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Charles E. Merrill: The Father of Main Street Brokerage

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Abstract: A millionaire by the time he was thirty-one, Charles E. Merrill more than any other individual is responsible for the innovations and concepts that allowed the average American after World War II to participate in the stock market. He was also the first prominent Wall Streeter to predict the Great Crash of 1929. By February 1929, Merrill was so convinced the market top was near that he liquidated his firm's stock portfolio. He shared this conviction with his clients. His advice allowed many Merrill Lynch customers to escape the resulting Crash of 1929. His reentry into the brokerage business in 1940 after a decade away, predated the great bull market that started after World War II. The innovations he learned from a decade of operating Safeway stores throughout California transformed the brokerage industry from an exclusive club for wealthy individuals to one where Main Street could participate. No other individual did more to democratize the stock market for the small investor.

THE EARLY YEARS PRIOR TO MERRILL LYNCH

Charles E. Merrill was born in 1885 in Green Cove Springs, Florida the same year as his future partner Edmund C. Lynch. Merrill entered college in 1902 but was forced to drop out shortly after starting his college career. In 1907 Merrill arrived in New York to work for a textile company owned by his then fiancé's father Robert Sjostrom. He started at an entry level position but within a year had advanced to the position of credit manager overseeing six plants. His responsibility was to manage the seasonal working capital requirements of the mills by borrowing money from commercial banks and extending credit to the mills' customers. Adjusted for inflation, he eventually earned the equivalent of over $100,000 in today's dollars – all before he reached his mid-twenties (Perkins 1999). Charles Merrill met Lynch at the 23rd Street YMCA in New York City. Lynch was looking for a roommate to share his boarding house room. Lynch at the time he met Merrill, was a soda fountain salesman. Sometime in 1909, Charles Merrill and Marie Sjostrom ended their engagement. Charlie, as he was affectionately called throughout his adult life, left the employment of the Sjostrom Mills shortly thereafter. It is unknown if he was asked to leave or quit on his own. One account suggests that he was seen in clubs around New York with women who were not his fiancée, broke off his engagement and subsequently quit his job (Nocera 1994).

Merrill Changes Careers

In the fall of 1909, Merrill received a call from Amherst alum, Fred Bale who worked at George H. Burr and Company, a factoring firm. They were branching out into the bond business and they needed a manager for this fledgling division. Charles Merrill was offered a starting salary of $25 per week plus 10 percent of the profits (Perkins 1999). Among the employees he inherited was a secretary by the name of Lillian Burton. Burton had previous brokerage experience having worked as a secretary for a disreputable brokerage operation. Scrupulously honest herself, she left the dishonest firm at the first opportunity and moved to Burr and Company. It was here that she provided Merrill with invaluable knowledge on marketing securities to the general public. She had seen the sordid side of the sub-prime brokerage industry and knew what needed to be done in order to operate a respectable bond business. Her experience marketing to the masses proved invaluable to Merrill. As was the case with many of Charles Merrill's business acquaintances, she would remain an integral part of his business life for decades.

In 1911, Merrill wrote an article in Leslie's Illustrated Weekly, a popular general interest newsmagazine of its time, on what eventually became his trademark theme "Mr. Average Investor". It was a reproof on the brokerage industry to understand the goals and needs of their customer. The concept of considering the customer's goals and risk tolerance began with the publication of this article. It was during this time that Merrill first experimented with direct advertising. Encouraged by Rudolph Guenther, a partner in Albert Frank-Guenther Law, he embarked on a comprehensive and unheard of advertising campaign (Perkins 1999). The collaboration of Merrill and Guenther would last over four decades. Merrill experimented with various forms of advertising – circulars, newspaper advertisements and what is now known in the industry as a warm call follow-up.

