

Lucky penny may see fortune run dry in modern times

Written by Jacob Lambert, Daily Vidette Senior Staff
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They are all around us, typically wedged beneath the sofa cushions, strewn about the floorboard of the car and littering the sidewalks as we walk idly by. Despite their shiny copper qualities, pennies seem to have lost their luster in today's economy.

Due to inflation and the ever-rising cost of metals, many are beginning to question the power of the penny and whether or not it deserves continued circulation.

According to a recent CNN Money article, the cost of producing a pennies has now surpassed their monetary value with a cost of nearly 2.5 cents per penny.

"We're basically turning something that is valuable into something that is less valuable," Andrew Chupp, assistant professor of economics, said. "Inflation has eroded the value [of the penny], and at the same time, the value of the metal is going up, both of which contribute to the value of the penny costing more than its worth," he added.

Retiring the penny would most likely result in retail prices being rounded to the nearest five cents as the nickel would take over as the lowest valued currency in the U.S. While studies show this change in pricing would have virtually no negative long-term financial effect on consumers, George Waters, associate professor of economics, said people are mostly uncomfortable with the idea of change.

"Most people have never experienced a world without pennies ... people may think that perhaps it's a symptom, that something is wrong with our currency," Waters said.

While the thought of retiring the penny may be an uncomfortable one for some, Chupp and Waters explained that this would not be the first time in our history that a coin has been discontinued from our currency.

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“We used to issue half-penny coins back when it was worth having a half-penny ... so we’ve gone through this before,” Chupp said. “At some point it was decided that the half-penny wasn’t worth much anymore, and that we should probably stop making them.”

Waters added that currency has never been an entirely stable commodity.



“Pre-Civil War, the whole money situation in this country was pretty confusing,” Waters said.

“People used different bank notes as money and there wasn’t a single U.S. government produced and certified money. There have been plenty of times when things have been used as money and a decade later they weren’t used at all,” Waters added.

Waters explained that given the nature of the constantly changing value of today’s currency, he can understand why people may be a bit reluctant to give up the penny.

“It feels inherently unstable that our money isn’t backed up by anything ... there’s nothing to hang your hat on for why a dollar is worth what it is, and that makes people uncomfortable,”

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Waters said.

In addition, many people view the preservation of the penny as a preservation of presidential history. This is particularly pronounced in Illinois, the treasured "Land of Lincoln."

"I'm all for Lincoln, he's probably my favorite president, but he's also on the five so it's not like we're completely getting rid of him," Chupp said.

Given the increasing popularity and prominence of electronic money transfers through online banking and credit cards, Waters said it is no surprise there has been a push to stop production of the penny.

"I wouldn't be surprised if we had no coins [in production] at all in 50 years," Waters said.

"More payments will be done electronically, and things like dollar bills will be simply for emergencies and personal transactions," Waters added.