

## **ELIMINATING THE PENNY: THE CASE FOR COMMON CENTS**

**DAVID WOHLEVER**

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[Last Week Tonight with John Oliver: Pennies \(:56\)](#)

A wise man once said that a penny saved is a penny earned. While I am a big fan of Benjamin Franklin, perhaps a new phrase is in order for a new era: a penny not made is 1.7 cents earned.

The time has long passed for the U.S. Mint to cease production of pennies. They are economically inefficient, they harm productivity, and Americans hardly use them. Yet, between special interests and sentimentality, they're likely to stick around — at least for now.

Pennies (and nickels) cost more to produce than they are worth. According to the U.S. Mint's 2014 annual report, the cost to produce pennies and nickels remained above face value for the ninth year in a row — 1.7 cents and 8.1 cents, respectively. In 2014, that amounted to a loss of \$90.5 million. In 2013, it totaled \$104.5 million. And the prices will continue to rise. Last year, the cost of zinc (which makes up 97.5% of a penny) rose by 8.4%, reaching a three-year high.

But the penny costs more than money — it costs time. Consider the thousands upon thousands of cash transactions that occur each day. On an individual level, the time loss is minimal. But according to Robert Whaples, a professor of economics at Wake Forest University, "with time valued at the average wage and pennies being used in about one-third of the roughly 100 billion transactions per year, a delay of only two seconds per penny used compounds to a loss of about \$600 million per year." Fumbling for that last penny imposes substantial productivity costs on the American economy.

Regardless of the cost, do Americans by-and-large actually use the penny? They are not generally accepted at tolls or vending machines, and are impractical to use in bulk. Because of their general uselessness, they drop out of circulation at high rates. The purpose of currency is to facilitate the exchange of goods and services, so if people don't use them for that purpose, why are they being minted in the first place?

To eliminate our lowest level currency would not be unprecedented. In the 1800's, the US ceased production of several denominations of currency, including the half-cent coin. On a global scale, the US is behind Sweden, Canada, Denmark, Australia, New Zealand, and Norway, who have all phased out their low level coins with no issues.

So, if production of the penny were to end, what would happen? The U.S. Mint would stop making new pennies, but those already in circulation would still be legal tender. Cash transactions would be rounded to the nearest five cents. And to offset the high price of nickel production, unused zinc from penny production could be funneled to a redesigned nickel, allowing the Mint to decrease production costs and substantially reduce the coin's multi-million dollar deficit. So what's the problem?

Many who oppose the penny's elimination argue that price rounding would hurt consumers. However, ceasing production would not ban the use of pennies in day-today transactions. Moreover, payment with credit and debit cards would be unaffected. And finally, rounding could actually help consumers. According to a study of almost 200,000 transactions, consumers win out when prices are rounded to the nearest nickel. The verdict is clear: the end of the penny would not hurt the consumer.

Unconvinced by the economic argument, many sentimental Americans defend the penny out of reverence for the great President Abraham Lincoln, claiming that to end the penny is to forget his legacy. While the sentimentality may make him blush, the pragmatic Lincoln would likely be glad to see the penny go. After all, he is already found on the five-dollar bill and is memorialized at Mount Rushmore and in Washington D.C.

The great penny debate demonstrates an interesting parallel to the gridlock that stunts the American political process on a broader scale. The inability (or perhaps unwillingness) of lawmakers to address certain issues that are not in the spotlight is very apparent in this situation. Just like virtually any political issue, special interest groups are at work, and are stifling the process. One such group, the ironically named "Americans for Common Cents", exists to "inform and educate policymakers, consumers, and the media about the penny's economic, cultural and historical significance."

They are not as quick to advertise, however, that they have very close ties to the zinc industry, which benefits from the minting of the penny. Their executive director, Mark Weller, is a lobbyist for Dentons, which represents "the interests of zinc producer Jarden Zinc Products, a major provider of coin blanks that are made into currency." This company "spent \$1.5 million from 2006 through the first quarter of 2014 lobbying on such things as `issues related to the one-cent coin.'"

This single company has lobbied against a change that would help the country as a whole and save taxpayers millions of dollars. Because of groups like these, and preconceived notions that favor the status quo, the penny is still around.

Valuing short-term convenience over long-term benefit is exactly what is holding us back on issues such as education reform and complete action to combat global warming. The longer we wait, the more money we waste, and the less time we have to make things right.

Eliminating pennies and nickels would not bring economic inequality to its knees. It would not end the deficit. It would not fix our broken education and healthcare systems. But it would save us hundreds of millions of dollars. It would free up money to spend elsewhere. It would save businesses time and consumers stress. It's about as close to common sense as you can get. But will we do something about it? Probably not. Though there are slivers of hope every now and again, the political capital to make it happen simply doesn't exist.

So for now, the Mint's assembly line is as busy as ever, the pennies are keeping us down, and Ben Franklin is rolling over in his grave. So much for common sense.

