Why Coke Cost A Nickel For 70 Years

by DAVID KESTENBAUM

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LINDA WERTHEIMER, HOST:

All prices change. That's basic economics. And yet, know what the price of Coca-Cola was in 1886? A nickel.
STEVE INSKEEP, HOST:

In 1900? A nickel.

WERTHEIMER: 1910, still a nickel.

INSKEEP: 1920, a nickel.

WERTHEIMER: David Kestenbaum, with our Planet Money Team, has the strange story of why Coke price got stuck for so long.

DAVID KESTENBAUM, BYLINE: Daniel Levy stumbled on this economic mystery while he was on a tour of the Coca-Cola Museum in Atlanta with his kids. The tour guide just mentioned that for decades Coke had cost a nickel. And Levy thought wait, what?

DANIEL LEVY: And I said can you say that again? And he repeat that. And I, kind of, grabbed my head. Right? I said how can that be?

KESTENBAUM: Levy is an economist at Bar Ilan University and Emory University, and he enlisted a colleague.

ANDREW YOUNG: Daniel came and said that he'd found this crazy thing, do you want to help me out with this project?

KESTENBAUM: This is Andrew Young, now an economist at West Virginia University. The more the two thought about it, the same price for 70 years, the stranger it seemed. Think of all that had happened?

LEVY: We had Great Depression.

YOUNG: Three wars, Spanish-American, World War I, World War II.

LEVY: Competitors including Pepsi - hundreds of competitors.

YOUNG: Prohibition.

LEVY: Various lawsuits, and none of these things made any difference.

KESTENBAUM: Andrew Young found one story that seems to explain part of the mystery. In 1899, two lawyers, from Chattanooga, Tennessee, pay a visit to the president of Coca-Cola. At the time, Coca-Cola is sold at soda fountains. But the lawyers are interested in this new thing - bottles - selling drinks in bottles. They want to buy the bottling rights. And the president of Coke thinks pfft bottles. So he agrees to sell them the syrup to make Coca-Cola for a fixed price forever. The contract had no end date.
YOUNG: My best take on it is, I mean, any time you got two lawyers in you office you probably want them to leave. Right? And he's saying I'll sign this piece of paper if you all just please leave my office.

KESTENBAUM: Bottled drinks took off and Coca-Cola was in a bind: If the bottlers or a corner store decided to raise the price of a bottle of Coke, Coca-Cola wouldn't get any extra money. So if you're Coca-Cola, you want to somehow keep the price down at five cents, so you could sell as much as possible. What do you do?

YOUNG: Well, one thing you do is blanket the entire nation with Coca-Cola advertising that basically has five cents prominently featured.

KESTENBAUM: Think about how brilliant this was. The company couldn't actually put a sticker on the bottles of Coke saying five cents. But it could paint an ad on the side of a building right next to the store that says drink Coca-Cola - five cents.

Here's Daniel Levy.

LEVY: Point is that since everyone was brainwashed, people saw these ads all over. It was hard for anyone to increase the price.

KESTENBAUM: That weird contract with the bottlers eventually got renegotiated. But still, the price of Coke stayed a nickel, in part because of another obstacle - this one about the size of a refrigerator and painted red - the vending machine. The Coca-Cola vending machines were built to take a single coin, a nickel.

Levy says the folks at Coca-Cola thought about converting the vending machines to take a dime. But that would double the price. Really, what they wanted was something in between.

LEVY: It is so a clever idea, what they came up with. They said how about we ask the Treasury to issue a seven and a half cent coin.

KESTENBAUM: The U.S. Treasury, the government?

LEVY: Yeah. Yeah, yeah, yeah.

KESTENBAUM: At one point, the head of Coca-Cola asked the president of the United States - Eisenhower - for help. They were hunting buddies. But no luck.

The thing that finally undoes the nickel Coke is inflation. The price of the ingredients, of everything, starts to go up and up. In the late 1940s, some stores sold Cokes for six cents, seven cents. The last nickel Coke seems to have been in 1959.
The nickel price had lasted over 70 years. And in retrospect, Andrew Young says, it wasn't a bad thing for the company. It's one reason Coke is everywhere today. The company couldn't raise the price so it did the only thing it could. It sold as many Cokes as possible.

YOUNG: At one point, associated with the military, there were Coca-Cola bottling operations on every continent except for Antarctica during World War II. All there to make sure that our soldiers could always get Coca-Cola for a nickel.

KESTENBAUM: Nickel Coke appears to be the longest documented case of a price not changing, in modern history.

David Kestenbaum, NPR News.

WERTHEIMER: It's NPR News.

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