Sterling Products Inc. VIII
Ramping Up For The Big Merger
United Drug Co. - Retailer & Manufacturer

United Drug Co. Factory in Boston
1906 Postcard

In 1928, Sterling achieved the size it needed to attempt domination of the pharmaceutical, as well as the burgeoning home goods, industry by creating a new holding company, Drug, Inc., through its merger with United Drug Co. Sterling's aggressive expansion has already been demonstrated in these pages. United Drug had created its own phenomenal empire through its blend of retail and manufacturing growth, for it had forged a domain of related retail agencies and stores and its own independent manufacturing arm to support them. The marriage of United Drug's retailing power with an Sterling's established manufacturing prowess in both the over the counter and "ethical" drugs (through its ties with the German Bayer firm, then part of the chemical combine I. G. Farben) had the potential to create in the United States a pharmaceutical market vertically controlled from the raw materials which went into creating any product to its final sale to the retail customer at a horizontally controlled pharmacy or drug store. At the same time, the idea of the "chain store" was entering the pharmaceutical world and this notion, too, became part of Drug, Inc.'s arsenal.

Rexall Drug Store
Yorktown, NY
August 17, 2022

Traditionally, pharmacies and drug stores had been owned and run by individuals, usually doctors or pharmacists, who possessed specialized training in the prescribed drugs they were dispensing and stocked other merchandise to complement these drugs. They bought their raw materials from the nearest urban center, usually a port, and compounded the drugs they needed to suit the prescriptions they received (or wrote themselves). In the United States, after the Civil War, with a growth of manufacturing power that far outpaced medical progress toward genuine cures for diseases, there was an explosion of "patent medicines," applying new manufacturing methods to almost anything and everything that might give the appearance of relieving misery caused by real or imagined disease. Since the ingredients in such "patent" goods were known only to the manufacturer and were pre-packaged, the owners of the drugstore no longer needed to be trained man of science. As a consequence, these retail owners could now be just ordinary businessmen seeking a profit and the field itself was open for the same kind of reorganization by consolidation that was occurring in many other industries at the same time. Moreover, while the earlier specialists operated separately from one another and bought their stock mainly from regional wholesalers, then called jobbers, who bought large quantities of goods from smaller manufacturers and then distributed these goods to the individual stores, improved transportation after the Civil War gave rise to traveling salesmen. The jobbers circulated their agents through assigned territories to visit and sell to individual stores one by one, compiling orders and sending them back to the home office. Large manufacturers, of course, whose volume of business sustained their own sales forces, also had field representatives, but they tended to travel and sell the same way as the jobbers did. Industrialization was bringing changes to drug stores.

A. Louis Liggett and the Rise of United Drug Co.

Louis Liggett 1920c

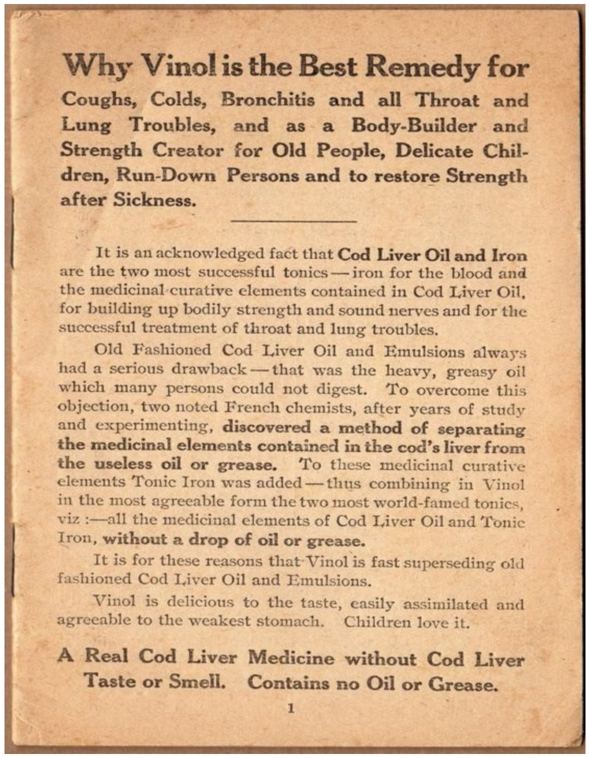
In the pharmaceutical industry it was a man named Louis Liggett (1875-1946) who envisioned a different approach to retailing drugs. Philosophically, he is not the father of the chain drug store, but his ideas so completely re-organized the role of the retail outlet in the pharmaceutical world that he, perhaps unwittingly, paved the way for today's chain drug stores. His dynamism made possible an equality of power between retail outlets and their suppliers that had never existed before.

Samuel Merwin, Liggett's Biographer

Liggett was born in Detroit, MI in 1875, the youngest in a family of four boys. His father was a founder of a successful insurance company, whose later bad investments in an electric trolley company left the family in what his admiring friend and biographer, the novelist Samuel Merwin, called "reduced circumstances." After receiving his schooling in Detroit, Liggett's first job at age 14 was at local branch of Wanamaker's. He then tried his hand at a number of businesses, including briefly running his own headache remedy company (successfully according to Merwin and unsuccessfully according to a magazine biography written at the height of Liggett's fame and power).

Possible Chester Kent & Co. Cancels
(BDR unrecognized)

In 1897, Liggett became a traveling salesman for the newly formed Chester Kent & Company of Boston, MA, which was being sponsored by Frederick Stearns & Co, a large manufacturing concern in Detroit, MI.[1] The new company was marketing a product called Vinol, a tonic made from cod liver mixed with an iron compound (rather than Scott & Bowne's lime and soda compounds). Vinol's gimmick was that it contained the essence of the cod liver *without the oil* (extracted, according to its ads, through a process perfected by French chemists and known only to it) mixed with iron, which even then was known to be a component of blood.



Why Vinol is the Best Remedy for
Coughs, Colds, Bronchitis and all Throat and Lung Troubles, and as a Body-Builder and Strength Creator for Old People, Delicate Children, Run-Down Persons and to restore Strength after Sickness.

It is an acknowledged fact that **Cod Liver Oil and Iron** are the two most successful tonics — iron for the blood and the medicinal curative elements contained in Cod Liver Oil, for building up bodily strength and sound nerves and for the successful treatment of throat and lung troubles.

Old Fashioned Cod Liver Oil and Emulsions always had a serious drawback — that was the heavy, greasy oil which many persons could not digest. To overcome this objection, two noted French chemists, after years of study and experimenting, **discovered a method of separating the medicinal elements contained in the cod's liver from the useless oil or grease.** To these medicinal curative elements Tonic Iron was added — thus combining in Vinol in the most agreeable form the two most world-famed tonics, viz :—all the medicinal elements of Cod Liver Oil and Tonic Iron, **without a drop of oil or grease.**

It is for these reasons that Vinol is fast superseding old fashioned Cod Liver Oil and Emulsions.

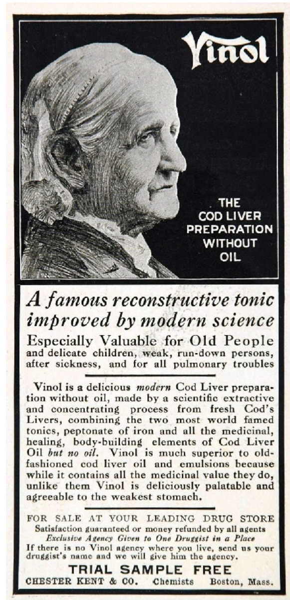
Vinol is delicious to the taste, easily assimilated and agreeable to the weakest stomach. Children love it.

A Real Cod Liver Medicine without Cod Liver Taste or Smell. Contains no Oil or Grease.

1

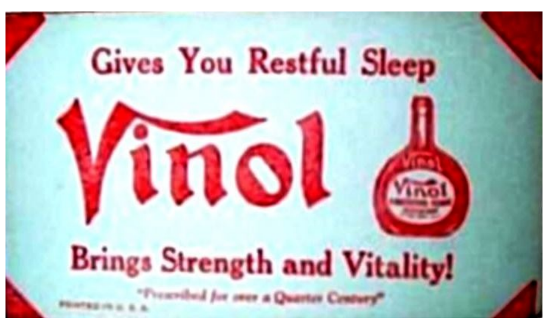
Vinol Ad Describing Oil Extraction

Liggett was motivated to re-organize the retail pharmaceutical business after he apparently sold Vinol to one pharmacy and then to a second in the same town, only to have the first refuse ever to re-order after the second undercut the first's retail price by discounting the retail price of his stock. He was not the only manufacturer who had ever encountered this difficulty. Others in the pharmaceutical industry were also attempting to enforce retail price uniformity by various means with mixed success, and ultimately with some degree of difficulty caused by running afoul of antitrust laws. Some of these methods have been touched upon already in earlier articles in this series, and, it should be remembered, the anti-trust actions pending in the pharmaceutical industry against manufacturers working through various organizations attempting to enforce price controls on remote retailers were settled by industry-wide consent decrees in 1907.