MERRILL LYNCH IS LAUNCHED

January 1914 marked the beginning of Charles E. Merrill & Co. He had arrived at this point in his life in a roundabout manner. In 1910, Merrill had sold a series of bonds issued by McCrum-Howell a major factoring client of George H. Burr & Co. Two years later, Burr informed Merrill that McCrum-Howell was on the verge of bankruptcy. Merrill felt personally responsible to the clients to whom he had sold the McCrum-Howell bonds. Although Merrill lost a substantial sum of his own money on the bankruptcy of McCrum-Howell, it was the belief that Burr either knew long before or should have known the sorry financial state of McCrum-Howell that infuriated him. He never forgave George Burr for what he perceived as unethical behavior. In 1913 Merrill moved to Eastman Dillon, a leading underwriter of the time. It was Guenther who introduced Merrill to Dillon. Initially Dillon advertised the position as \$50 per week plus commissions, but after talking with Merrill, he agreed to pay Charlie \$125 per week plus commissions (Perkins 1999). Eastman Dillon was definitely higher in stature than Burr & Company but conflicts with Herb Dillon, a partner in the firm caused Merrill to resign from the firm not long after taking the position. However, he was able to negotiate a deal that allowed him to operate independently but remain on the premises (Perkins 1999). Thus was borne Charles E. Merrill & Co.

He Partners With Lynch

Several months later, Merrill convinced Edmund Lynch to join him in his fledgling endeavor. Lynch had taken Charlie's old position at Burr & Company. Charles Merrill & Company took a middle of the road position between dull conservatism and rampant speculation (Perkins 1999). For the first four months of operation, Merrill showed a profit of \$6700. A year later, Merrill changed the company's name from Charles E. Merrill & Co. to Merrill, Lynch & Co. in recognition of the diligence and hard work of his friend and now partner Edmund Lynch. Lynch repaid Merrill by his astute management of a new venture for the fledgling partnership, Pathé Exchange Inc. Initially Merrill and Lynch were asked to become board members of Pathé Exchange Inc. at an annual salary of \$50,000 each. The relationship evolved into a majority stake in the purchase of the company's U.S. assets when, two years later in 1921 Merrill, Lynch & Co. diversified outside the brokerage industry buying the U.S. unit of Pathe□ Fre□res. The studio became profitable under the tutelage of Edmund Lynch and was later sold to a group of investors led by the future first Chairman of the SEC, Joseph P. Kennedy and movie director Cecil B. DeMille.

Merrill's first big underwriting was McCrory & Co. a chain of five and dime stores headquartered in Detroit. This was a make or break underwriting with large implications for the future of the firm. The total underwriting was for \$2.5 million. Half would be mortgage bonds and half would be preferred stock. Merrill had responsibility for the preferred stock. S.W. Strauss, a Chicago firm would handle the mortgage bonds. Due to the hard work of Charlie and Edmund Lynch, by July the entire offering of preferred stock was fully subscribed. However the outbreak of hostilities in August sent the market into a tizzy (Sobel 1965). This precipitated the temporary closing of the New York Stock Exchange (NYSE) for several months. The virtual overnight disappearance of business caused drastic cost cutting at the fledgling firm. When the NYSE reopened for business in December, business rapidly returned and the McCrory deal was once again on the table. Merrill's frequent trips to Detroit to work out the specifics of the McCrory underwriting afforded him an opportunity to cultivate other business prospects in the area.

This led to eventual deals with S. S. Kresge, J. C. Penney, and Saxon Motors. In 1919 Merrill, Lynch underwrote a $3 million preferred stock offering for J.C. Penney. He learned two things from Penney that he would introduce when he took control of Safeway Stores. This was Penney's insistence on cash sales and his penchant for profit sharing with employees at the local level (Perkins 1999).

Years later in the 1930s McCrory Stores underwent a financial crisis when they went contrary to most retail experts and signed long-term leases on their store locations. When the depression hit, they were burdened with long-term leases at prices well above the prevailing market rates. McCrory subsequently fell into bankruptcy and receivership in 1930. Merrill was appointed to a committee to restructure the finances of the chain. Merrill came up with a plan to renegotiate the leases with payments tied to sales volume. Most landlords agreed to these terms and McCrory Stores were able to come out of bankruptcy. Charles Green was also recruited as CEO to replace John McCrory, the founder. As a result McCrory and Merrill who had been friends for years, parted on bad terms (Perkins 1999).

