

Argumentative Performance Task: Penny

Student Directions

Task:

Your class is studying about financial economics and money. You are given four sources about the historical and economic impact of the penny.

Read the sources carefully to **write an argumentative essay** about the economic pros and cons of producing and using pennies in the United States. Make sure to address potential counterarguments in your essay and support your claim with information from the sources you have examined.

Sources for Performance Task:

Source #1

The following article is from the *New York Times*, published on April 7, 2012.

Penny Wise, or 2.4 Cents Foolish?

by Jeff Sommer

The news from north of the border is both trivial and unsettling: they won't be making shiny new pennies in Canada anymore.

The government in Ottawa has made this decision after years of deliberation¹, for reasons that would seem to apply equally well in the United States. "Pennies take up too much space on our dressers at home," Jim Flaherty, the Canadian finance minister², said in a speech last month. A persuasive government brochure put it this way: "We often store them in jars, throw them away in water fountains, or refuse them as change."

Pennies cost more to produce than they are worth. They are worth so little that many Canadians don't bother to use them at all. . . .

Do we really need pennies?

The Canadian government doesn't think so. By the fall, it plans to stop minting them and stop distributing them through banks. It won't actually ban them, though. Some people have grown so attached to pennies—pennies—a penny saved is a penny earned, after all—that they may want to keep using them indefinitely, and they can, the Canadian government says.

But those who can bear to part with their pennies are being encouraged to bring them to banks for eventual melting or to donate them to charities—charities—which will presumably bring them in for melting. Electronic transactions will continue to include cents, while retail sales will be rounded up or down.

Inflation³ is sometimes cited as a threat whenever small coins are phased out. A \$2.01 cup of coffee should be rounded down to \$2, while \$2.03 should become \$2.05, for example, but retailers in the real world might raise prices more than lower them. That could cause a small, one-time inflation burst, says François Velde, an expert on the history of small change. . . .

"But in a competitive market, you might well see price decreases," says Mr. Velde, a senior economist at the Federal Reserve Bank of Chicago who is working this year at the Bank of France. "In a place like New York, a 99-cent price of pizza

might go down to 95 cents rather than \$1 to avoid crossing that higher price threshold." Over all and over time, there should be no net price effect, he says.

He finds the argument for phasing out the penny to be at least as strong in the United States as in Canada because the two nations' small coins, political history and socioeconomic culture have so much in common. "That's what makes the Canadian decision a little unsettling," he says. "Their pennies even look a lot like ours."

In the United States, the mint says, each zinc and copper coin costs 2.41 cents to produce and distribute. It costs 1.6 Canadian cents to make a penny at the mint in Winnipeg, according to Canadian government figures. (A Canadian cent is worth about 0.99 cents at the current exchange rate.) "From the standpoint of economics, that's just a total waste of money," Mr. Velde says.

Pennies may not be big money, even if you add them together. But we are paying a cost for the privilege of squirreling them away in drawers and on dressers. The United States government—government—that is, taxpayers—taxpayers—lost \$60.2 million on the production and distribution of pennies in the 2011 fiscal year, the mint's budget shows, and the losses have been mounting: \$27.4 million in 2010, and \$19.8 million in 2009.

A number of countries, including Australia, New Zealand, Brazil, Finland, the Netherlands, Norway, Sweden, Switzerland and Britain, have already dropped their lowest-denominated coins, without dire consequences.

What is to be done in the United States? The mint defers to Congress, and Congress hasn't told it to abolish the penny. Lawmakers have directed the mint to study ways to make small coins more cheaply. Mike White, a spokesman for the mint, says a report will be completed in December. . . .

At the very least, a change in the composition of the American penny seems likely.

In 1982, Congress authorized the Treasury to make such a change, and it did. Before then, pennies were 95 percent copper and 5 percent zinc. . . . Pennies manufactured since have been copper-plated zinc, with zinc making up 97.5 percent of the coin and copper only 2.5 percent. Steel, which was used in pennies in World War II, could be substituted next.

But why stop at the penny? It's not the only American coin that costs more than it's worth. Each nickel costs 11.18 cents to produce and distribute, the mint says, at a loss to taxpayers of \$56.5 million in the last fiscal year. In its 2013 budget proposal, the Obama administration has asked for authority to alter the composition of the nickel, too. . . .