1900c Vinol Ad

Liggett's plan avoided any anti-trust implications. He determined that he would enforce retail price uniformity by selling Vinol exclusively to one single agent in each location. Since there was only one outlet for the product, there could be no possible price variation nor price cutting nor claims by alternative distributors that they were being forced to maintain a specific price. The chosen agents would also share pro rata in a national advertising campaign for Vinol. Liggett set up a network of such agents, calling it the Vinol Club, and began to edit a newsletter for it called the Vinol Voice. The plan was so successful at boosting Vinol's sales that Liggett was named general manager of Chester Kent & Co. the following year.



1910c Vinol Ad

However, Liggett's first epiphany came when he realized that such an organized group of retailers could bend the pharmaceutical market to its own will by buying together as a single unified group, placing orders large enough to reverse the dynamic of the industry with the effect of by-passing the control exercised previously by the manufacturers and jobbers of the medicines and other goods. In 1901, his concern for his agents led him to project beyond the Vinol Club to organize from among its members the Drug Merchants of America, separate and apart from Vinol, which was a company designed to provide support for retailers as well acting as a clearinghouse for exchange of goods among participants and a center to exercise buying opportunities from manufacturers on their united behalf. For the first time, through their bulk purchases, pharmaceutical customers had the power to dictate the terms of sale to the makers of the goods.

Ad Showing Vinol Bottle and Bottle

The following year, in 1902, he had a second revelation as powerful as the first that made him carry his plan a step further by inviting forty retail drug store owners with whom he had formed particularly close relationships from among his agents located all over the country to a meeting at the Hotel Brunswick in Boston. He there proposed to them that they contribute $4000 each to buy their own manufacturing plant together as a group in order to produce their own new brand of goods for exclusive sale in their retail outlets. Those who invested in the manufacturing would each share in the ownership of this manufacturing concern, and the balance of their contribution would be used to underwrite a national advertising campaign to build the market necessary to sell these new goods. As more retailers joined Liggett's federation, Liggett envisioned that its manufacturing capacity would also grow as well. Through this organization, with its own advertised products, all retail owners within the federation would ultimately have the opportunity to complete their divorce from the tyranny of jobbers and manufacturers. As it expanded and manufactured at a much lower cost more of the goods the retailers needed, they could diminish their purchases from outside suppliers.

Merwin stresses that although $4000 was a great deal of money for most of the men who heard his pitch and although Liggett was extremely young, these forty owners immediately and enthusiastically endorsed his plan. A second company was promptly organized. This company was the United Drug Co. A small minority of the original owners were already operating small groups of “branch stores” in urban areas, but since they entered through the individual that owned them all, these small groups were treated just the same as any other individual owner-operator. These multi-store owners would soon require adjustments in Liggett’s thinking and planning.

United Drug Co. Cancels
On 1914 Proprietary Revenue Issue

By 1903, Liggett had been installed as the Secretary and General Manager of the newly formed United Drug Co. headquartered in Boston in a former thread mill, finally shedding his connection with Vinol, although carrying its influential President, Edward D. Cahoon (1866-1920), into the new company as well to serve as its Treasurer. Cahoon remained in the background of virtually all of Liggett’s major transactions for the almost the entirety of the next two decades,[2] and it these almost incestuous relationships among the various owners of all these supposedly rival competitors which makes the recounting of this story so intricate, complex and fascinating. The initial shareholders chose “Saxona” for the name of the product line of this new manufacturing company and for the stores that would sell it, but the name was apparently already taken. However, in the official romanticized version of the name-origin story, Merwin says that it was actually the first group of employees sitting in the new Boston office who, quite by chance, at the suggestion of the office boy, selected the name Rexal, from the Latin rex meaning king, with Liggett adding the final “l” to make it more sharply mean “king of all” - Rexall.

United Drug Co. “Perfin” Cancel
(Initials of Company Punched Into Stamp)

While perhaps the office boy actually suggested the name, consciously or not, he had already heard it somewhere else. Although Merwin in passing does devote a paragraph to the “situation,” ultimately a problem developed with the name “Rexall.” Merwin’s passage actually encompasses litigation that went all the way to the United States Supreme Court. As finally found by that court, a small patent medicine company in the Massachusetts area had been using the name “Rex” for its product since 1883. The owner derived that name from *her* own name which was Regis. That company, E. M. Regis & Co., had trademarked the “Rex” name in 1900, and, although Merwin omits the fact, Liggett had lost a trademark case to it in the Massachusetts courts in 1904 (although no actual damages were awarded because the plaintiff’s sales were negligible). Liggett was ultimately forced to purchase the Regis business and the rights to the name from the family in 1911for what Merwin claims was the princely sum of $100,000. Meanwhile, the first shipment of Rexall goods, in the form of dyspepsia tablets, was dispatched to retailers on March 14, 1903. The Rexall brand was an immediate hit and soon others owner-operators were clamoring to join Liggett’s United Drug federation. From 279 agents in 1903, the Rexall group grew to over 1000 in 1906, over 2000 in 1909, over 5000 in 1913 and over 6,000 in 1916.

Rexall’s First Product

Liggett, however, stands as something of a transitional figure between the 19th Century ideal of the individual merchant-entrepreneur who conquers his market and makes his fortune and the 20th Century notion of corporate control of an industry from a single boardroom in a centralized headquarters from which emanates direction to a thousand outlets each operating in exactly the same manner. Even as Liggett's ultimate impact seems to have been to centralize both the manufacturing of goods and control of their sale in the retail market, Merwin's admiring biography of Liggett (completed in the mid-1930s only months before his own death and years before Liggett's own) always emphasizes that Liggett himself was a champion of individual retail ownership and the notion of such individual owner's rights, and that ownership of Liggett's companies was spread jointly among the individual retail participants each of whom was also a shareholder. Merwin spends a great deal of the biography recounting, at length and in detail, the weekly series of "Dear Pardner" letters that Liggett composed and sent to his retailers in the years between 1903 and 1923, comprising 268 in total, which always treated each owner operator as an equal and stressed the manner in which these individual owners could best exploit Rexall products for his/her own gain. Merwin also recounts at chapter length several instances when Liggett went out on a limb financially to protect his companies and had to be bailed out by contributions made by his own loyal shareholders. However, Liggett was also always devoted to expansion of his empire toward a unified group of drug stores all stocked with his Rexall goods, and the concomitant growth of his bottom line, even, as will be shown, if it meant alliance with chain stores. This duality of Liggett's nature makes him a unique and fascinating character.

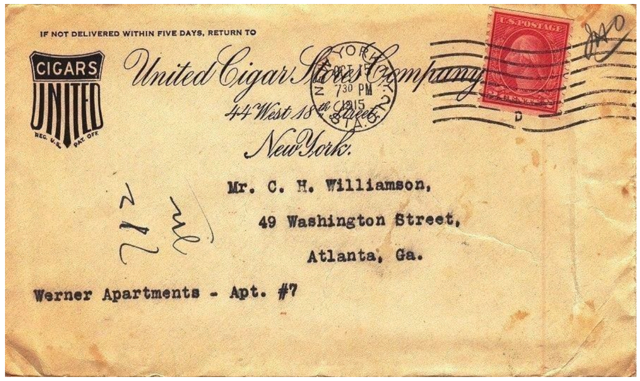
B. George Whelan and the Rise of United Cigar Stores Co.

George J. Whelan
(Wikipedia Portrait)

The real application of the “chain store” principle - at its most extreme defined as a centralized “master” body producing a product and controlling its sale through many subordinate “slave” outlets - seems to have arisen in another retail area entirely, which intersected, collided, abraded, and ultimately blended with the pharmaceutical field: sale of tobacco products. The history of tobacco manufacture and sale in the United States could (and probably does) sustain a multitude of blogs similar to this one. It is no less intricate, detailed and complicated than the history of the pharmaceutical industry that this blog attempts to unfold and elucidate, but, suffice to say, by 1901, the tobacco industry had consolidated to the point where the American Tobacco Co., only formed in 1890 by James Buchanan Duke (1856-1925), controlled about 90% of the sale of cigarettes and other tobacco products in the United States. Its retail operation consisted of a string of retail stores organized as the United Cigar Stores Co.