It was not long before other underwriting opportunities in the chain store sector arose. Merrill, Lynch was asked to join the underwriting syndicate for the Acme Tea Company, a grocery chin headquartered in Philadelphia (Perkins 1999). The chain store exposure in Detroit allowed Merrill to segue into the automobile industry. However, it appeared that he missed several opportunities to cement a permanent relationship with the auto industry. Finding his experience with the auto industry less than fulfilling, it would not be until the initial public offering of Ford Motor Company in the 1950's that he would return to that industry.

In the decade of the 1920's, Merrill, Lynch underwrote many financial transactions involving retail chains – Diamond Shoe, Lane Bryant, Lerner Stores, National Tea, Newberry's, Peoples Drug, Walgreen Drug, Western Auto and Safeway Stores (Kliesen 1999; Perkins 1999). Merrill's due diligence work on these transactions provided an opportunity to gain keen insights into the chain store industry. He felt very confident on the character and business integrity of chain store executives both as it related to their management ingenuity and treatment of their employees.

THE CALL THAT MADE HIS REPUTATION

In February 1928 Merrill suspected that the market excesses caused by rampant speculation and easy credit were about to lay waste to the market. He warned clients and partners alike to the speculative excesses brought on by the excessive use of margin. This was not an easy sell even to his partners. But confident in his judgment, he was determined to act. While in Palm Springs to attend his father's funeral, Merrill wrote a long letter to Lynch in which he cajoled and called upon all the charm and persuasion he could muster in order to convince his partners to liquidate their holdings. Despite all his efforts, it took the absence of Lynch on a European vacation in late spring of 1929 for Merrill to liquidate the partnership holdings and, using a power of attorney, to diversify Lynch's personal holdings out of the stock market (Perkins, 1999). His advice to his clients echoes these premonitions. He strongly suggests that his clients follow suit and take advantage of the present high prices in the stock market. Merrill sent out a form letter to all clients suggesting that they lighten their stock positions. Charles Merrill wrote:

Now is the time to get out of debt. We think you should know that with a few exceptions all the larger companies financed by us today have no funded debt. This is not the result of luck but of carefully considered plans on the part of their managements and ourselves to place these companies in an impregnable position. The advice that we have given important corporations can be followed to advantage by all classes of investors. We do not urge you to sell securities indiscriminately, but we advise you in no uncertain terms that you take advantage of present high prices and put your own financial house in order. We recommend that you sell enough securities to lighten your obligations, or better yet, pay them entirely (N.Y. Times obituary "Charles Merrill, Broker, Dies" October 7, 1956).

Another version of Merrill's prescience in getting out of the stock market prior to the crash has Merrill seeking psychiatric help in combating his fears that the market had got out of hand. After several sessions, he left the therapy and both he and his psychiatrist began selling their shares (Sobel 1965). It appears that the psychiatrist may have profited more from his association with Merrill than Merrill did with him. Urban legend or not, the fact remains that he did get out before the crash and those who took his advice profited as well. Although Merrill substantially scaled back his and the firm's holdings, he did not completely liquidate his portfolio. For even after liquidating a substantial portion of their holdings, Merrill, Lynch still owned twenty five companies with a market value of $30 million. Four companies accounted for 85% of the total (Perkins 1999). As Robert Sobel put it: "Merrill probably lost a small fortune in 1929, but he retained a larger one" (1965, p. 336-7). He invited the outgoing president Calvin Coolidge, fellow Amherst alum to join the firm at a salary of $100,000. In 1928, the Dow closed up 50% for the year. This was the biggest jump of the decade. It must have taken a great deal of courage for Merrill to maintain his conviction on the direction of the market given all of the contravening data.

