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OPINION

Elon Musk is right: Let's ditch the penny

Eliminating the penny is more than a practical cost-saving measure. It's a test of our willingness to confront outdated spending.

By Linda J. Bilmes Updated February 3, 2025, 3:00 a.m.

RYAN HUDDLE/GLOBE STAFF

The humble penny, a symbol of American commerce for over two centuries, is increasingly an economic burden. Those of us who pay with cash receive pennies as change at the store but then dump them in jars, put them on bedside tables, or lose them under sofa cushions. Over 250 billion are technically "in circulation," with the US Mint expected to churn out another 4.5 billion in 2025. In other words, we keep minting pennies because no one uses the pennies we mint. And here's the rub: The rising price of metals means that each penny now costs 3.7 cents to make.

This "negative seigniorage," plus the expense of transporting billions of pennies, costs taxpayer approximately $200 million a year, depending on the prices of zinc and copper (pennies are made of 97.5 percent zinc with 2.5 percent copper to give the coin its traditional color). Zinc has doubled in price since 2016, and the cost of producing each penny rose 20 percent in the past year alone.

Canada eliminated its physical pennies back in 2013, when production costs reached 1.6 Canadian cents per coin. Electronic payments and receipts continued to be calculated to the exact penny, but cash transactions were rounded to the nearest five cents. The impact on inflation or on daily life in Canada was imperceptible.

Eliminating the US penny is hardly a new idea. Nearly 50 years ago, Treasury secretary William Simon urged Congress to abandon it. But a combination of political inertia and vested interests has stymied attempts at reform. A Tennessee based zinc-processing company, Artazn, has a profitable monopoly on producing the coin "blanks" for the US Mint and has helped fund a pro-penny lobby.

The penny has grown ever more irrelevant as fewer and fewer Americans rely on cash for transactions. Overall use of cash has fallen by 50 percent since 2016, and consumers under age 55 now use cash in only 12 percent of payments. Since the COVID-19 pandemic, older Americans are also using less cash.

Critics may argue that $200 million is a drop in the bucket of a federal budget exceeding $6 trillion annually. They may regret losing Abraham Lincoln's face on the penny coin (he will survive on the $5 bill). But eliminating the penny is more than a practical cost-saving measure. It's a test of our willingness to confront outdated spending.

As former president Barack Obama noted in 2013, the penny is a metaphor for America's inability to stop doing things that are no longer worth the cost.

The newly created Department of Government Efficiency, led by Elon Musk, has apparently put the penny on its hit list, judging by a recent post on Musk's social media platform, X. DOGE is not the first serious attempt to reduce unnecessary government spending. Previous efforts included former president Harry Truman's Hoover Commission after World War II, former president Ronald Reagan's Grace Commission in 1982, and the National Performance Review ("Reinventing Government") led by former vice president Al Gore in the 1990s.

But DOGE offers a new chance to examine what makes sense. For example, the Pentagon has spent $2 trillion on the F-35 fighter jet program that has suffered decades of cost overruns and underperformance. A recently declassified report noted issues with the F-35's reliability, maintenance, and cyber vulnerabilities, prompting Elon Musk to term the planes "obsolete."

Elsewhere, the Government Accountability Office has a ready-made list of some 500 ways to save or earn money. Senator Elizabeth Warren of Massachusetts has proposed 30 ideas to reduce federal spending, including renegotiating certain Pentagon contracts and allowing Medicare to negotiate for lower drug prices. Congress could also save money simply by enacting budgets on time. Whenever the federal government is close to a shutdown, federal agencies spend millions of dollars to prepare detailed shutdown plans that are then reversed at the 11th hour.

Retiring the penny would be a small but powerful signal that the "culture of endless money" (as former defense secretary Robert Gates termed it) is no longer acceptable. It is simple to implement. And it could set a precedent for tackling much larger, entrenched inefficiencies. By starting with this symbolic step, policy makers can build momentum for addressing the massive fiscal challenges ahead.

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