

The US Penny – Rethinking US Coin Strategy

Why a Smart Review Won't Cost Taxpayers More or Harm the Economy

Americans for Common Cents, Posted on February 12, 2025

A January 21, 2025, DOGE post claimed that the penny cost taxpayers \$179 million in FY 2023. While this claim is not accurate per US Mint annual reports, DOGE is right to consider ways to improve the cost and efficiency of US currency. Eliminating the penny wouldn't save money – it would actually increase government losses and create unintended economic consequences. Historical reasons for maintaining the penny should be weighed, however a better approach would be to rethink US coin strategy on several fronts, considering both the penny and nickel. A thorough review of available currency options will provide insight to a better solution for the US taxpayers.

1. The Cost of the Penny is Less Than Published

DOGE's claim conflates the production costs of both pennies and nickels.¹ This distortion exaggerates the true cost of producing the penny and ignores the broader financial picture. While it's true that pennies cost more than their face value to mint, removing them from circulation wouldn't fully erase these costs. The Mint operates with fixed overhead costs ², which means that **eliminating one coin doesn't erase fixed expenses—it redistributes them.**

2. Eliminating the Penny Won't Save Money—It Will Cost More

The assumption that simply eliminating the penny would reduce costs ignores the unintended consequences of what would happen in the absence of the penny. If the penny were phased out, demand for nickels would surge (as it did in other countries that eliminated their lowest denomination coin), driving production costs even higher. Currently, producing **a single nickel costs nearly 14 cents** ³—almost three times its face value. **Without the penny, nickel production could double** ⁴, compounding the Mint's financial losses.

3. Making US Currency More Cost Efficient Makes Sense (and Cents)

Any structural change to US coinage should include revamping the nickel, in much the same way the penny metal content was changed in the early 80's or the dime, quarter, and half-dollar were in the 60's and 70's. One option, a zinc-based alloy nickel, could reduce costs by up to 40% annually. Instead of eliminating the penny, we should be focusing on making our coin production more efficient.

Any effort to modernize US currency should also be accompanied by a comprehensive review of the capitalization and manufacturing strategy for US currency infrastructure. Optimization will significantly reduce current costs and future burdens on US taxpayers.

The Big Picture: A Smarter Approach to Coin Reform

This debate shouldn't just be about the penny—it's about modernizing our currency system in a responsible way and protecting consumer choice, thereby ensuring financial stability. If our goal is to save taxpayer dollars, the right approach isn't simply eliminating the penny—it's improving the efficiency of coin production.

DOGE is right to consider coin reform. Improving efficiency in coin manufacturing and access to coins will reduce taxpayers' burdens and improve our economy. **However, there are considerations beyond cost savings that must be weighed, including:**

- Low denomination currency, like pennies, nickels, and dimes, protect US consumers 5 from inflation – both real and perceived. Price rounding disproportionately harms consumers and could be a form of an invisible “rounding tax.”
- Despite the rise of digital payments, cash remains a crucial tool—especially for the economically underserved and underbanked. The role of cash in our economy cannot be overstated. The Federal Reserve reports that cash usage has stabilized since 2021, with billions of transactions under \$25 still conducted with physical currency. 6
- Low-income individuals and families living paycheck to paycheck would bear the brunt of any change, as they rely more heavily on cash purchases. National polling consistently shows that a majority of Americans favor keeping low denomination coins in circulation, especially the penny. 7

Rather than scrapping vital, low-denomination coins, DOGE and Congress should **focus on adopting cost-saving measures like modernizing nickel production.** This approach would achieve real savings without the unintended consequences of rounding price distortions, increased costs for consumers, and further erosion of cash infrastructure. Eliminating the penny won't save money—it will cost more. Let's protect the integrity of our financial system and focus on smart, practical solutions that truly benefit taxpayers.

Footnotes have been omitted

Citation/Source

Americans for Common Cents, 2025 (ACC conducts research and provides information to Congress and the Executive Branch on the value and benefits of the penny.) Feb. 12, 2025
<https://pennies.org/the-us-penny-rethinking-us-coin-strategy/>

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