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August 20, 2011

Penny Foolish

By DAVID L. GANZ

David L. Ganz is a member of the Board of Freeholders of Bergen County, N.J., and a former president of the American Numismatic Association.

In this time of fiscal strain, Americans can find some savings by simply looking in their purses and pockets.

Because of increases in commodity prices, it now costs more than one cent to make a penny and more than five cents to make a nickel. The United States Mint, sensitive to the risks of changing the composition and feel of our coinage, has been reluctant to revise the composition of these two coins.

But that is precisely what the Mint — which last year produced 4 billion pennies and 490 million nickels — should do.

While eliminating the penny has been debated for decades, it is not a realistic option; the penny has tremendous symbolic value and removing it would have the effect of raising prices — particularly for people of modest means, who use currency the most — because retailers would round up. Reducing the size of the coins is impractical because of the cost of recalibrating vending machines and the need to ensure that the coin is not interchangeable with any foreign coin.

Changing the composition of the penny by using less costly materials is the only feasible alternative. The Mint, part of the Treasury Department, has changed the size or composition of the cent more than a dozen times since 1793. Two of the most recent alterations were the switch to zinc-coated steel in 1943, caused by the wartime shortage of copper, and the switch to zinc with copper plating in 1982, a response to rising commodity prices.

Past debates have brought forth a variety of unconventional suggestions: plastic (used as sales-tax tokens — representing fractions of a cent — in the 1930s, but cheap-lookir porcelain (Germany and Thailand tried this, but it breaks easily); and vulcanit as currency in Guatemala early in the last century, but too exotic for America

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Metallic alloys are probably the best choice for a new-composition penny and nickel. The precise choice needs to reflect four values: cost effectiveness, security of supply, aesthetic acceptability and minimal disruption to vending machines. (Pennies are not commonly accepted by machines, but are sometimes inserted anyway; a penny of a different composition could cause machines to jam.)

In a 1976 study of the penny, the Research Triangle Institute rejected chromium, tin, titanium, copper-aluminum-nickel-zinc derivatives and zinc mixtures. At current prices, none of these would be cost-effective. In practical terms, that leaves two basic metallic groups: an aluminum alloy, which is better, heavier and stronger than the pure aluminum cent proposed in the 1970s, but still expensive, and steel, which is the clear favorite for affordability and security, but poses technical challenges.

The best approach is to meld the two. Aluminized steel is ideal because it is available coiled — squeezed by rollers and then put into a lasso-like form that can be fed directly into a coining press. It would work for the penny and the nickel — and the dime, if it is ever threatened.

Let's use a new aluminized-steel alloy that allows the Mint to produce an affordable penny. Ideally, this would be accompanied by a redesign, and a collector's-edition one-cent coin made of gold and silver. This would complement the success the Mint has had with the state quarters program and with collectors' coins made of precious metals.

Contrary to the song, pennies do not come from heaven. Ours come from the Mint, which must supply them now and in the future. Let's reintroduce the penny as a coin that matters, and put its production on a sounder financial footing.