United Cigar Stores Cancel on 1919 Proprietary Revenues

The business genius who first truly made the concept of the “chain store” work, when he created the United Cigar Stores Co.,[3] was a New Yorker from Syracuse named George J Whelan (1865-1945) who came from a family of seven brothers. He began in the cigar business in his older brother’s cigar store in Syracuse, and opened the first United Cigar store with two others, including Charles A. Whelan (1873-1941),[4] in New York City in 1901. While initially reluctant to back Whelan, Duke was so impressed with Whelan’s success that, within a year or so after 1901, he was persuaded to apply the financial power of American Tobacco to Whelan’s United Cigar store chain by absorbing it into his empire, which only redoubled Whelan’s growth. Whelan effectively served as Liggett’s counterpart in the tobacco industry by producing retail outlets in quick and spectacular fashion, but unlike, Liggett, Whelan was not concerned that owner-operators manage their own retail outlets. As a side line, Whelan even took time to organize another company to explore creating a chain of drug stores as well. At that time, in the early 1900s, it remained a minor interest as the United Cigar Store chain burgeoned.



1915 United Cigar Stores Co Cover

American Tobacco had such tight control of the tobacco industry that, ultimately, in 1907, the U.S. government invoked the Sherman Anti-Trust law against the "tobacco trust," with the American Tobacco Co. named first in a long string of defendants. In 1911, just weeks after the Standard Oil decision, which first enunciated the principles of modern anti-trust law - among them banning horizontal monopolies (control by a single entity of all of the retail outlets for purchase of specific product) - the Supreme Court affirmed a lower court ruling and extended its Standard Oil decision to cover the tobacco industry as well. Perhaps the tobacco decision came as no surprise, since, as will be shown, many of the same participants in the Standard Oil trust were also large investors in both the tobacco and pharmaceutical industries.

C. Liggett's Counter To Chain Tobacco Stores And The Ensuing Complications

1. National Cigar Stands Co.

NCSCo Tip Tray

Liggett took his first steps to counter the tobacco monopoly in 1905. Tobacco products were also stocked and sold by drug stores, and, when the stores of Liggett's federation members found they were losing tobacco sales to United Cigar Stores chain tobacco shops which were popping up on every corner, Liggett felt that he must take some action to protect this revenue stream for them. His counterpunch was to form his own company, the National Cigar Stands Co. (NCSCo), which then set up tobacco stands in every one of his Rexall stores and agencies. Oddly enough, since Duke himself was primarily interested in manufacturing tobacco products, he apparently made no objection to Liggett's new company, provided it only retailed tobacco products and did not manufacture them. His American Tobacco Co. even negotiated the contracts to supply Liggett. While the creation of the new company was approved by the stockholders of United Drug, initially it was financed by Liggett and certain other individuals. After it proved to be successful, its ownership was merged into the holdings of the shareholders of United Drug. According to Merwin, the advent of NCSCo successfully squelched the United Cigar Store's attempt to displace United Drug's vibrant cooperative structure of owner-owned drug stores with soulless cigar store chain stores.

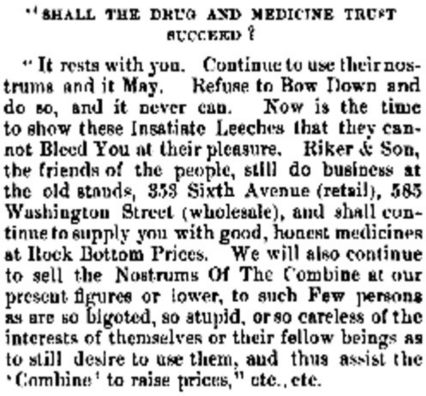
John Blackwell Cobb

However, also according to Merwin, the formation of NCSCo caused Liggett a much more subtle and long-lasting disagreement within his own United Drug federation, for it brought Liggett into a long, if somewhat confused and confusing, conflict with John Blackwell Cobb (1857-1923), a North Carolina native and colleague of Ben Duke (James B. Duke's brother) who had risen to the rank of vice-president of American Tobacco, apparently in part by backing Whelan and helping to promote the United Cigar stores. According to Merwin, around 1905, Cobb invested a portion of his considerable accumulated wealth to buy approximately half of William B. Riker & Son, a chain of drug stores in Manhattan and Brooklyn, that had operated as charter members of Liggett’s Rexall federation. Merwin speculates that Liggett’s thwarting of Cobb’s United Cigar store expansion project might have left Cobb with a lingering mistrust of Liggett, or maybe Cobb just felt that he needed some check to Liggett in his own field. Merwin does not mention that the man Liggett brought in to run NCSCo for him was Cobb’s deputy at American Tobacco, named George Gales (1876-1954), a man who ultimately traveled far with Liggett, but who had started with Cobb. The continuing friction between Cobb and Liggett shaped United Drug’s history for the next decade.

a) William B. Riker & Son - A Brief Historical Digression

William B. Riker & Son Cancels

The nominal “glue” that binds together this overall series of articles about Sterling is the consolidation of the pharmaceutical industry during the Twentieth Century. It is dramatically illustrated by showing that at every level of the industry while thousands of organizations, from already gigantic corporations to single individuals, cancelled battleship stamps at the end of the Nineteenth Century, yet only about a dozen mega-national manufacturing combines still existed when the Twenty-First Century dawned. Since William B. Riker & Son was one of the many “disappeared” companies which cancelled battleship revenues, before exploring the ramifications of Liggett and Cobb’s prolonged bickering, a brief digression into its history is in order. Luckily, William B. Riker is well known name to bottle collectors. Each of their many websites describing various products bearing his name contains some details about his life. The most thorough and comprehensive telling of his story is currently found at baybottles.com.



"SHALL THE DRUG AND MEDICINE TRUST SUCCEED?

"It rests with you. Continue to use their nostrums and it May. Refuse to Bow Down and do so, and it never can. Now is the time to show these Insatiate Leeches that they cannot Bleed You at their pleasure. Riker & Son, the friends of the people, still do business at the old stands, 353 Sixth Avenue (retail), 585 Washington Street (wholesale), and shall continue to supply you with good, honest medicines at Rock Bottom Prices. We will also continue to sell the Nostrums Of The Combine at our present figures or lower, to such Few persons as are so bigoted, so stupid, or so careless of the interests of themselves or their fellow beings as to still desire to use them, and thus assist the 'Combine' to raise prices," etc., etc.

1885c Riker "Cutter" Ad

Yet none of these articles fits the Riker chain into the larger picture of the consolidation of the pharmaceutical industry. The short form of this story, which explains how the Riker chain came to be in Cobb's hands, can be summarized briefly. William B. Riker was born in New York City in 1821. He graduated from the New York College of Pharmacy in 1846 and soon had his own drug store at Sixth Avenue and 22nd Street in New York City. In 1870, his son, William H., graduated from his alma mater and joined his father in business. The Rikers were somewhat controversial in the industry because they advertised themselves as "cutters" and promoters of their own nostrums. In 1887, having survived and become one of the oldest and most well-established druggist in New York City, the elder Riker retired and turned the business over to his son, although he remained the nominal owner of the store building.

Joseph Marshall &
Edward D. Cahoon

Sadly, William H. Riker was an extremely poor manager, and by 1892 was forced to sell the business. Unfortunately, the manner in which William H. chose both to manage and, particularly, to dispose of the business by assigning the whole operation back to his father supposedly in payment for debts owed to his father as rent, *inter alia*, made him and his father defendants in a myriad of fraud law suits brought by all sorts of suppliers (among them last article's Scott & Bowne), landlords and other creditors (and later dragging his uncle Andrew J. Riker, William B.'s brother into family litigation) which filled volumes of New York State court decisions for years after. Ultimately William H. declared bankruptcy in 1900 and was hospitalized in the mental ward at Bellevue Hospital in 1902. William B. Riker died in 1906, noted for his long tenure at Sixth Avenue and 22nd Street, but William H. seems to have faded away unremembered and unmourned. Yet even among the fraud allegations, William B. Riker managed to transfer the store and its assets to a group of four buyers who promptly incorporated the company. These buyers were Edward D. Cahoon, who later had a hand in launching Liggett, but was then William H.'s deputy and store manager, Cahoon's brother-in-law Dr. Joseph H. Marshall (1858-1932), William C. Bolton (1851-1925), a druggist who had built his own chain of stores in Brooklyn and Daniel J. Runyon (1838-1907), a Long Island druggist who thereafter disappears as an active principal from both Riker's and United's histories.

