

Not a penny more: the time to abolish the US coin has come

The denomination costs more to produce than it ever has and public opinion is shifting

Sam Learner, Financial Times, April 15, 2023

They pile up in drawers. They're taken or left on a whim at store counters. Vending machines and parking meters won't accept them. And last year, they cost the US Treasury \$100mn more to produce than they're worth. Despite all this, the penny — America's copper-plated one-cent coin — persists. For decades, US lawmakers, journalists and penny-jar owners have debated whether the coin's declining value justifies its continued production. All the while, it gets less valuable with each passing year. Inflation has hit it from both sides: production and distribution costs have gone up while the actual utility of the coin goes down. While the volume of cash transactions may be declining, the penny has never cost more to produce than it did in 2022, at 2.72 cents per one-cent coin. Meanwhile, it is now worth just 80 per cent of its value in 2017, the last time a major legislative effort to phase it out was introduced.

That bill, the "Currency Optimization, Innovation, and National Savings" or Coins Act, would have stopped production of pennies for 10 years, followed by a study of the repercussions. It also proposed reformulating the metal composition of the nickel, or five-cent coin, and swapping the dollar note for a coin. The non-partisan Government Accountability Office estimated that the changes to small-coin production would save hundreds of millions of dollars, but was sceptical of changes to the dollar coin. The bill never went anywhere. The last time the US successfully eliminated a denomination of currency was in 1857, when it got rid of the half-cent coin. The Coinage Act of 1857 discontinued its production at a time when it was worth far more than the modern penny is.

Perhaps the most vocal advocate for keeping the penny is Americans for Common Cents, a lobbying group whose funders include Jarden Zinc Products, a company that produces and sells coin blanks to the US Mint. The lobbying group's own polls show up periodically in the news, always concluding that the penny remains popular with a slim majority. In 2006, the group arranged for entertainer Kevin Federline to show up in Times Square wearing an Abraham Lincoln mask and declare that he was, "feel[ing] good about the penny."

The main argument put forth by penny defenders is that eliminating the coin will result in businesses rounding up prices, costing Americans more on their purchases — particularly those who are lower-income and more likely to be using cash. Missing from this argument is a convincing explanation as to why prices would go up more frequently than down, if rounding to the nearest nickel. The pre-tax price of many consumer goods does end with ".99", suggesting a round-up, but due to another unfortunate American monetary custom, sales tax is not included in most sticker prices. This means final prices are no more likely to end up being more expensive than less.

An academic study of 200,000 convenience stores also concluded that rounding would not negatively affect consumers. Any bill eliminating the penny should look to Canada for guidance, which just celebrated its tenth anniversary of being penniless. Before it was eliminated, the one cent coin was costing the Canadian government an absurd 1.6 cents to produce and distribute. It remains legal tender and federal rounding guidelines for businesses were issued along with the bill. Some suggest that any savings from eliminating pennies would be offset by an increased use of nickels, which the Treasury produces at an even greater loss (a topic for another day). For each round-up involving an extra nickel, there would be another that eliminates a nickel in favour of a dime. Counter-intuitively, rounding all prices to the nearest five cents would involve the same number of nickels as we use today.

Penny defenders maintain that public opinion is on their side. But the framing of penny polls sways how people respond. One survey conducted in 2022 by progressive think-tank Data for Progress showed wide, bipartisan public support for eliminating the penny once respondents were informed about the high costs of production. Finally, and most emotively, there is the matter of President Lincoln, whose face adorns the one-cent coin. Although he is also represented on the five-dollar bill, Americans are attached to his metallic presence and loathe to abandon such a popular historic figure. In order to appease this group, perhaps a new, copper-plated Lincoln monument could be proposed? We can construct it with melted-down pennies. We certainly have enough of them.

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