

January 17, 1939

Garland S. Ferguson, Commissioner
Federal Trade Commission
Washington, D. C.

Re: McKesson & Robbins, Inc.

My dear Mr. Chairman:

The Reorganization Division of this Commission has submitted to me a memorandum in the above matter, the material parts of which are set forth below:

“As a result of its investigative of McKesson & Robbins in connection with its reorganization proceedings, in which the Commission is a party under the Chandler Act, the Reorganization Division believes that a study of this company and probably of the distribution of drugs generally, would be an interesting phase of the monopoly inquiry. The bases for these conclusions are the following:

“(1) The expansion of McKesson & Robbins in the wholesale drug field was accomplished principally through the acquisition of established wholesale drug houses in key cities. There are indications that coercion may have been used in the acquisition of some of the units.

“(2) There are indications that in order to prevent competition in the wholesale drug field, the company induced suppliers of appropriate merchandise to refuse to sell even for cash.

“(3) As part of its program of enlarging its distribution the company undertook to service retail stores. The method of servicing made the company the principal creditor of such stores. Part of the method was to require the stores when individually owned, to be incorporated and the stock of the corporation was taken as additional security for the payments of the accounts receivable. There is evidence that this was consciously done as a device for procuring control of ‘independent’ stores so as to have at one and the same time both the benefits of describing them as ‘independents’ and the actual control resulting from the arrangement.

“(4) The company was very active in procuring the enactment of so-called fair trade laws which are, of course, in the form usually adopted, nothing more than laws authorizing resale price maintenance. There are indications that a good deal of the support of so-called ‘independent’ dealers for such legislation came from ‘independent’ dealers of the character just described.

“(5) The drug field is an interesting field for study for a variety of reasons. It apparently presents all of the devices used in the retail field for large scale distribution, such as

chain stores, and all of the devices used for combating the chain store, such as cooperative buying and warehouses, etc. There are national organizations apparently dominated either by rival factions or individual major units.

“The Reorganization Division has not attempted as yet to make a study of the various items mentioned above. Some of them have a fairly direct bearing on the reorganization, whereas others are at the very best remote. In view of the nature of the items involved it seemed to the Division more appropriate that the matter be gone into as part of the monopoly inquiry.”

In view of the interest of your Commission in matters of this kind I am passing the contents of this memorandum on to you for such consideration as you might feel free to give to it. I am referring it to you also because of the thought that the subject matter comes closer to the province of your Commission in its work for the Temporary National Economic Committee than it does to the province of this Commission in that connection.

Yours faithfully,

William O. Douglas
Chairman