LEADING THROUGH TUMULTUOUS TIMES

The result of his foresight was a period of rapid expansion for Merrill Lynch & Co. at the expense of those who either failed to acknowledge the market excesses or those who indeed could see the excesses but failed to act. In 1930, Merrill Lynch & Co. transferred it retail brokerage business to E. A. Pierce in order to focus on its investment banking business. The firm acquired Merrill Lynch's wire system, the large retail sales and stock commission organization ("Bigger Biggest," 1930). Rather than take payment, Charles Merrill and Ed Lynch put up an additional $1.9 million and their former partners contributed $1.2 million to strengthen the capital base of E.A. Pierce. However, the aftermath of the depression continued to hang over the entire decade of the thirties. By 1940 volume on the NYSE was a mere 207 million shares compared to 1.2 billion shares in 1929 (Perkins 1999). Merrill felt strongly enough about the precariousness of the brokerage industry at this time to shift his equity position in E.A. Pierce to creditor status. E.A. Pierce was formed in January 1927. E.A. Pierce & Company could trace its lineage, in part, to Housman-Gwathmey & Company who in turn could trace their lineage to Housman Brothers whose former partners included Bernard Baruch (Grant 1997).

Baruch shared other similarities with Merrill. For instance, he too escaped relatively unscathed in the stock market crash of 1929 having reported income of $1,986,995.63 which included stock market profits of $615,786.31 (Grant, 1997). Whereas Baruch saw himself as a player on the larger political stage, Merrill had no such aspirations. That is not to say Merrill was not without vanity. After correctly predicting a market downturn well ahead of its actual decline, his opines on business were listened to intently. His personal life was grist for gossip columnists and his divorces oftentimes acrimonious and public.

Meanwhile, Merrill Lynch & Co. concentrated on their merchant banking business. This business was run by Edmund Lynch up to the time of his death in 1938. By this time Charles Merrill was ready to diversify outside the brokerage industry. He expanded his chain store empire first started with his investment in Safeway Stores. It would be the lessons learned in chain store retailing that he would use to revolutionize the stodgy brokerage industry.

MERRILL'S YEARS AT SAFEWAY

When Merrill sold his Class B common stock in Pathe Exchange, he used the proceeds to finance his investment in the Safeway Grocery Store chain (Perkins 1999). The Safeway chain was founded by Sam Seelig shortly before World War I. However, after the war, Seelig ran into financial trouble and was forced to swap equity for the debt he owed his largest creditor W. R. H. Weldon, a grocery wholesaler (Perkins 1999). Word got back to Merrill, that Weldon was willing to sell his stake in Safeway at the right price. Weldon and Merrill eventually came to terms on a deal that gave Merrill 80 percent of the outstanding stock for $3.5 million. At the time the deal was struck, Safeway had close to 330 stores. He installed M.B. Skaggs to run the operations. Merrill enticed Skaggs to stay on as CEO by giving him a choice of either $7 million outright in a combination of cash, bonds and preferred stock or $1.5 million in cash and 30,000 shares of common stock. Skaggs accepted the latter offer. Merrill gave him a five year voting trust which gave Skaggs full control of operations (Perkins 1999). While Skaggs managed the day to day operations, Merrill looked for other grocery chains to purchase and merge with Safeway. The grocery industry was extremely fragmented at this time. Most grocery stores were mom and pop establishments where consumers shopped at butcher shops for their meat and obtained vegetables from local vendors relying on grocers for what would be considered today as a very limited range of products.

