; 189.

[69] Prendergast, *Credit and Its Uses*, 183–84, 203. New York apparently passed a law that required merchants who obtained credit by representing that they kept books would be guilty of fraud if they defaulted and could not present the books to the creditor.

[70] Ibid., 213.

[71] Olegario, *Culture of Credit*, 181, 187, 194.

[72] Norris, *R. G. Dun*, 129, 135. Mercantile Agency, *Detailed Instructions to Reporters and Report Writers on the Arrangement of Reports* (New York, 1918), 5.

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to period.[73] They still had to tread cautiously on family and personal matters—the lessons of the Beardsley and Ormsby cases. This was especially so when it came to gender. "It should be understood that it is contrary to the policy of the business to make inquiry into the personal character or financial responsibility of any woman who is not engaged in business, seeking credit or contemplating any financial obligations."[74] Character emerged from the narrative, but the reporter had to avoid making certain moral judgments.[75]

Even these restrictions loosened over time, however, as credit reporting became an accepted practice well integrated into business decision making. "You are not merely reporting on the individual who runs it. You are really reporting on his wife and dependents."[76] Legitimacy came from the sense of intimacy and familiarity with subjects' home life and drinking habits, as though the "information" were "obtained during the course of a fireside chat."[77] There was still a line where reports moved from intimate and familiar to gossip and then slander. Once again, gender was on that line. Reporters had to avoid "anything respecting the integrity or morals of a female."[78] A New Hampshire reporter may have grabbed his readers' attention when he wrote of one businesswoman, "She is about 20–23 and a good looker. This may not help her credit with you but it does not hurt her any with me."[79] That was a level of familiarity too far.

Reputation and Measurement

Over the past fifty years, credit reporting has come to rely more and more on an analytical rather than narrative style of information. Credit assessments based on quantified behavioral patterns (usually reduced to a score) no longer need traditional character-based assessments. But credit scores do not eliminate reputation. Rather, they convey it in another form. Like the credit reports, the credit score's reputational effects were subject to political and legal debate.

Credit scoring emerged in the consumer credit market much more forcefully than in the business credit market. It developed because lenders and merchants constructed systems for sharing information, which

[73] Mercantile Agency, *The Mercantile Agency Reporters' Manual*, 2nd ed. (New York, 1902), 1, 7–8, 11.

[74] Ibid., 23.

[75] Ibid., 20.

[76] W. R. Massarene, "How Can We Make Our Reports Shake Hands?" *Wagon Wheel* (Nov. 1935): 8.

[77] G. Keefe, "Reports on Individuals," *Wagon Wheel* (Dec. 1935–Jan. 1936): 13.

[78] O. L. Lassiter, "The Complete Interview," *Wagon Wheel* (Aug.–Sept. 1935), 15.

[79] Ibid., 9.

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they had not been able to do for the business market. This information-sharing system began before World War II, but grew with the deployment of computers in the 1950s and 1960s. When banks entered the market for revolving consumer credit, they relied on computerized assessment systems to measure credit risk and control losses and fraud. Models based on borrowers' past behavior predicted the likelihood of repayment. Gradually this abundance of information was reduced to the FICO score, the methodology developed by Fair, Isaac and Company in the 1970s.[80]

As with the business-credit market, the consumer-credit market experienced a long debate over the impact of credit reporting on reputation. Before the FICO score, retail merchants and independent credit bureaus kept a hodgepodge of personal data on consumers. In the 1970s, the quality of data in these files came under harsh scrutiny, as banks, retailers, and insurance companies made seemingly arbitrary decisions to grant credit or issue policies. They denied single women credit for having presumed low moral character. They wrote off long-haired young men as undependable. They subsumed married women under the credit histories of their husbands. Credit reports, in short, came to constitute the community reputation of an individual, for better, and often for worse.

