



# The Penny Debate - Should We Keep the Penny or Get Rid of It?



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The U.S. Cent, or penny coin, has almost no purchasing power today. The cost of making the pennies (1.26 cents each) is higher than face value, and the melt value of pennies ranges from more than 2.4 cents for the pre-1982 copper pennies, to nearly a full cent for the zinc pennies. However, the penny is a very sentimental coin to most Americans, and many people fear that eliminating the penny would raise prices because things would need to be rounded to the nickel.

Both sides in the penny debate make some good points, and the solution is far from being an easy decision. This article takes a look at the issues involved in the pro-penny and the anti-penny debate so that you can make up your mind about where you stand in this important matter.

## Latest Developments

### Background

The United States has eliminated a small denomination coin in the past with relatively little trouble. In 1857, the Mint stopped making the Half-Cent coin, partly because the cost of making it had exceeded its face value, and partly because it was considered to be so small a denomination that it was no longer needed. Back in 1857, the Half-Cent had purchasing power that would translate to well over ten cents today, so in some ways it was akin to our eliminating the dime. Yet, commerce continued without any major hiccups, despite the fact that the penny coin suddenly shrunk from a hefty, one-inch-plus in diameter chunk of copper that weighed almost 11 grams, to a penny that was less than half the weight and 40% smaller than the previous coin.

Other major changes in U.S. coinage have also occurred without any catastrophic effects on commerce, such as when the 90% silver dimes and quarters were changed to base metal clad versions in 1965. A few people grouched about it, but commerce continued unabated. There have been several other more minor changes in the coin metal, ranging from temporary wartime alterations during World War II, to more permanent switches like using zinc instead of copper for the penny, and changing from the cupro-nickel clad dollar coin (the Susan B. Anthony) to the "golden dollar" type used in the Sacagawea and Presidential Dollar types. None of these changes caused any significant problems in commerce.

Many foreign nations have completely eliminated their most minor denominations with almost no impact on commerce or consumer confidence in the monetary system. New Zealand got rid of its penny and two-penny coins without incident back in 1989, and in 1991 replaced their two lowest paper denominations with coins. In 2006, New Zealand eliminated the nickel, and while they were at it, they significantly shrunk down the rest of the coins. All of this numismatic change took place without any major problems.

History has shown us that updating the monetary supply in countries where the currency is very stable has had little, if any, negative effect on the economy, or on people's acceptance of the coinage.

### Pro-Penny Arguments

Those who think we should keep the U.S. penny cite the following arguments to support their position:

**Prices will increase** - If we eliminate the penny, everything will have to be rounded to the nickel. Merchants will probably round everything up in their favor, costing us more for everything we buy.

**The poor pay the most** - A corollary to the above argument says that the poor will be affected most, because they are most likely to make more frequent, smaller purchases, thus suffering the rounding up more often.

**Charities need pennies** - There are thousands of small charities that depend on penny drives to bring in donations. People think nothing of pouring out their old penny jars to support these drives, but they won't part with nickels so easily.

**Nickels cost even more to make** - If we eliminate the penny, we will need more nickels in circulation. Nickels cost 7.7 cents to make, (2.7 cents over face value, as opposed to 0.26 cents over face value to make a penny,) so making each nickel costs 1.44 cents more than making each penny. Since the penny costs 0.26 more than face value to make, the Mint can make 5 pennies and still lose less money than making 1 nickel. And, of course, if we eliminate the penny, we'll need a lot more nickels, which will offset the savings of stopping penny manufacture.

**Pennies are sentimental** - The fact is that Americans love their pennies and hate to change things. We've always had pennies and therefore always *should* have pennies, according to this thinking. (This is the same thinking that rejects eliminating the paper dollar in favor of a much more cost-effective coin, and that rejected the metric system despite the fact that virtually the entire rest of the world uses it.) Americans are traditionalists and the Lincoln Cent is the epitome of modern day circulating coin tradition.

**And anyway, Lincoln is on the penny!** - 'Nuff said!

## **Anti-Penny Arguments**

The folks who want to retire the penny also have some compelling arguments, including these:

**Pennies are worthless** - They don't buy anything, many people just throw them away, and nobody wants to use them, so let's just get rid of them!

**Pennies waste time** - The average American wastes 2.4 hours a year handling pennies, or waiting for people who handle them. This statistic, which is cited by the folks at RetireThePenny.org, is the result of compiling a number of penny-handling related events, including the ubiquitous 30 second period we sometimes spend waiting for someone who just *has* to dig through their pockets or purse to find that last cent so they can pay for something with exact change (probably so they don't get stuck with any more pennies.)

**Making pennies wastes taxpayer money** - It costs the U.S. Mint 1.26 cents to make each 1 cent coin, meaning that taxpayers are losing 0.26 of a cent for each one of the 7.4 billion pennies the Mint produces each year.

**Making pennies wastes time** - The U.S. Mint makes an average of 20.27 *million* pennies per day to produce its 7.4 billion penny annual output. If we just get rid of the penny, the Mint would only have to do half the work! And we're not even counting the time, fuel, expense, and hassle of carting all of those pennies around to the banks, merchants, etc. If we stop making pennies in the first place, we save all this associated time and trouble, too.

**Rounding-up prices wouldn't matter** - The anti-penny folks rebut the rounding-up argument by pointing out that we wouldn't pay more for each item we buy, only for the total price of what we buy. Even if you shop 2 or 3 times a day, (which most people don't,) and even if the rounding goes against you 2 times out of 3, (which it shouldn't,) we're still only talking about a 3 or 4 cents per day at the most! Most people throw more than 4 cents' worth of pennies into the jar (or trash) each day anyway!

**Pennies < minimum wage** - A recent *New Yorker* article pointed out that pennies are so worthless now that it doesn't even pay the federal minimum wage to stoop to pick one up off the street unless you can do it in 6.15 seconds or less.

## **Where It Stands**

As you can see, both sides have some good points. As the U.S. Mint faces the prospect of having to find more cost-effective substances from which to make the nation's coinage, the debate about the continued existence of the humble penny is sure to carry on. Many people felt that 2009, the 100th anniversary of the Lincoln Cent, should have been the last year of penny manufacture. They felt it was the perfect time to make a graceful exit for a coin that has outlived its usefulness. But others had a vested interest in keeping the penny alive - the zinc metals lobby, and the Coinstar company (who make those change-counting machines in the grocery store) fought hard to keep the penny in production.