He added to his investment in the grocery sector by investing in MacMarr Stores, another west coast grocery chain. Grocery chains accounted for less than 6% of total food sales in 1920 but by 1930 the five largest chains which included Safeway, had increased their market share to 25% (Perkins 1999). There were some merger candidates who would not accept a subordinate role to Skaggs under any circumstances. Skaggs was an aggressive and perhaps somewhat abrasive manager and it was hard for many executives to totally ignore their enmity toward Skaggs after battling him for market share so many years in the grocery industry. Two Northwest grocery store chain owners, Charles Marr and Ross MacIntyre, while willing to do business with Merrill, refused to merge their companies into Safeway with Skaggs as CEO. So Merrill came up with an innovative way to address their concerns and still bring these chains under his control. He formed an independent company that traded on a different exchange and under a different ticker symbol. In 1929 that is how Merrill picked up the MacIntyre and Marr grocery chains. He merged them into a new company called MacMarr Stores. The stock traded on the Curb Exchange which later became known as the American Stock Exchange. When Skaggs stepped down as CEO in the early 30's, MacMarr was absorbed into Safeway Stores (Perkins 1999). Merrill chose Ling Warren a member of his staff to take over the day to day operations of Safeway. Warren stayed with Safeway until his retirement in the early 50's when he was replaced in 1955 by Robert Magowan, Merrill's son-in-law. Although Merrill will forever be associated with Merrill Lynch, it was actually his investment in Safeway that fueled the wealth and power of the Merrill family from 1955 forward (Perkins 1999).

Over the next several years, Merrill acquired the Chaffee chain in southern California, the Sanitary Grocery chain in Washington, D.C. and the Bird Grocery stores headquartered in Kansas City (Perkins 1999). Most of these deals were stock swaps and involved little cash. Other chains that were added include Piggly Wiggly stores in the Western United States, Sun Grocery stores, Knoblock Brothers in Baltimore, Newway Stores in El Paso and the MacDonald chain located in Canada. By 1929, Merrill had a total 2,660 stores under the Safeway umbrella (Perkins 1999).

CHANGE AGENT AND INNOVATOR

Investment banking continued to fuel the growth of Merrill Lynch & Co. Sensing an opportunity honed from his experience with Safeway Stores, Charles Merrill started a new magazine Family Circle whose charter was to be a point-of-sale magazine for the grocery industry – the first of its kind. This magazine was financed with his own capital after unsuccessfully attempting to convince M.B. Skaggs, the CEO of Safeway Stores to make Family Circle a division of Safeway. Circulation grew to 1.3 million within three years but profits were more elusive. However, five years after its first issue, the magazine moved into the black. Although Safeway became a major distributor of the magazine, Merrill did not limit distribution to Safeway Stores. Other chains discovered the usefulness of Family Circle as a means of promoting their private labels (Perkins 1999). In 1946 the magazine strategy changed and they started charging five cents per issue. It was enlarged and sold on a monthly basis. By the early 50's Family Circle was sold at more than 7500 outlets and monthly circulation was more than four million. Before his death, Merrill sold controlling interest in Family Circle to one of its managing editors (Perkins 1999).

In order to strengthen his position in investment banking, Merrill Lynch & Co. purchased a controlling interest in the investment banking division of Cassatt & Co. Cassatt & Co. was an old line Philadelphia brokerage house (www.ml.com). Its two primary lines of business were investment banking and retail brokerage. Shortly after the Merrill deal, it was announced that the senior partner at Cassatt & Co. Robert Cassatt and his partner Joseph Walker Wear would discontinue their brokerage business and join the firm of E. A. Pierce as partners. E. A. Pierce happened to be the largest wire house on the New York Stock Exchange at the time. They were considered a voice of progressive moderation and were also a strong advocate for the New Deal policies of Franklin Delano Roosevelt (www.ml.com.).

The Death of Edmund Lynch and the Merger With E.A. Pierce

Adding to the drama at the time was the unexpected death of Charles Merrill's longtime friend and partner, Edmund Lynch. Lynch passed away unexpectedly in England at the age of 52. Several anecdotal reports have been written about the relationship between the two. One has it that so strong was the bond between the two men that out of respect for his deceased partner, Merrill decided to drop the comma from Merrill, Lynch & Co. and create the modern name of the firm, Merrill Lynch (Merrill Lynch, n.d.). Somewhat contradicting this is the purported fact that Merrill and Lynch were rumored to have had several fallings out, but just prior to Lynch's death, they reconciled their differences (Sobel 1965). Lynch's untimely death shortly after the rapprochement assured his legacy in the mind of Merrill and probably led to Merrill's insistence that Lynch remain a part of the firm even after his (Lynch's) death. Others have reported that the comma was omitted due to a typographical error rather than any particular fondness between the two partners (Sobel 1965). Whatever the reason, Merrill never attempted to erase Lynch's name from the company logo whatever the true motive. It was also during this time that Merrill Lynch went from a partnership to a corporation.