As reporting moved to its computerized, quantitative form in the 1970s, the law put a premium on reducing the variety and personal nature of consumer data, while making credit information more widely available. In 1970, Congress passed the Fair Credit Reporting Act. The act required reporting agencies to maintain accurate records, purge unverifiable information, and permit credit seekers to access and correct their files. It took particular aim at investigative procedures that traditional credit reporters had used for decades, gathering both personal and financial information on consumers. In 1974, responding to pressure by women's rights organizations, Congress added the Equal Credit Opportunity Act, which forbade credit discrimination on the basis of sex or marital status, undercutting the long tradition of rating women lower than men for credit. The act also banned the use of certain categories pertaining to race and ethnic status. Finally, in 1976, Congress opened hearings on privacy, investigating the information on citizens held in corporate databanks.[81]

The upshot of these laws was to make computer databanks and behavioral or transactional information the answer to concerns about privacy and prejudice. If women or African Americans were denied

[80] For more, see Kenneth Lipartito, "The Narrative and the Algorithm" (unpublished paper).

[81] John Nevin, "The Equal Credit Opportunity Act: An Evaluation," *Journal of Marketing* 43 (Spring 1979): 95–104.

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credit because (wittingly or not) credit evaluators took race, marital status, or personal lifestyle into account, then credit scoring based strictly on patterns of credit use, plus a limited number of individual attributes (such as address or occupation) provided a defense against charges of discrimination.[82] If the rich and varied records on individuals kept by thousands of small credit bureaus were considered unsecure and liable to misuse, then highly standardized data available only by those with authorized access, overseen by a small number of large corporate entities, provided greater security and superior accuracy.[83] More information processed more cheaply and encompassing more people would lower the cost of credit while increasing transparency to protect the borrower.[84] The computerized credit score was the distilled essence of this new form of credit surveillance—a statistical model based on personal and transactional data that predicted credit use and default risks.

On the matter of reputation, then, consumer credit scoring followed a history similar to trade credit reporting. Credit-scoring models themselves did not determine what was legitimate information. In theory, race, religion, ethnicity, gender, location, job, and level of education could all be statistically valid predictors of repayment.[85] But politicians and critics of credit scoring pushed credit reporting firms to rely less on personal characteristics and more on credit and payment experience.[86] Behavioral assessment seemed fairer, since it was based mainly on one's most recent actions rather than generalizations about people or their identities. Like character, the credit score was in the hands of the individual, who merely had to behave in ways that signaled trustworthiness and creditworthiness.[87]

[82] Louis Hyman, *Debtor Nation: The History of America in Red Ink* (Princeton, N.J., 2011), 173–219, notes that feminists argued that shifting credit evaluation to credit histories rather than demographic characteristics was a cure for discrimination, and since women often had less credit history, it was also necessary to track individuals throughout their economic lives.

[83] James Rule, *Private Lives and Public Surveillance* (New York, 1974), discusses the shift of privacy discourse toward fairness, accuracy and security, and away from the type, amount, or control and ownership of personal information.

[84] Privacy Study Group Trip Report Memo, 31 May 1972, Willis Ware Collection, Box 1, Folder 17, Credit Reporting, Charles Babbage Institute, University of Minnesota, Minneapolis, Minn.

[85] Noel Capon, "Credit Scoring Systems: A Critical Analysis," *Journal of Marketing* 46 (Spring 1982): 82–91. In 1979 testimony, William Fair argued that race, gender, and religion should be included if they were shown to be valid predictors.

[86] Indeed, certain other legislation actually mandated the collection of just this sort of data. For example, the 1968 Consumer Credit Protection Act's Regulation Z required capturing of certain information about open-ended credit—date, amount, brief description of goods or services bought, name, city, and state of vendor.

[87] Although the legacy of discrimination and poverty still worked against those with little or no credit history, expanding the availability of credit would, presumably, correct that problem in time. As everyone got access to credit, everyone would have a behavioral pattern of credit use that could serve as the basis for his or her score.

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Emphasizing systematic protocols and professional quality work thus resolved questions about the impact of credit scoring on reputation—in this case the work entailed writing scoring algorithms rather than credit narratives. Like the narrative, the credit score followed prescribed guidelines of practice shaped by political and legal contests over legitimacy. These guidelines determined which facts counted. Like narrative, the score presumed that people rose and fell of their own accord, permitted second chances, and eschewed obvious prejudices—the reader, not the writer, drew the conclusion.