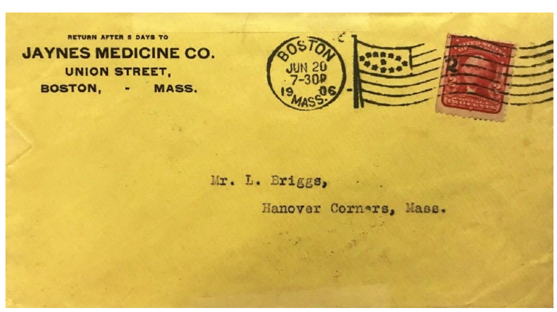
A. H. Cosden

Cahoon managed the Riker store ably, but soon moved on to other prospects while retaining his ownership interest, turning the day to day management over to a rising star named A. H. Cosden, (1872-1962), who was only in his twenties. Cosden ran the store so smoothly that by 1904 it had moved to a larger location one block north, big enough to accommodate a special second floor "manicuring" parlor for women, unique among drug stores. That year it also opened a second store in Manhattan and reconstituted itself to merge Bolton's five Brooklyn drug stores into it. By 1907, the company had 300 employees and was the second largest drug store chain in the country. Beyond its retail operation, it conducted a direct sales unit and also had four salesmen traveling the country.

2. Liggett Merges Jaynes Drug Stores into Riker

C. P. JAYNES.
Pioneer Druggist.

The spark for the dispute between Cobb and Liggett arose from Liggett's handling of the very first sale of a chain group within United Drug. In 1906, Charles P. Jaynes (1845-1912) , who as the owner of a small chain of Boston drug stores had participated as a charter member of Liggett's federation, wanted to dispose of his holdings and retire. Merwin says that Liggett, then lacking sufficient funds to buy them himself to protect the federation and not yet aware of Cobb's mistrust of him, arranged for the stores to remain within the Rexall federation by having them taken over by Riker through the creation of a new corporation, the Riker-Jaynes Co., and having himself and Cobb added to the old Riker board of directors.



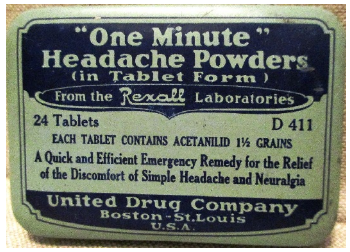
1906 Jaynes Medicine Co. Cover

No sooner did the transfer of the Jaynes stores to Riker take place, Merwin claims, than Liggett noticed that it was not ordering as great a volume of Rexall products as he thought it should be, hinting that Riker was buying too much from other outside sources to the detriment of Rexall.[5] After resigning from the Riker board of directors, Liggett, accusing Riker of insufficient loyalty to the Rexall federation, responded to the perceived shortage in orders by threatening to force it to sell its shares in United Drug back to Liggett and the federation, thus rendering it ineligible to participate and cutting Riker off from any access to Rexall products by voiding all of Riker's purchasing contracts with United Drug. Responding to this pressure, Cobb, in turn, sued Liggett in 1910 to protect Riker's rights as a Rexall franchisee, claiming that a guaranteed volume of purchases was not a requirement to retain its shares in the United Drug shareholder agreement. In fact, Riker charged through A. H. Cosden, now its president, among other complaints, that Liggett's threats against Riker were motivated by Liggett's spite at failing to become an officer of Riker rather than by any business judgment. The court agreed with Riker's argument that Liggett did not have the right within the federation shareholder agreement to impose an additional buying obligation on Riker, in what became the first of many legal "interferences" that Cobb would interpose to thwart Liggett's plans over the next several years.

Early Rexall Products And Ads

Early Headache Remedy

Just as Cobb didn't completely trust Liggett, within the Rexall federation, there was a fear that Cobb's Riker chain was quietly expanding its reach by opening new chain stores in suburban areas adjacent to its metropolitan territories that would compete with independent federation members, each of whom enjoyed an exclusive agency within its territory. Note that this exclusivity within the Rexall federation meant a great deal less to Riker which operated its most of its chain stores within the crowded metropolitan areas of New York, Brooklyn and Boston where the advertising boost that the Rexall federation provided for its products was diluted by the presence of a great many more competing drug stores selling a much greater variety of possible substitute products. Riker's best means of growth lay in placing new stores in new territories, a course that could only lead to conflict between it and other members of the Rexall federation.



Renamed Headache Powder

Having only exacerbated his federation members' concerns about Riker's expansion, by feeding the Jaynes stores to it, Liggett felt obliged to take the next step to block the further growth of chain stores by organizing yet another company, this one called the Louis K. Liggett Co. With the permission of the shareholders of the United Drug accompanied by all sorts of appropriate pledges of non-competition forever, Liggett bought, at a lavish price, all of the remaining small chains that had previously operated as members of the federation and brought them under his management, in effect, creating his own chain. Cobb strenuously objected, voting the Riker holdings in United Drug against Liggett and then suing Liggett again, as well. There was much commentary in the trade journals about the enthusiasm with which the Rexall federation members endorsed Liggett's formation of a new chain store ownership company, a seemingly incongruous step. One journal summarized the situation as follows:

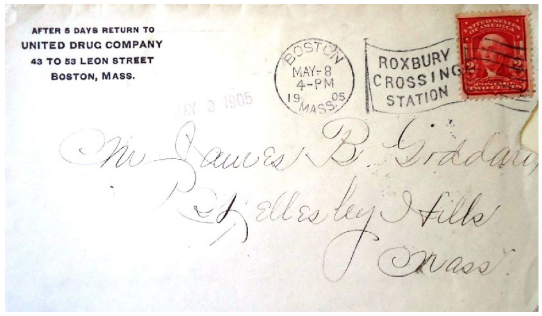
> In the words of a well-known Rexall agent, who has requested us not to use his name, "Mr. Liggett is fighting solely on the defensive, seeking to protect the interests of 3000 American druggists who have placed their confidence in him, and who have found in the Rexall agency a means whereby they hope to compete with those tendencies in modern business which so often work harm to the individual merchant."

1908 Hair Tonic Ad

Merwin lists the other affirmative actions that Liggett took in the face of the threat of chain store encroachment as: 1) organizing a fire insurance company to provide protection for his owner-operators at lower premiums than commercial insurance companies offered ; 2) organizing a Rexall federation in Canada; and 3) organizing a Rexall federation in England. The number of Rexall federation members were growing in the United States and, from time to time, Merwin also mentions Liggett's purchase of other goods manufacturers to provide additional products for the federation members or the expansion of the federation's distribution network. He further makes it clear that even as Liggett sought to strengthen his owner-operator organization, growth was always also a paramount concern. Yet what emerges as most striking about all of these steps is that ultimately they laid the groundwork for the emergence of centrally controlled large chains of drug stores. For the rest of his career, Liggett continued to follow the practice of buying Rexall agencies from owner-operators when they decided that they wanted to retire so, while always allowing his owner-operators to flourish, Liggett did gradually grow the chain side of his business as well.

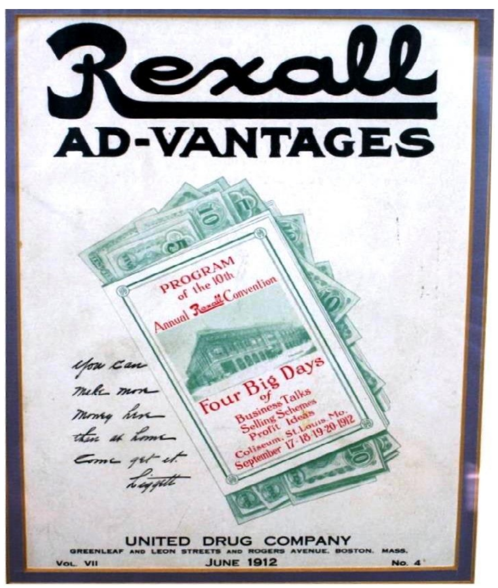
Hair Tonic

There is a certain naivete about both Merwin's unmitigated adoration of Liggett and even the trade journal account above of the formation of Liggett Co. that doesn't quite encompass all the aspects of Liggett's personality. The confusion in Merwin's account of Liggett's continuing face-off with Cobb is that rational analysis demonstrates that whether the profit flowed to Cobb through Duke's United Cigar Stores or Liggett's NCSCo, Cobb was going to gain in either event, so it becomes hard to understand why Liggett and Cobb wound up as opponents of one another for several noisy years of complicated and prolonged litigation as well as insults traded publically through interviews with various media. Maybe the dispute really boiled down to a clash of personalities, arising from Cobb having bested Liggett in the initial Jaynes negotiations.



