Holding the Ice Cube: The Best Lesson on Fiat Money I've Ever Heard

Occasionally, someone sends me an idea so simple—and so powerful—that I wish I'd thought of it myself.

The following came from a longtime Morgan Report member. After reading it, I asked for permission to share it with you. I've made only minor edits for clarity. **—David Morgan**

I have had brief discussions about money and metals. I have shared the family history about my grandfather on my Dad's side, who was a trapper / hired farmhand who bought a new Ford car in 1925 with 22 $20 gold coins. The grandkid's eyes glaze over - it just does not connect. I think I have finally developed a way or an allegory to present the topic that will be memorable and understandable. I will share this with you as it might be helpful to others. Here is a brief explanation of the plan ...

I am sitting across the table from my grandson, who just turned 26 years old. I give him a silver eagle to hold in his left hand and an ice cube to hold in his right hand. I will tell him that the ice cube represents $100 in cold, hard cash in $1 bills. The silver eagle coin represents REAL money.   While he holds those items, I explain a little history about fiat money and how fiat currency is created.

If he complains about his hand getting cold, then I will suggest switching the items into the opposite hands (which will expedite the melting of the ice). I expect that the ice cube representing his cold hard cash will slowly melt away.   At some point when the ice cube has melted sufficiently, I will ask him to look at the difference. What has changed?

I will point out that he has lost a good portion of his cold hard cash and **THAT** represents a loss of purchasing power. Has any of the silver eagle disappeared?   The value of the silver eagle has not changed.   All the labor/capital in mining and refining is still represented in that silver eagle coin. Its value is still there. I hope this demonstration illustrates to him that, over time, the fiat dollar represented by the ice cube will gradually go away.

I will then give him his birthday gift ... a special plastic gift box with five - $5 rolls of pre-64 silver dimes and tell him that it would have taken $1000 (in fiat dollars) to buy this on his birthday. I will also tell him that I bought these a few decades ago for much less. I am sure that he will be surprised to learn that when I was 26 years old, $15 in silver dimes would have cost around $90. In a span of five decades, the dimes went from about $90 to over $1000. It takes a lot more fiat currency to buy the same silver coins - point made.

Farmer Fred

Final Thoughts by David Morgan

Facts and charts matter, but people remember stories and experiences. If we want the next generation to understand sound money, we must move beyond lectures and create moments they'll never forget. Farmer Fred's ice cube demonstration may be one of the simplest—and most effective—lessons on purchasing power I've seen in years.