

Getting rid of the penny introduces a new problem: nickels

By Chris Isidore, CNN, February 10, 2025

President Donald Trump says he has ordered the US Mint to stop making pennies, which he correctly says cost more than one cent to produce. "For far too long the United States has minted pennies which literally cost us more than 2 cents. This is so wasteful!" he said in a post on his Truth Social platform. "Let's rip the waste out of our great nation's budget, even if it's a penny at a time." Trump actually undersold the cost argument — pennies cost more than 3 cents to produce.

But there's a problem with his plan: Phasing out the penny could result in needing to make more nickels, and the US Treasury Department loses far more money on every nickel than it does on every penny. "Without the penny, the volume of nickels in circulation would have to rise to fill the gap in small-value transactions. Far from saving money, eliminating the penny shifts and amplifies the financial burden," said American for Common Cents, a pro-penny group funded primarily by Artazn, the company that has the contract to provide the blanks used to make pennies.

According to the latest annual report from the US Mint, each penny cost 3.7 cents to make, including the 3 cents for production costs, and 0.7 cents per coin for administrative and distribution costs. But each nickel costs 13.8 cents, with 11 cents of production costs and 2.8 cents of administrative and distribution costs. These figures are for the government's fiscal year, which ends in September.

During that fiscal year, the Mint tried to cut those losses by making far fewer nickels — only 202 million, down 86% from the 1.4 billion nickels it minted in each of the two previous years. That's also far less than the 3.2 billion pennies it made in 2024 and the 4.1 billion it made in 2023 and 5.4 billion it made in 2022.

Even if the Mint has to make only 850,000 additional nickels in 2025 to meet demand from retailers, that would wipe out the savings of eliminating the penny. If it goes back up to making 1.4 million nickels a year, that would cost \$78 million more than the cost of pennies it is no longer making.

The Mint would likely have to make more than that — probably in the range of 2 million to 2.5 million nickels a year if it stops making pennies permanently, said Mark Weller, executive director of the Americans for Common Cents, based on the track record in other countries that dropped their lowest valued currency. "In most countries, the lowest denomination coin is the most minted coin," he said.

The price of making pennies has been relatively steady in recent years, while the cost of producing nickels has been climbing, rising about 20% since 2022, because of the difference in the cost of raw materials. Nickels are made of 75% copper and 25% nickel, while pennies, despite their reputation of being a copper coin, are copper-plated zinc, meaning they are only 2.5% copper and 97.5% zinc. While all metal prices can be volatile, zinc prices are essentially where they were in late 2016, while copper and nickel prices are roughly double the price they were then.

Citation/Source

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