In a somewhat startling move in 1940, Merrill Lynch reacquired its retail brokerage business by merging his merchant banking operation with E. A. Pierce & Cassatt. At the time of this merger, E. A. Pierce was in decline and almost dissolved (Sobel 1965). Winthrop Smith, one of the partners at Pierce took the lead in inviting Merrill to join the firm. So anxious were they to have Merrill on board that he was allowed to revamp top management. Smith would later become a full partner. They also dissolved the corporation and reverted back to a partnership. In this same year, Merrill Lynch & Co. opened their first foreign office in Havana, Cuba. It was subsequently closed 20 years later when Fidel Castro came to power. In 1941 Charles Merrill published the first annual report. Merrill Lynch, E. A. Pierce & Cassatt became the first Wall Street firm to do so. Later in this same year, Merrill Lynch, E.A. Pierce & Cassatt merged with Fenner & Beane, a securities firm originally based in New Orleans. The new firm of Merrill Lynch, Pierce, Fenner & Beane became the world's largest securities house with offices in 93 cities and memberships in 28 exchanges (Perkins 1999). Alpheus C. Beane, a long time friend of Charles Merrill remained with the firm until his retirement in 1958 (Sobel 1965). The war years provided Merrill Lynch & Co. an opportunity to promote women in the brokerage industry. For example, Merrill Lynch, Pierce Fenner & Beane (MLPF&B) used these years to assign the first woman to work on the floor of the New York Stock Exchange her name was Helen Hanzelin an 18-year old who started working for MLPF&B in 1943 (www.ml.com). The firm established the industry's first training school for account executives. In 1947 the company printed the first issue of We the People, an internal publication for employees of Merrill Lynch (www.ml.com). In their effort to educate the masses about prudent investing, Merrill published "What Everyone Ought to Know About the Stock and Bond Business," an advertisement designed to explain the securities industry and define common terms used in the investment industry for the general public. Over 6,000 copies were requested by the public in the first six months after it is published (Perkins 1999). In a further effort to educate women on investments, the San Francisco office of Merrill Lynch offered an investment seminar exclusively for women. Over 800 women lined up to take the seminar. The success of this offering encouraged Merrill Lynch to offer similar conferences around the country with child care provided so that both spouses could attend. It set up tents at county fairs. Once, they even gave away stock in a contest sponsored by Wheaties (Nocera 1994, 1999).

Merrill Changes the Public's Perception of Brokers

With daily trading volume in the billions today, it is hard to fathom the difficulty Charles Merrill encountered in selling common stocks to the post war investing public. Rebuilding public confidence after the stock market crash of 1929 was the most important task he faced (Sobel 1993). Bonds were perceived to be a much more prudent and safe investment. A bond salesman could literally carry a list of the bond holdings of his firm and their quotes for weeks while making his rounds of calls without consulting the home office to refresh his prices, such was the stability of the bond market (Sobel 1993). The unsavory impression most people held of stock brokers as a result of the crash was hard to erase. One step Charles Merrill made toward improving their image was to put his brokers on salary rather than commission. Thus the temptation for a broker to churn a customer's account to generate additional commissions for himself was eliminated. Another important change was the design and color scheme of his brokerage offices. Most first tier brokerage offices of the time were dour looking with dark woods and imposing color schemes reminiscent of the men's clubs to which most of these scions of Morgan, Whitney and Rockefeller belonged . Merrill began to open offices outside of the money centers in cities across the nation. His office colors were brighter and their designs more open and receptive to small town America (Sobel 1993, Perkins 1999). He instituted a formal training program for his brokers. He was often imitated but very rarely, trumped when it came to innovation and canniness in seizing upon the unmet needs of the general populace. These skills were developed and fine tuned during the decade of the thirties when he worked in the chain store industry. His chain store experience showed him that small sales to millions were worth more than a few sales to large investors (Sobel 1965).

