

Why eliminating the penny makes sense

Kim McGrath, Wake Forest News, February 13, 2025

For more than two decades, economics professor Robert Whaples has advocated for an end to the penny. In 2007, when he published an article about the imperative to eliminate America's one-cent coin, Whaples received a personal note from Paul Volcker, the former chairman of the Federal Reserve: "Get it done, and you will deserve the Nobel Prize!"

For news outlets across the country, Whaples has become the go-to expert on the penny. His comments and research have been featured in dozens of national news outlets, including The New York Times Magazine, The Wall Street Journal, The Washington Post, CNN, and Reuters. "It's time to eliminate the penny," says Whaples. "It saves the taxpayers money, and year over year those savings add up."

Why stop minting the penny now?

In 2024, it cost the U.S. Mint 3.7 cents to produce and distribute a penny. This means taxpayers are essentially subsidizing the production of a coin with very little purchasing power. If we get rid of the penny, it saves money. And I think it's good for the government to be as efficient as possible. But the biggest benefit is actually not savings. If we could make a penny out of thin air, it is still time to get rid of it. On average, Americans earn about one cent every two seconds. If it takes you longer than two seconds to use your penny, it's using up time that is more valuable than the coin itself.

What inspired your penny research?

I came across an article in the *Eastern Economic Journal* arguing that eliminating the penny would hurt consumers because prices often end in nine. This didn't make sense to me since people usually buy multiple items and there are taxes. I decided to investigate how often prices would actually round up rather than down.

My research, using cash register data from a chain of convenience stores along the East Coast, showed that prices ending in nine are no more common than any other digit. This means rounding up and rounding down to the nearest nickel essentially balances out, having a negligible impact on consumers.

How many pennies are circulating?

Estimates indicate that about 240 billion pennies are in circulation. That comes to about 700 pennies per person. Retailers are asking banks for rolls of pennies to make change for customer purchases because when pennies are given for change, people put them in jars or lose them in couch cushions. They don't reuse them. The Treasury keeps minting billions of pennies a year and the losses add up. There is also an environmental impact to making so many coins.

Why is it taking so long to let go of the penny?

People have memories of shiny new pennies and one-cent gumball machines. Abraham Lincoln is on the penny. Nostalgia is also part of the reason eliminating the penny has been difficult. But, if Congress decides to stop minting new pennies, existing ones will remain in circulation for quite some time. And Abraham Lincoln will still be on the \$5 bill.

It costs about 14 cents to make a nickel, significantly more than the 3.7 cents to make a penny. Why not eliminate the nickel?

We are minting more pennies because people aren't keeping them in circulation. The nickel is carried in pockets and purses and continues to be brought back to the store for purchases. Nickels are much more likely to move from consumer to store and back again, unlike pennies that end up under the couch cushion. This is the main reason that in 2024 only 113 million nickels were minted (about one per every three Americans), while 3.2 *billion* pennies were minted.

Will people stop using pennies if they are no longer minted? Is the nickel next?

Eventually, yes. And when the prices rise high enough, it will be time to get rid of the nickel. Quarters are going to take quite a while longer. Remember, we got rid of our half penny in 1857. That's a long time between the half penny and the penny. How long will it take between the penny and the nickel? I don't know, but it could take quite a while.

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