1905 United Drug Cover

Liggett's true shrewdness and toughness emerge from another incident that Merwin recounts. When United Drug Co. first opened its doors, Merwin gleefully explains how Liggett used his small original staff of employees to bluff the first group of federation members to pay a visit to his first factory in Boston by moving the employees from department to department ahead of the tour to impress the tour members with the size of his manufacturing operation at this early date. He excuses Liggett's chicanery merely as brash, youthful exuberance, rather than seeing it, perhaps as it should have been understood, as a manifestation of Liggett's deeper hard-nosed empire-building mentality.



Internal Rexall Magazine Cover - July, 1912
Outlining Annual National Conference Program

Even while Cobb was fighting with Liggett, Riker was not standing still either. Not long after the creation of Liggett Co., while Cobb was still attempting in litigation to undo its formation, Riker announced that it was merging with the largest chain of retail drug stores in the country, Hegeman & Co.

a) Hegeman & Co. - Another Brief Historical Digression

Varieties Of BDR Recognized Hegeman & Co Cancels


ONE EIGHTH CENT
PROPRIETARY.


ONE AND ONE QUARTER CENTS
PROPRIETARY.


TWO CENTS
Hegeman & Co
1898
New York.


TWO AND ONE HALF CENTS
PROPRIETARY.


ONE QUARTER CENT
New York.
PROPRIETARY.


Hegeman & Co.
New York.


PROPRIETARY.


FIVE EIGHTHS CENT
SERIES OF 1898.
PROPRIETARY.


FIVE EIGHTHS CENT
PROPRIETARY.

As another canceler of battleship revenues, Hegeman & Co. also requires a brief synopsis of its history, if for no other reason than to explain the cancels. While it grew from a single family, the Hegemans, it already possessed a braided history by the time it reached the first decade of the Twentieth Century. The current most comprehensive history of the company is again found on the baybottles.com website.

Hegeman & Co. Cancel On 1st Revenue Issue

However, a brief recapitulation of the story will properly demonstrate how it became part of the titanic negotiations and struggles which led to creation of the fully formed United Drug institution. The initiator of the what became Hegeman & Co. was a druggist named William Rushton (1805-1855) who opened his drug store in New York City in 1827. Thereafter, one William Hegeman (1816-1875) became his employee and in 1843 replaced James S. Aspinwall (1808-1874) as Rushton's partner. The business prospered and was soon operating at four locations in Manhattan. After Rushton's death in 1855, Hegeman became the first named partner in the successor company, Hegeman, Clark & Co.

1875 Hegeman & Co Ad

He brought one of his sons, Johnston Nevin (1843-1895), into the business as his partner in 1867 and that association continued until William's death in 1875. Sadly, as in Riker's case, that son proved to be a poor manager, and by February, 1878 was forced into a form of bankruptcy called an assignment for the benefit of creditors, which puts the business assets into the hands of other parties to dispose of to satisfy the debtor's debts.

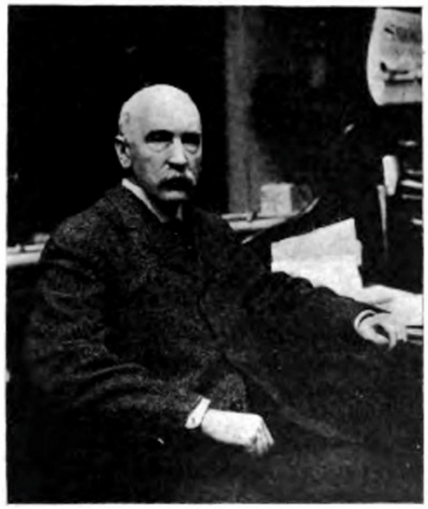
Hegeman & Co. Crock

In March, 1878 a new Hegeman & Co. was chartered in New York State by George Marcher (1839-1891), formerly a clerk with the old Hegeman drug store as well as W. A. Ogden Hegeman (1841-1888), an attorney and another son of the elder Hegeman and Henry T. Cutter (1830-1914), husband of the woman who actually bought the assets of Hegeman & Co. from the assignor and then presented them to him.

This company informed the public that it was the continuation of the prior Hegeman & Co. In October, 1878, J. N. Hegeman, who had previously been sidelined by illness, opened his own store in partnership with another former employee of the old store, and claimed to be the true and correct continuation of Hegeman & Co. A court battle ensued. In a decision that reads much like Shakespeare's "A plague on both your houses," the Court affirmed that neither company had the right to claim to be a continuation of the original, that both must denominate themselves as "successors," although it did concede that Marcher's organization had purchased the rights to the name itself, and J. N. Hegeman would henceforth have to distinguish himself from Hegeman & Co. The Court ruled that *if* Marcher's Hegeman & Co. made clear that it was successor to the original, and, thereafter *if* J. N. Hegeman attempted to claim it was the real Hegeman & Co, *then* Hegeman & Co could enjoin J. N. Hegeman.

J. N. Hegeman & Co. Cancels

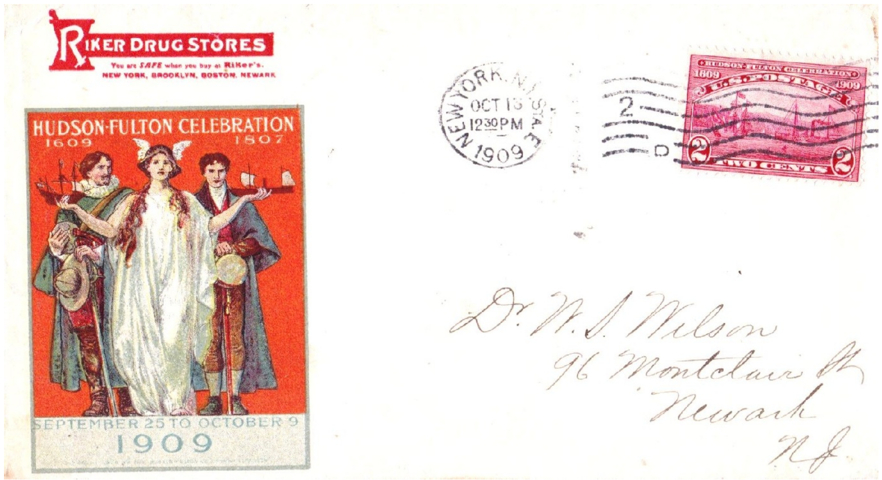
After the court decision in 1880, both companies continued to operate separately and independently, Marcher's as Hegeman & Co. and the other as J. N. Hegeman & Co. J.N. incorporated in 1894 and J. N. himself died in 1895, although the business continued. For this reason, there are actually two different battleship cancels, one for Hegeman & Co. and another for J. N. Hegeman & Co. Ultimately, in 1907, Hegeman & Co., which had begun to expand, bought J. N. Hegeman & Co.



Mr. George Ramsey, Vice-president and General Manager of Hegeman & Co.

In 1907, a local trade publication wrote an admiring article about Hegeman & Co. entitling it "Over $3000 A Day," referring to the amount of business the main store generated. It praised its central location right near the Brooklyn Bridge, which it named as the busiest drug store in the United States, and noted that the chain, which consisted of eight when the article was written, including the J. N. Hegeman & Co. store just purchased, was growing so fast that it had added another store prior to the publication of the article itself. The chain's success was attributed to its manager, George Ramsey (1850-1931), an Irish immigrant who stopped in Canada long enough to study pharmacy at the College of Pharmacy in Toronto before coming to the United States. Hired by Hegeman on his first day in New York City in 1880, he became a partner in 1888 and, beginning in 1899, led the chain's expansion, which became possible after Henry T. Cutter sold the company to John H. Flagler (1836-1922), brother of Henry M. Flagler (1830-1913), a founder and major shareholder and beneficiary of Standard Oil Co. John, a millionaire in his own right and major player in the steel tubing industry, among his own various corporate investments and involvements, became president of Hegeman.[6]

3. United Drug Itself Becomes The Largest Retailer



1909 Riker Cover
Commemorating the Hudson-Fulton Celebration

As Riker, the second biggest retail drug store chain, and Hegeman, the largest such chain, attempted to negotiate their merger, it is noteworthy that since Cobb was known to have connections with tobacco money and Hegeman with Standard Oil, and since in the era of Theodore Roosevelt's administration, so many antitrust cases were already pending in the courts, representatives of both the Riker and Hegeman chains were careful to stress in newspaper interviews that they were not trying to create a drug store trust themselves, and they both also denied that they had any designs of ever joining with Liggett to get even bigger. The truth within the industry seems to have been much more complicated.