A QUIXOTIC PERSONAL LIFE

Merrill's personal life was just as quixotic and legendary as his business exploits. He had been married three times and had had numerous affairs by 1940 (Nocera 1998, 1999). He married Hellen Ingram, his second wife and eighteen years his junior, a week after obtaining a divorce from his first wife. She was wealthy, beautiful and an accomplished individual in her own right (Nocera, 1994).

James Merrill, his only child with Hellen Ingram, became one of America's most famous poets winning several National Book Awards and the Pulitzer Prize for Poetry. At the age of eight he was already writing poetry. Whiles he was at prep school, Charles Merrill had a book of James' poems privately published under the title Jim's Poems (Academy of American Poets n.d.). Charles had two other children from his first marriage to Elizabeth Church - Charles and Doris. Doris' future husband Robert Magowan would eventually run both Safeway and Merrill Lynch. Charles Merrill also served as chairman of the board of the Charles E. Merrill Trust, which donated the funds in the 1968-69 academic year to make Merrill College at U. C. Santa Cruz. The trust was established with funds from the estate of Charles E. Merrill, Sr. Charles Merrill, Jr. founded the innovative Commonwealth School in Boston in 1958 and served as its headmaster until 1981 (www.ucsc.edu). One of his books, The Walled Garden, is a history of his years at the school. Little is written about his relationship with his children. However, we can glean something of his relationship with his son James from James Merrill's semi-autobiographical novel Seraglio. We also know that he and his father spent a month together in Italy in the early 50's (Merrill 1993).

Sometime in the 1930s Charles Merrill met and started an extramarital affair with his eventual third wife Kinta Des Mare (Perkins 1999). Less headstrong and independent then his second wife, Kinta was just as beautiful but more importantly, she was content to play the part of the "trophy wife". Merrill's marriage to Kinta would last for thirteen years. In fact all three of his marriages lasted a total of thirty-nine years with each lasting approximately thirteen years.

HIS FINAL YEARS

The postwar bull market made Merrill Lynch a household name. The years that Charles Merrill spent positioning the brokerage to address the investment needs of the "average Joe" begin to pay off handsomely. Merrill Lynch continued their overseas expansion by opening offices in Great Britain, France, West Germany, Switzerland, Canada, Belgium and the Netherlands. By 1950 Merrill Lynch was the fourth largest underwriters of securities in the United States (Sobel 1991). When Ford Motor Company went public in 1956, Merrill Lynch was one of the seven underwriting managers to launch the IPO. In October of the same year, Charles Merrill passed away at the age of 70.

His Pass on Mutual Funds

Charles Merrill pioneered the modern brokerage industry that we know today. He saw the benefits of including Middle America in the capital markets. However, his judgment about what was best for Middle America was not infallible. For instance, he downplayed the importance of mutual funds as an investment vehicle for millions of Americans with little discretionary capital to invest. In the early 1950s Don Regan, future CEO of Merrill Lynch and future Chief of Staff for President Reagan, attempted to convince Merrill of the opportunities that mutual funds afforded the brokerage industry. He rejected the proposal outright. His call before the market crash in 1929 cloaked him in the appearance of omnipotence for most of his adult life. And indeed most of his decisions were correct. His decision to concentrate his talents in the 1930s to chains stores rather than the brokerage industry was correct. Brokerage firms that depended on commissions generated from stock trades saw profits dry up. In fact, without capital injections now and then, the brokerage firm of E.A. Pierce and Cassatt would never have survived the decline in trading volume precipitated by the depression of the 1930s. While his investment in Safeway flourished, the brokerage industry saw a substantial decline in profits.