The credit score is a compact informational signal to actors in the credit market, but it is also a symbol, a public emblem of one's market value and trustworthiness, or in short, one's reputation. Not surprising, as a reputational symbol the credit score has been used in more and more contexts to judge a person's worth—for employment, for housing, for insurance.[88] Big data may have changed how we assess people financially, but it cannot eliminate the need for a symbol of reputation, something more vague but also more general that is called upon when a client or investor must make judgments that go beyond the data.

Conclusion

During the nineteenth century, reputation was transformed from a type of informal, local knowledge to a much more methodical, formal knowledge conveyed through a national information system. The change was most pronounced in the United States, due to its much larger geographical market and more fluid social relationships. Still, this transition did not take place smoothly or automatically. In fact, political and legal issues of what constituted a legitimate form of mediation for reputations had to be worked out over nearly a century.

The issue was who had the legitimate authority to provide information that, true or not, could deeply affect reputation, and hence access to capital and credit. Credit agencies, a new type of institution, sought to claim this authority, using notions of fixed and stable character. But the subjects of credit reports made strong counterclaims that reputation-mongering by private companies amounted to little more than rumor or gossip, almost a form of blackmail to those adversely reported. Appeals to "truth" were not an answer, for reporting involved both objective facts and subjective assessments, which intentionally or not constituted

[88] See, for example, Jeanne Kelly, "Your Employer Is Pulling Your Credit! Are You Ready?" 20 Nov. 2012, http://www.huffingtonpost.com/jeanne-kelly/credit-check_b_2161027.html; and "Use of Credit Information in Employment 2012 Legislation," 6 Mar. 2013, http://www.ncsl.org/issues-research/banking/use-of-credit-info-in-employ-2012-legis.aspx.

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a party's reputation. Reputation had symbolic value that different parties contested and disputed. Courts took up these issues, which involved legal matters of privacy and confidentially. Gradually, though cautiously, they granted legitimacy to credit agencies as they came to see their practices as economically valuable and professional in nature.

Credit agencies thus had to walk a line between the interests of various parties, keeping information confidential, yet making it easily accessible, collecting what had been local information, transforming it into standardized formats, and protecting their own profits by preventing free riding and information leakage. Attempts to make credit reporting even more standardized, as with numerical ratings or shared financial data, were of only limited success. By the twentieth century, the credit narrative became the favored way of dealing with these political and market pressures. Narratives seemed to embody notions of character, where one's reputation was due to one's own attributes and behavior, while making the user of the reports, not the reporter, the party responsible for drawing conclusions and determining credit-worthiness.

This history of business credit reporting contrasts with the evolution of consumer credit reporting, particularly after World War II. The rise of credit cards and other instruments of consumer credit led to an information-sharing system that was eventually reduced to "hard" quantified data, notably the credit score. Like the narrative, the credit score solved a number of reputational issues, about who collected personal information and how assessments were made, assessments that affected one's financial status as well as one's reputation generally. Computerized credit scoring, like the credit narrative, seemed to resolve conflicting claims about the production and control of information by making the behavior of the individual count, and leaving the assessment to the user of the credit score. As with business credit reporting, however, there were a number of important political interventions that determined what information was legitimate to use and how that information could be incorporated into credit ratings.

Credit reporting did not necessarily set out to mediate reputations. In fact, the emphasis on character in the nineteenth century and quantifiable behavior in the later twentieth were both designed to replace subjective, fickle notions of reputation with something harder and more scientific. But as the history of credit reporting shows, information also constructs reputations.

Reputations do not just signal, in the sense of conveying a clear message, they also symbolize, by summing up or representing a person or organization in another form. As symbols, they may incorporate prejudices or moral judgments. Their construction may involve conflicts of interest. The information used to constitute a reputation can be

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subject to legal and political contestations. Even so, reputations have value. They are a heuristic device to deal with nuance or ambiguity when decisions have to be made in the face of uncertainty and imperfect information (as they almost invariably do). They give meaning to raw data—whether that meaning comes from a narrative or an algorithm. Until mapped onto a frame of meaning, data is useless. Thus, rather than a holdover from an earlier, more personal economy, reputation is an enduring feature even of the age of information.

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