Riker-Hegeman Co. Poster Stamp

On the other hand, Liggett, never seemed to mind such speculation. He was never shy about discussing his role in creating a retail drug empire no matter how big and no matter how controlled, so long as his federation was properly protected. In response to a New York City newspaper report that Liggett had been at the negotiating table during the Riker-Hegeman negotiations until the other two parties kicked him out, Liggett stated to a trade journal that he was completely familiar with their entire course and had indeed participated. In fact, Liggett claimed that after Riker and Hegeman had failed initially to reach agreement, he and Hegeman *had* successfully concluded a merger arrangement that would have protected the rights of his federation members. When Liggett brought the agreement back to United Drug's members for approval, Cobb and the Riker group had blocked it from within the federation until Riker could participate as well in the merger. Further negotiations then took place among all three parties, but Cobb's changing demands prevented Liggett from finding a sufficient degree of comfort to allow a three-party merger to take place, and, ultimately, he claimed, *he dropped out* of the negotiations. So much more clearly than Merwin's exuberant praise, this interview demonstrates that Liggett was always seeking expansion leading to a unified body of retail drug stores offering United Drug's Rexall brand goods as it chief product, no matter even if that unified body took the form of chain stores, so long as his original owner-operator federation was protected.

1913 R-H Co. Ad

When the structure of the new Riker-Hegeman Co. emerged, it was clear that Hegeman's staff dominated it, save for the retention of A. H. Cosden as general manager of the merged company. Whatever the actual relationship between Cobb and Liggett despite their public disagreements, in his trade journal interview, Liggett went so far as to insinuate that it was he who actually suggested to Cobb the one proposal that would make the merger between Riker and Hegeman work: Cobb agree to make the Hegeman staff the officers of merged company. When Riker and Hegeman merged, Cobb does seem to have stepped aside as a negotiator for the company, although certainly benefitting from the merger and recapitalization of his Riker holdings. With Cobb no longer Riker's spokesman, one barrier to Liggett's dream of a unified drug store empire had been removed.[7]

Sample R-H Co. Stock Certificate

Merwin explains Cobb's sudden and graceful withdrawal of the antagonism he had expressed when acting on behalf of Riker merely by saying that Cobb telephoned Liggett one day to day to say that he had been misled about Liggett by Riker's personnel (meaning, without saying, the young and ambitious A. H. Cosden), that he would withdraw and pay for the litigation that he had brought against Liggett, and that, further, as a United Drug shareholder (because of his continuing ownership stake in Riker) he would introduce a resolution supporting a $100,000 bonus for Liggett. *Mirable dictu*, Merwin says thereafter Liggett and Cobb were fast friends. Possibly the change of heart stemmed from the amount of money Cobb realized from the Riker-Hegeman merger.

1914 R-H Co. Perfume Ad

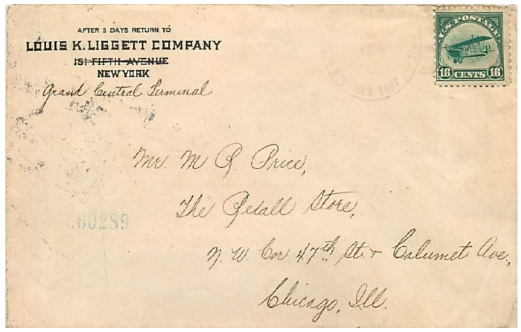
The new Riker-Hegeman Co. almost immediately evolved further because it was gobbled up by yet another group of buyers, this time by none other than George J. Whelan - the genius behind United Cigar Stores Co. - who finally realized his dream of owning a chain drug store empire. Initially Riker-Hegeman and Whelan's other holdings continued to operate along separate tracks, although the plan was to join them together. This eventuality did not come to pass. A petition by an organization called the Independent Retail Tobacconists' Association filed with the Attorney General claiming that a merger of the Whelan Cigar Stores holdings with the Riker-Hegeman chain would create a tobacco monopoly led to an investigation by the Attorney General's special tobacco unit. Rather than undergo the investigation, Whelan cancelled the merger plan leaving him orphaned with the Riker-Hegeman stores. In addition, an earlier attempt by Whelan to merge his Cigar Stores holdings with the rump drug store chain he had begun in 1906 had led to the retirement Cobb's holdover officer, A. H. Cosden, at age 43,[8] from the management of Riker-Hegeman. The last obstacle to a Liggett-Riker-Hegeman merger was removed.

1917 Photo of Liggett's Riker-Hegeman Drug Store
Hartford, CT

Liggett and Whelan met in Hot Springs, Arkansas in or about September, 1915 to begin the complicated arrangements necessary to make the complex merger of the companies work. Merwin relates that since Whelan's chain system and Liggett's owner-operator federation were so different and inimical, valuation of the shares the parties would own in the new company after the merger was difficult to establish. After protracted negotiations, when the parties had not reached the proper formula, Merwin says that it was none other than Cobb, a stock holder in both companies, who finally found the right balance. The parties announced that there would be two surviving companies: 1) United Drug Co. which remained firmly in the control of Louis Liggett; and 2) Louis K. Liggett Co., the company already running for about seven years the Liggett chain stores, now numbering 45, which, in addition, would assume the responsibility of operating the accumulated Riker-Hegeman stores that numbered 107, for a total of 152 stores. The President of the reorganized Liggett company was none other than George M. Gales, by now Liggett's right-hand man. In other words, Whelan, like Cobb, was ultimately content to count the money that Liggett would earn for him and to leave the actual management of the drug business to Liggett.

**Louis K. Liggett Drug Store Cancel
on 1919 Proprietary Revenue Issue**

At a perspective of 110 years of hindsight, all the feinting, negotiating and squabbling (including protracted, expensive and serious litigation) look like tempests in a teapot, and the flow toward consolidation seems inexorable, albeit these paragraphs compress more than ten years of events into a few pages. Even writing in the 1930s, without attempting even to explain any of the particulars of the extremely intricate litigation that went on between Liggett and Cobb, Merwin summarized it all by saying: "Cobb eventually came out of the conflict rather magnificently." The bottom line is that all of the merchant-princes aspired to riches, even if they didn't always agree or even like one another. Accumulation of money, as well as the power attendant upon it, were goals they could all agree upon.



1918 Louis K. Liggett Co. Cover

But these empire builders weren't completely out of the woods yet. No sooner than the Liggett and Riker-Hegeman release the news of the merger to the public, than the U.S. Attorney for Massachusetts opened an inquiry into whether this merger rang the anti-trust alarm bells. Although Liggett and his own trusted attorney reassured the government that the markets of retail drug stores and pharmaceutical goods were far too large for any one company to monopolize them, Liggett wanted even greater fire-power to convince the government not to interfere.

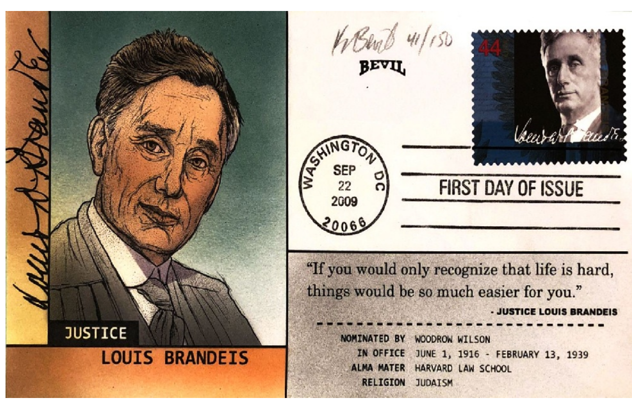
D. Liggett's Brush With The Course Of American History

Louis D. Brandeis

To ensure that the federal government would not block the merger of Riker-Hegeman Co. with his federation in 1916, Liggett cleverly turned to a national figure called "the People's Attorney," Louis D. Brandeis, to bless the transaction. Brandeis was then a public hero because working *pro bono* in a *laissez-faire* world dominated by trust like Standard Oil and American Tobacco, he had argued on behalf of workers and the general public for a variety of causes, including fair wages regulation of working hours, fair pricing of utilities and public transportation. Besides naming the good causes he actively supported, his biography on the website of Brandeis University - the university later named for him - also stresses his early legal writings on behalf of the right of privacy (then unrecognized, now cherished and under attack) noting that his method of marshaling facts and legal arguments was universally adopted by the profession and has ever since been known as the "Brandeis brief."

