**The American Penny: How It’s Stuck Around All These Years**

**Almost as old as the penny itself is the debate over whether the coin should be eliminated.**



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For some Americans, the penny has overstayed its welcome. You could say it keeps turning up like a bad—well, you know.

The recent news from our neighbors to the north that, as of February 4, the Canadian government had stopped producing and distributing their penny naturally stirred up a lot of questions and debate in the United States about the American counterpart, and whether it would eventually depart our nation's cash registers. (It should be noted that the Canadian penny can still be spent in Canada—the coins simply won't be made anymore.)

It doesn't seem likely that the one-cent coin will be going away anytime soon; there hasn't exactly been a groundswell of action in Congress or the media to get rid of it. But given that in 2012, the U.S. mint produced and distributed 4.9 billion pennies, costing $118 million to create $49 billion worth of pennies, now seems as good a time as any to take a look at why the American penny has managed to stick around so long.

**Fear of rounding.** Many people worry that getting rid of the one-cent penny, which is produced and distributed at a cost of 2.4 cents per penny, will lead to retailers rounding purchases upward. In other words, consumers fear that a $13.97 purchase would become $14, instead of $13.95. A 1990 study commissioned by Americans for Common Cents (AAC), a pro-penny lobbying organization, concluded that rounding up on purchases could cost Americans $1.5 billion (in 1990 dollars) over a five-year period. That study is still frequently trotted out in the media today.

But not everyone fears the rounding theory. In 2006, Robert Whaples, a professor of economics at Wake Forest University in Winston-Salem, N.C., conducted a study of almost 200,000 convenience-store transactions on the East Coast and found that, presuming the rounding was done properly—to the nearest nickel and not always rounded up—the American consumer would break even.

"Actually, if anything, I found that more likely, it would be slightly rounded down in the consumer's favor," Whaples says.

The Royal Canadian Mint has encouraged businesses to round cash transactions to the nearest five-cent number in a "fair and transparent manner." The expectation right now is that if a purchase costs $3.98, someone paying with a debit or credit card would pay $3.98 while the cash customer would pay $4; likewise, if the item in question cost $3.97, the person paying cash would pay $3.95 while the person with the debit card would spend $3.97. Presumably if the American penny is ever retired, U.S. businesses and consumers would do something similar.

**The slippery of slope of "what's next?"** It costs 10.09 cents to produce a nickel, which has decreased from a year ago when it cost 11.18 cents, according to CoinUpdate.com, a daily coin news website. Some economists fear that if the penny disappears, consumers will use even more nickels, which will cost the country even more to produce. Besides, if we scrap the penny, critics wonder, how long will it be before nickels and dimes are urged to be relegated to memory lane? Even though dimes are still a relative bargain, costing 4.99 cents to produce and distribute, Whaples says it would make the most economic sense to have the quarter as our lowest coin.

**Lobbying.** If the penny is ever going to be abolished, it will be up to Congress, and you can't discount the influence of all the lobbying groups in Washington, from the AAC to the zinc lobby (pennies are copper-plated and 97.5 percent zinc) to the vending industry. That includes the company CoinStar, which has made a business of collecting Americans' spare change and giving them back bills and the highest number of coins possible, minus a fee, of course.

**Nostalgia.** That's really the main reason we still have the penny, according to Chip Manning, director of the Babson Center at the University of the South in Sewanee, Tenn. "It doesn't take much of an economic argument to get people to say, 'Stop making it,'" says Manning. "But when I have explored the issue or talked to people, it seems the sentimental argument of keeping it is what most people revert to."

It's easy to see why people are partial to the penny. After all, our nation's 16th and arguably most beloved president, Abraham Lincoln, adorns the penny, and the coin is part of Americana, with pennies often becoming the first coins in a kid's collection. Then there's penny candy, which has managed to stay in the vernacular and began in 1896 with the advent of the Tootsie Roll, which sold for one cent. And let's not forget the beloved but outdated saying, "A penny for your thoughts," and, of course, "See a penny, pick it up, all day long, you'll have good luck."

With all that going for the penny, many people are loathe to let it go, even if they seem to have a love-hate relationship with it. Manning says, "Studies have shown that most people who see a penny on the ground do not stop to pick it up."

Whaples concurs, observing that the average American earns a penny every two seconds, and it takes about two seconds to pick up a penny. Perhaps that's why so many people often don't bother to pick one up, good luck or not. Whaples also agrees that nostalgia is a key factor that has kept the penny around, but as the years go on and generations continue to embrace credit and debit cards, that will change.

"Eventually people won't even think about the wonderful shiny penny that first got when they were three years old and thought it was so cool," Whaples says.

Whaples, if he had his druthers, would like to see the penny go.

But people like to root for an underdog, which may help explain the penny's appeal and endurance. After all, this isn't the first time there has been a national conversation about the fate of the American penny. Every few years, someone in Washington or an economic think tank brings the issue up.

It seems to have begun in late 1976 when the Treasury Department issued a study showing that the cost of producing a penny, at the time, was 67 cents and that by 1982, the cost of producing a penny would be higher than a penny. Some people even had a novel solution at the time, which probably wouldn't have done much to solve the problem of too much pocket change: Get rid of the one-cent penny—and start making two-cent coins.