

# Should We Make Cents?

CBSNews

*This segment was originally broadcast on Feb. 10, 2008. It was updated on July 3, 2008.*

Should we make cents? We're talking about those insignificant one cent pieces in your pocket or purse. It may or may not come as a surprise that it now costs the U.S. Mint almost two cents to make a penny and almost a dime to make a nickel. If the economy of that eludes you, join the club.

As **correspondent Morley Safer** first reported in February, even in Washington, where they literally have the right to print money and where anything under a billion is chump change, there is an ongoing debate over whether it's worth the trouble to keep making cents.

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Every year, the U.S. Mint turns out eight billion shiny new pennies, using hi-tech presses that operate faster than the eye can see, stamping out Abe Lincoln on blank pieces of metal.

And, says U.S. Mint Director Edmund Moy, despite inflation, despite their lowly status, eight billion pennies still add up to \$80 million.

Trouble is, to get \$80 million in pennies, the government spends \$134 million; to produce 1.3 billion nickels, as the Mint did last year, costs \$124 million, even though the coins are worth about only half that much.

"It's weird economics, when you really come down to it, isn't it?" Safer asks.

"Well, from our perspective at the United States Mint it's unsustainable. You can't sustain losses on pennies and nickels and expect to be a viable organization that benefits the American people," Moy says.

How did we get in this fix?

"You know, coins are made out of metal. And worldwide demand for copper, nickel and zinc have dramatically increased over the last three years. That's what's primarily driving up the cost of making the penny and nickel," Moy explains.

Nickels are made mainly of copper; pennies are 98 percent zinc. On the frenzied commodity exchange, the price of copper has tripled in the last five years; zinc has doubled. Both are in heavy demand, used in everything from electrical wiring to suntan lotion, so both coins are worth less than the metals they contain. But if you're thinking of putting in a backyard smelter and melting down your spare change to make a profit, forget it. The Treasury Department has declared that illegal.

Asked if there was a fear that people would melt their pennies and sell them by the pound, Moy tells Safer, "Well, you know, other countries that have been in the same situation have ended up having shortages because people melt them. My colleagues in India at the Indian mint have noted that once the rupee became more valuable melted down as razor blades they disappeared overnight. And there was a shortage of rupees that India is still recovering from."

In the five o'clock shadow of the rupee's close shave, Washington is considering ways to reduce the cost of making pennies and nickels. Among them, giving the mint authority to use cheaper metals, like steel. And though efforts in Congress to retire the penny altogether have failed in past years, its detractors say the time has come.

"Inflation has rendered the penny nearly valueless, right? If you can't buy anything with a penny, if it takes at least a

nickel or a dime to buy anything, then that individual unit just doesn't serve much good," argues Stephen Dubner, the co-author of the bestseller "Freakonomics," a zany look at money and American culture. He puts the penny in the same category as your pesky appendix and other useless relics.

"It's like having a fifth and a half finger on your hand," Dubner says, laughing. "I have to trim the nail, I gotta buy five and a half fingered gloves. But wouldn't it be easier just to have the five? And that really is what the penny is about. It's just not useful."

Dubner concedes the country suffers from "pennycitis" - a love affair with the penny that's hard to shake. After all, who's on it but that true American Idol honest Abe Lincoln, who, as a young store clerk, walked three miles to return six pennies he'd overcharged a customer. "I think that the two big reasons to keep the penny are inertia, 'cause it takes a lot of work to get rid of something that's ingrained, and nostalgia. But you need to put a price on even nostalgia," he says.

What about the sentimental attachments people have to the penny?

"But I would argue that, you know, in the old days you might have said 'A penny for your thoughts' as a nice kind of way of saying, you know, whatever you're daydreaming about, it's worth something. Now it's an insult. A penny for my thoughts, what are you, what are you, it's only worth a penny? Come on," Dubner says.

What does Dubner do with his pennies?

"Well, I have kids. So I try to teach them early on not to get any pennies to get rounded up or rounded down at any opportunity," he explains. "When we play Monopoly at home we get rid of the ones and the fives. It's like it doesn't matter. It doesn't affect the economy."

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