2009 U.S. Stamp Honoring Brandeis

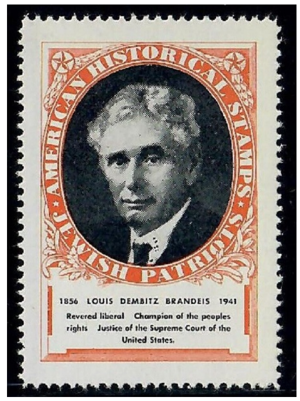
However, not unlike Lincoln, as well as championing public causes for which he was justly commended and widely praised, Brandeis had also developed a successful corporate law practice that answered the needs of the princes of commerce. He undertook a study of Riker-Hegeman, the Liggett companies and the markets they served and rendered a long and detailed opinion letter to the U.S. Attorney for Massachusetts on December 15, 1915 that the merger did not violate federal anti-trust law because both the markets of retail drug stores and for the manufacture of pharmaceutical goods were sufficiently broad as well as divided among competitors to accommodate the merger without creating any monopoly.



First Day Cover For Above Issue

The merger between Whalen's group and Liggett's group went forward as scheduled and without a hitch in February, 1916. Nevertheless, despite the letter submitted by Brandeis, thereafter, the U.S. Attorney sent a report to the Attorney General that his reading of the facts led him to believe that United Drug as newly merged had the potential to exercise monopolistic power over the retail drug trade.

Ultimately, the government did not attempt to interfere with the merger, and the entire transaction would probably have disappeared from the collective memory save for the emergence of Brandeis as a public figure just at that particular moment.



Portrait of Brandeis on Charity Poster Stamp

President Woodrow Wilson put the spotlight on Louis D. Brandeis. Not much more than a month after Brandeis wrote his letter supporting Liggett's merger, on January 28, 1916, Wilson nominated him to sit as an Associate Justice on the Supreme Court of the United States. It was a controversial nomination for a variety of reasons, not the least of which were that Brandeis held Progressive views and was a Jew. The Senate, for the first time ever, convened public, as opposed to private, hearings on a Supreme Court nomination. Brandeis never testified, but his reputation and views were discussed by a variety of witnesses as the hearings dragged on from February to May without a clear trend emerging as to whether the nomination could, or would, be approved by the Senate Judiciary Committee.

Another Brandeis Charity Label

After Wilson redoubled his support of Brandeis by writing specially to its Chairman, the Committee reconvened especially to consider the circumstances of the letter Brandeis had rendered at Liggett's behest just before his nomination. Liggett testified as well as the U.S. Federal District Attorney for Massachusetts, who repeated his objections to the merger. That Attorney stated that after he read about the proposed merger, he had asked the Department of Justice whether it wished him to look into the matter, and was instructed to collect and report the facts. He claimed that even as he was collecting the facts, he understood that his view that the merger would violate the Sherman Act - the applicable law - was a minority view within the Wilson administration. He further stressed that he made no recommendation as to the appropriate course of action the government should follow because he regarded his mission merely as fact finding, deeming it the Attorney General's role to make the decision about commencing litigation to block the merger.[9] However, concerning Brandeis himself, he had this to say:

> ... Mr. Brandeis is a man with whom I suppose I have had more controversies than with any one other living man ...[save one]. But I have the profoundest respect for his ethical perception, his character, his analytical power, the illumination that he brings to bear upon any question. I go to him whenever I am at a loss as to what my duty or course may properly be on any matter involving ethics – professional ethics, public ethics – or any other question. I would rather have the illumination of his mind as to what my duty may be where I am at a loss than the illumination of any other one mind with which I have come in contact. He is impersonal, impartial, judicial, powerful. He is always ready to extend the benefits of his analytical, judicial power to help anyone who[m] he believes honestly wants help and is disposed to follow the right course. He is not what I should call an intimate friend of mine.

Eventually, about two weeks after this hearing, the Senate Judiciary Committee did endorse the nomination of Brandeis along purely partisan lines, and shortly thereafter his nomination was approved by the entire Senate by about a two to one margin. In the end, the hearing on Liggett's transaction probably had little impact on the arcane political pressures swirling around the nomination of Brandeis, but the hearing transcript, permanently preserved as a part of the Senate's records, provides a thorough and meticulous examination of the architecture of Liggett's creation of the united Liggett-Riker-Hegeman company.

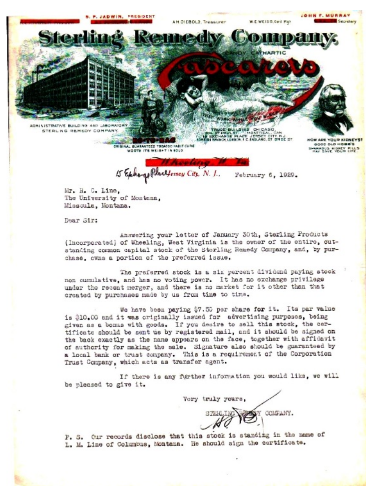
E. United Drug's Road To Merger With Sterling

English Medicine Revenue For Boots Chemists

In 1920, Liggett expanded United Drug's holdings by buying the English drug store chain, Boots Chemists, for $10 million. Although Liggett had already established an arm of United Drug in England in 1912, had established over a thousand Rexall agencies in England, Scotland, Wales and Ireland and had managed to sustain them throughout World War I, the Boots chain, although already dwarfed by Rexall, was a purely English institution with stores in choice locations. Boots had been forged by Jesse Boot (1850-1931), the English counterpart to Liggett, who had taken the drug store he inherited from his father and created his own manufacturing and distribution network of several hundred stores, although without Liggett's imaginative emphasis on individual retail ownership. Born in 1850, Boot, a generation older than Liggett, by 1920 had become an invalid no longer able to keep personal tabs on his empire. He was eager and willing to sell. According to Merwin, the sale negotiations were handled in an afternoon in Boot's bedroom and sealed with Liggett's check for $25,000 as a binder. No sooner had Liggett established a new company to hold the Boots stock, again according to Merwin, than true to his belief in individual retail opportunity, he offered it on a subscription basis to the owner-operator shareholders of United Drug who eagerly snapped it up. George Gales was dispatched to England to smooth the wrinkles of consolidating the English Rexall agencies with the new Boots acquisitions and insure that the native English character of the Boots stores was not altered.

George M. Gales

United Drug flourished during the great prosperity that generally characterized the Twenties in the United States as did Sterling. By 1928, through pursuit of their aggressive expansion policies, both companies were generating equal levels of profits of around $7 million per year, although United Drug, as the retailer was doing a much greater volume of business. A contemporary Fortune magazine article attributes the idea of a merger between Sterling and United Drug, not to Liggett's idea or promotion, but rather to the friendship between Sterling's Albert H. Diebold and Liggett's second-in-command, United Drug's George M. Gales.[10]



S. P. JADWIN, PRESIDENT   A.H. DIEBOLD, Treasurer   W.E. WEISS, Gen'l Mgr   JOHN F. MURRAY   Secretary

Sterling Remedy Company.

CANDY CATHARTIC Cascarets

ADMINISTRATIVE BUILDING AND LABORATORY STERLING REMEDY COMPANY.

ORIGINAL GUARANTEED TOBACCO HABIT CURE WORTH ITS WEIGHT IN GOLD

HOW ARE YOUR KIDNEYS? GOOD OLD HOBB'S SPARAGUS KIDNEY PILLS MAY SAVE YOUR LIFE.

Wheeling, W. Va.

15 Exchange Place Jersey City, N. J.   February 6, 1929.

Mr. R. C. Line,
The University of Montana,
Missoula, Montana.

