Article: Waiting for Change

It costs more to make a penny than the coin is worth. Should the United States stop using pennies?

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Jarden Zinc Products, a large zinc plant a few miles outside Greeneville, Tennessee, has a special claim. Since 1982, it has been the only supplier of penny blanks for the U.S. Mint. The blanks are the metal disks that become 1¢ coins. It's a good business for Jarden—since 2000, the company has earned more than $800 million. But it may not be a good deal for the U.S.

The value of the penny has been dropping for years. In 2006, it began to cost more than a penny to make a penny. It now costs 2¢ to produce a 1¢ coin. Many countries have stopped using pennies. Canada, which has a currency similar to that of the U.S., will end penny circulation on February 4. Is it time for the U.S. to do the same?
Two Sides to the Coin

Jarden and the zinc industry are fighting to keep the penny. Since 2006, Jarden has given $1.2 million to Americans for Common Cents (ACC). The group’s mission is to keep the penny in use. Mark Weller is ACC’s executive director. He argues that there are three main reasons for keeping the penny: Without it, we would become more reliant on the nickel, which also has problems; charities that depend on penny drives would not be able to raise as much money; and a 2012 poll shows that 67% of Americans want to keep the penny. Many people polled said they feared they would end up paying more for products.

Many experts disagree with ACC. They point to the dozens of countries that have gotten rid of their lowest-value coins without raising prices for consumers. And charities don’t seem too concerned either. Major George Hood of the Salvation Army says the group, which gets many coin donations, is not worried. “If pennies were to be removed from circulation, the Salvation Army hopes the American public will continue to donate generously to help people in need,” he says.

Weller has one strong argument for keeping the penny, and that’s the problem with the nickel. Each nickel costs the U.S. Mint 10¢ to make. If getting rid of the penny led to a greater use of the nickel, wouldn’t that be trading one bad coin for another? For that reason, some experts have proposed getting rid of the penny and the nickel. Cash deals would then have to be rounded to the nearest dime.

Penny-Wise or Penny-Foolish?

Seigniorage is the word for the difference between the value of a currency and its production costs. The cost of making U.S. coins dropped in 2012. But there is still no positive seigniorage on pennies or nickels.

President Barack Obama says the mint could explore using cheaper metals to make pennies. Steel is less expensive than zinc. Pennies are 97.5% zinc and 2.5% copper. But no matter what it is made of, the penny’s days may be numbered. Most in-store purchases are now made with debit or credit cards, not cash. Is it time for a change?

TFK Poll: Should the U.S. get rid of the penny?