That being said, Merrill can be forgiven for his decision to forego mutual funds during his later years at Merrill Lynch. His canniness in borrowing the techniques learned from his involvement with chain stores in the thirties and apply them to the brokerage industry was revolutionary for the times. Not only did he raise the standard of living for the middle class by promoting stock ownership for all, but he also increased the overall revenues and profile of the brokerage industry in general. His fortuitous introduction to Ted Braun, a public relations expert from Los Angeles who was working with the chain store industry to defeat anti-chain store legislation in the 1920s, led to the scientific application of research techniques unheard of in the brokerage industry. These research techniques allowed Merrill to accurately gauge public opinion on the brokerage industry and address the unfavorable perceptions the general public held after the crash of 1929. Braun's research also inspired many innovations at Merrill Lynch unheard of and often unwelcome by Merrill's competitors in the brokerage industry but beneficial to the customer. It was Braun for instance, whose research indicated that customers who maintained either a debit or credit balance in their brokerage account generated the highest volume of trades and were consistently the most profitable customers (Perkins, 1999). Armed with this information, Merrill launched several revolutionary changes. He started paying interest on all credit balances. He also paid brokers a salary with a yearend bonus rather than a commission based on trading activity. Merrill also hired security analysts to research companies and provide customers with reports on the findings. These were distributed for free and were not limited solely to Merrill Lynch customers (Perkins 1999). Oftentimes his competitors benefited from his innovations as well. Merrill's efforts to educate the general population to the benefits of stock ownership benefited all brokerage firms. Charles Merrill was well aware that a rising tide floats all boats and he was willing to accept the fact that his innovations and his attempts at generic marketing benefited his competitors as well.

Merrill's Failing Health

Although Merrill spent his last years largely absent from the firm's New York headquarters, he still guided the overall strategic course for the firm (Perkins 1999). He had placed Win Smith, his longtime associate in charge of the day to day operation of the firm. Smith was a capable manager and the right person to handle the operation. Winthrop Smith, one of the partners in E.A. Pierce, was the individual who invited Merrill to join the firm that would eventually become the Merrill Lynch, Pierce, Fenner and Smith that we know today. After his heart attack in 1944, Merrill spent the next decade in a great deal of pain before experimental treatments administered in 1953 allowed him greater freedom from the angina attacks that he suffered. The treatment involved the use of radioactive iodine. He would spend his winters at his home in Florida and the rest of the year at his estate in Southampton.

His Legacy Lives On

Developing first-rate public relations, scientific marketing research techniques as well as extensive brokers' training, he pioneered the belief that middle-class Americans should become active investors in the stock market, Merrill helped to demystify Wall Street, but more importantly offered a way for millions with modest incomes to achieve a secure financial future. Merrill Lynch did, indeed, democratize investing and became a great enterprise with branches as ubiquitous as McDonalds. Merrill suffered his first heart attack when he was fifty-eight. This was followed by a series of angina attacks that lasted until his death. Although, it was a decade between the time of his first heart attack and when he would set foot in his office again, make no mistake Charles Merrill was still in charge and everyone who worked for him knew it. By Merrill's death, in 1956, the firm had some 400,000 clients and had become the largest brokerage in the country (Nocera 1994, 1998). Merrill's success has been attributed to the rigorous training his salesmen received, the payment of a salary when the rest of Wall Street was remunerated through commissions, and his willingness to publicize these facts to the general public. It was certainly these but it was much more as well. He had an uncanny ability to seize opportunity where others preferred. It has often been remarked that Merrill actually had three successful business careers: underwriter and merchant banker, a chain store operator and founder of the largest brokerage firm in the United States (Nocera 1994; Perkins 1999). Merrill Lynch & Co. dominates its market to this day however it is a far different company than the one that Charles Merrill headed for so many years. It is ironic that where once he had Main Street all to his self, now many brokerages occupy that particular segment of the industry. However, Merrill was the undisputed pioneer that made it possible for so many current investors to participate in the stock market which had previously been the sole purview of the well-heeled money class. Merrill's legacy endures because he was the first to attract and capture the savings of Middle America and most importantly, convince them that is was prudent to invest in common stocks.

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