Dear Sir:

Answering your letter of January 30th, Sterling Products (Incorporated) of Wheeling, West Virginia is the owner of the entire, outstanding common capital stock of the Sterling Remedy Company, and, by purchase, owns a portion of the preferred issue.

The preferred stock is a six percent dividend paying stock non cumulative, and has no voting power. It has no exchange privilege under the recent merger, and there is no market for it other than that created by purchases made by us from time to time.

We have been paying $7.50 per share for it. Its par value is $10.00 and it was originally issued for advertising purposes, being given as a bonus with goods. If you desire to sell this stock, the certificate should be sent us by registered mail, and it should be signed on the back exactly as the name appears on the face, together with affidavit of authority for making the sale. Signature also should be guaranteed by a local bank or trust company. This is a requirement of the Corporation Trust Company, which acts as transfer agent.

If there is any further information you would like, we will be pleased to give it.

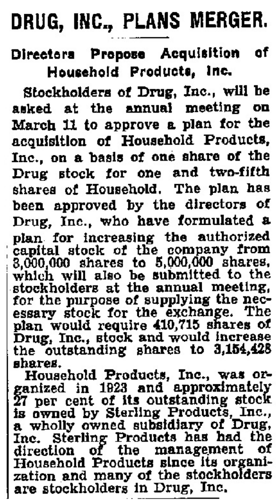
Very truly yours,

STERLING REMEDY COMPANY.

P. S. Our records disclose that this stock is standing in the name of L. M. Line of Columbus, Montana. He should sign the certificate.

1929 Sterling Stockholder Letter
Explaining Part of Merger Terms

The article suggested that in a merger, both sides could benefit from the economics of scale to lower their production costs, but each side also stood to gain from a consolidation: Sterling's well known brands could be offered and promoted, without much cost of any additional advertising, at Rexall's retail outlets throughout the United States (estimated at 20% of all retail drug stores), Canada and England thus generating larger profits for the Sterling shareholders in the new consolidated Drug, Inc., while United shareholders in this consolidated Drug, Inc. would benefit by sharing in the manufacturing profit derived from Sterling products, not previously available to them under United's charter. As a measure of the enormity of the undertaking, the combined company would have $140 million of assets and 37,000 employees. Diebold was to be named President of the new company with Liggett serving as Chairman of the Board of Directors. Both sides could see the advantage to customers of the post-merger Rexall stores who would now be offered enhanced opportunities to select from among Sterling's products as well as Rexall's, which still remained sheltered under United Drug's operating charter. A merger would win for all involved.



DRUG, INC., PLANS MERGER.

Directors Propose Acquisition of Household Products, Inc.

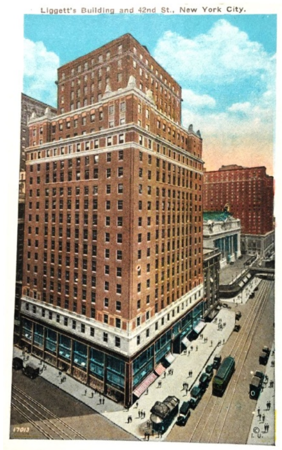
Stockholders of Drug, Inc., will be asked at the annual meeting on March 11 to approve a plan for the acquisition of Household Products, Inc., on a basis of one share of the Drug stock for one and two-fifth shares of Household. The plan has been approved by the directors of Drug, Inc., who have formulated a plan for increasing the authorized capital stock of the company from 3,000,000 shares to 5,000,000 shares, which will also be submitted to the stockholders at the annual meeting, for the purpose of supplying the necessary stock for the exchange. The plan would require 410,715 shares of Drug, Inc., stock and would increase the outstanding shares to 3,154,428 shares.

Household Products, Inc., was organized in 1923 and approximately 27 per cent of its outstanding stock is owned by Sterling Products, Inc., a wholly owned subsidiary of Drug, Inc. Sterling Products has had the direction of the management of Household Products since its organization and many of the stockholders are stockholders in Drug, Inc.

The New York Times
Published: February 22, 1930

The merger was approved by Sterling and United Drug's shareholders in February, 1928 and took effect on March 2, 1928. The manner in which it was effectuated was a stock swap, with Sterling's and United Drug's shareholders trading in their stock certificates for shares in the new holding company, Drug, Inc., which assumed ownership of the assets of its predecessors. However, the new company had no real centralized executive command center issuing orders to various newly organized departments and the transition from the separate Sterling and United Drug companies to the single Drug, Inc. was so quiet that there was no real public announcement when Drug, Inc. actually commenced operations. Sterling and United Drug continued to operate much as they had previously. Diebold and William Weiss, armed with new Drug, Inc. titles, administered Sterling, while Liggett and Gales ran

United Drug.



1930c Postcard of
Liggett's New York City Office

The Republican Coolidge administration was a friend to business.[11] As the New York Times commented late that year: "1928 will probably go down in financial history as 'the year of mergers,'" so there was no anxiety, as there had been in 1916, that the government might view the merger as anti-competitive. While Liggett did inform the government of the merger plan and review it with the Department of Justice in advance, there was no threat of an antitrust investigation. By mid-1928, Drug, Inc. was poised to conquer the pharmaceutical world. The next two years would see it reach its apogee of expansion and domination of the consumer pharmaceutical industry and market for household goods. Drug, Inc. might still remain at the center of those industries today, but for the Great Depression, which began to unfold in the fall of 1929. Its meteoric rise and rapid, silent undoing is the subject of the next chapter of this story.

x----------x

1. Stearns played a large roll behind the scenes in the pharmaceutical industry. It will get its full due shortly since Sterling absorbed it some years later.

2. Cahoon, although never the principal in any of the various major transactions directly flowing from Liggett discussed later in this essay, was a close business associate of virtually all of the actors whose exploits are featured in these paragraphs. He also had additional ties by marriage and by owning property adjacent to some of the more important featured personalities. As such, he winds up listed as an officer or director of virtually every pharmaceutical company discussed in this article

3. Whelan's chain is even credited with the distinction of being first in early textbooks on chain stores

4. Charles Whalen's two sons, Albert and Frank, opened a Whelan drug store in 1923, which grew briefly into a chain of over 200 Whelan drug stores after Charles put monetary muscle behind them in 1925

5. Liggett, in an interview, given closer in time to the actual transaction and perhaps not reviewed by Merwin when he was compiling his book, himself explained that he negotiated and permitted the formation of the new Riker-Jaynes Co. without sufficient guarantees that its board of directors would sign contracts with United Drug ensuring sufficient purchases of Rexall goods, thus depriving it of manufacturing opportunities, a circumstance - although never acknowledged by him to have been a mistake - he would thereafter avoid in all of a great number of subsequent merger negotiations

6. Standard Oil itself did also market its own patent medicine, Nujol, created as a petroleum by-product, but that must remain another story of its own for another day.

American Drug Syndicate Cancels
on 1919 Revenue Issues
(see footnote 7 below)

7. Cobb's new merged company (*per* Liggett, if his version of the merger talks is accepted) also excluded George Ramsey, Cosden's hard charging counterpart at Hegeman. While Cosden apparently was no supporter of Liggett, Ramsey potentially might have posed an even greater threat to Liggett at a later point because he served, along with his position at Hegeman, as the President of the American Drug Syndicate, an association of retail druggists formed around 1905 for much the same purpose as Liggett's Rexall federation. At the Brandeis hearing in 1916, Liggett claimed it was bigger than United Drug.

8. A. H. Cosden, in his almost 50 subsequent years of life, had a mansion at the eastern end of Long Island next to Cahoon's, served as a model for the characters in the *Great Gatsby* crowd portrayed by F. Scott Fitzgerald, and was prominent in the sport of racing, owning the racehorse that won the Belmont Stakes in 1928

9. A position echoed just over a hundred years later - under somewhat more politically fraught circumstances - in a more consequential inquiry conducted by Special Counsel Robert Mueller authorized to conduct an independent investigation and to report his findings to a sitting Attorney General

10. The magazine article was entered, purely as a side issue, as well as Liggett's letter to the Department of Justice mentioned below shortly, as an exhibit during 1930 Senate hearings focused on the importation of adulterated drug ingredients as part of oversight hearings on the government's administration of the Pure Food & Drug Act

11. In terms of anti-trust review, it also probably didn't hurt that Liggett, a staunch Republican himself, hired Coolidge's private secretary as a Vice-President of Communications for Drug, Inc. when Coolidge left office