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FINANCE AND INSURANCE REVIEW.

MONTREAL, MARCH 22, 1878.

**COMMERCIAL AND MERCANTILE
AGENCIES.**

Every private enterprise is dependent upon the existing need for it, and it is impossible for it to continue if there be no need. New trades and new companies are being continually set afloat; if they subserve some existing public want they take root and grow; if they do not they die of inanition; it needs no agitation, no Act of Parliament to put them down. As with all natural organizations, if there is no function for them, no nutriment comes to them and they dwindle away. Not only do the new enterprises disappear, but the old ones cease to be when they have done their work. Unlike law-made instrumentalities—the machinery of faulty Insolvent Acts and red tape Registration offices, which continues to flourish long after it has become an abomination—private enterprises dissolve when they become needless. The old stage-coach ceases to exist in presence of the railway, and the employees are absorbed in the new organization.

There is, perhaps, no one of the aids to mercantile progress which is so generally misunderstood as that known as the "Mercantile Agency" system. This misunderstanding has produced a prejudice in the minds of many persons—a prejudice which, however, exists only where there is lack of information as to the objects and working of the system. Our object is to remove that prejudice from the minds of our readers, by presenting the "Agency" system in its proper light, and no one in this respect can accuse us of being influenced by "ratings" or by a desire to obtain credit. We do not require either. We can look back to the time, as most men can, when ignorance led us to form unfavorable impressions of the Agency system, but, having taken pains to inform ourselves on the subject, we do not hesitate to say that the system is generally conducted on high and honorable principles, and is truly useful to all sound, upright, industrious traders throughout the land. The fact that the leading establishments in all large cities have made use of this system for over a quarter of a century evidences the necessity for its existence. That now and again dishonest or incapable employees have cast discredit upon it, that mistakes have occasionally been made, is no reasonable ground for any prejudice against it.

Let us look at the system first as regards the retail dealer. The respectable country merchant whose neighbor in business obtains credit on the basis of false repute is likely to suffer from the unfair competition thereby encouraged, but the agency steps in to his defence and, through its thorough and ramified system of reliable agents and travellers, informs its subscribers of the character and capital of the applicant for credit, to the evident advantage of the responsible dealer, who means to pay and can pay his honest debts at maturity. There is scarcely a village store keeper who has not incurred enmity at some period of his career, and the "Agency" in this respect has often served well many of those who do not understand its objects and operation. There is a class of retailer, also, who finds it advisable to move from town to town, or one country to another, according as the place becomes too hot for him, doing mischief wherever he goes. Of the antecedents of these the "Agencies" are fully informed, and, although in some cases these wanderers succeed in obtaining credit, owing sometimes to the too great anxiety of wholesalers to dispose of over-stocks, it is not because they have not had sufficient warning in the reports required from the "Agencies." The crisis of 1837 appears

to have first suggested the establishment of the system. Its design was to uphold and render safe and profitable to all concerned the great credit system of business. At the first it was mainly intended as an aid to the wholesaler. His customers, scattered far and wide, were periodically visiting him to replenish their stocks, and cancelling partly or wholly previous obligations, while they contracted new ones. Before opening new accounts with old or new customers the merchant would need to be informed respecting the then circumstances of his customer, of the success attending him from year to year. Information of this character can, as a rule, be satisfactorily obtained only at the home of the dealer. Hence the main object of the Agency is to furnish the home-standing of the merchant, obtained from intelligent and reliable sources there. If in his own little circle at home the trader is deemed honest, attentive to business, of good business qualifications, and doing well, with a sufficient capital, is not the statement of these facts a positive benefit to himself and the community in which he resides, as well as to the city merchant from whom he buys his goods? If, on the other hand, the trader is notoriously dishonest, or otherwise so disqualified for business as to have no credit at home, is it not proper that it should be known in all those places away from home where he may seek to obtain credit? Would not the interests of the several parties referred to be subserved by preventing his obtaining goods? In both cases the legitimate ends of healthy trade are promoted, and he who acts in the capacity of local correspondent or reporter for the Agency has the satisfaction of knowing that he is forwarding the true interests of society.

To carry out the credit system safely, the creditor must be acquainted with the debtor; confidence is the life of the system, and confidence can rest only in knowledge. The cumbersome methods of obtaining information resorted to by wholesalers before the Agencies were fully established were very unsatisfactory. Each merchant had to send out couriers to report and collect, and it was only the larger houses that could bear the expense, and these purchased it at too high a cost. The Agency obviates these difficulties. By an extensive and well-sustained system of correspondence, extending to every town and village in the United States, Canada, England, France, Germany, etc., it obtains the requisite information respecting every trader in the country whose business leads him to buy on credit away from home. This informa-