"The whole situation is ridiculous," Mr. Velde says. ". . ." . . . The serious, simple solution is to do away with the penny."

A penny for your thoughts?

¹deliberation: discussion or debate

²Canadian finance minister: responsible for presenting the Canadian government's budget each year and helping to determine the funding levels for government departments

³Inflation: causing prices to increase

Source #2

The following is a newspaper article published in December 2012.

Is the Penny Worth It?

by Rachel Mancuso

The United States Department of Defense doesn't think so. For over 30 years, pennies haven't been used on foreign military bases. Pennies are "too heavy and are not cost-effective¹ to ship," according to Chris Ward, a spokesman for the Army and Air Force Exchange Service. This idea is the topic of much discussion lately, and the US Congress is considering eliminating the penny from the United States currency system.

On foreign military bases, instead of using pennies, the shops and restaurants round to the nearest 5-cents. For example, if a lunch bill comes out to \$9.06, it would be rounded down to \$9.05. If it was \$9.09, it would be rounded up to \$9.10.

The rounding system seems to work well for the military, and some experts such as Harvard professor N. Gregory Mankiw want to do the same in the entire United States. Some people fear that rounding will end up costing people extra money. Mark Weller, Americans for Common Cents spokesperson, claims that stores will not choose to round their prices down. He claims that what he calls the "rounding tax" will cost consumers \$600 million per year. Dr. Robert Whaples, a professor at Wake Forest, disagrees and does not think the economic impact of eliminating pennies will be significant.

Not only does he believe that it will have an insignificant impact on prices, but Whaples seems to think that eliminating the penny will save time too. He asserts that this time saved is even more valuable than eliminating a potential impact on rounding prices. His study says that the time wasted counting pennies could add up to over \$700 million per year nationwide. To a retail business, time is money because many retail businesses pay their employees by the hour. If the retail clerk and customer spend just 2.5 seconds per transaction counting pennies, those seconds add up. Those seconds add up to an estimated \$700 million in wages that businesses pay retail clerks to count pennies.

Not everyone agrees that the penny should be totally eliminated. Many argue that price-rounding cannot be done fairly, and that finding a way to make pennies cheaper is a better approach. Steel, which was used to make pennies during World War II, would be a cheaper alternative. No matter what your stance, the penny debate is real, and the United States has to make a decision one way or the other.

¹cost-effective: producing desirable results without costing a lot of money

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Source #3

The following newspaper article examines the efforts of one school to use pennies to help a worthy cause.

Give a Penny—Save the Day!

by Ted Waterhouse

Last week, Washington Middle School (WMS) hosted its annual Penny Drive for Charity. Students from every grade brought in bags and jars of pennies, and, with everyone's assistance, they raised over \$3000 in one week!

This amazing effort was made possible due to the power of the penny. Many people do not see the value in the penny, and they feel as though pennies are not worth the trouble of carrying them around.

Pennies might be a little bulky, but they add up; moreover, because they are worth so little, people don't mind donating them to charity. Students at WMS found that out for themselves last week.

If the school had organized a dime or a quarter drive, they probably would not have raised as much money. As Michael Cooper, an eighth grader, said, "If you asked for my quarters, I would have said 'no' because I use them for video games. Pennies don't really matter much, so I was happy to give them to someone who could use them." Many other students I spoke with echoed Michael's words.

Bottom line: A penny is not worth much by itself, but as WMS found out, there is power in numbers. When people put all their pennies together for a good cause, they can add up quickly, and they can truly help a good cause. So if you don't see much value in a penny, WMS can put it to good use!

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Source #4

The following article from a general interest magazine published in 20142014 explores some of the changes the penny has gone through.

The Ever-Changing Penny

by Maria Story

The one-cent piece, commonly referred to as the "penny," has been a part of United States history for over two hundred years. Its design has changed twenty-one times. History also shows that as the economy has changed, so has the value of the coin.

The first pennies, minted until 1857, were very large—larger than our modern day quarter and had different images of the Statue of Liberty on the front. People did not really like how big they were. Several other versions of the coin were minted before finally producing the familiar Lincoln penny in 1909. Since then, ten varieties have been minted, mostly because of changes in metal content. Changing metal content was important to try to reduce production costs¹. The U.S. Mint is still exploring additional designs and different, more cost effective, metal compositions for the penny.

The history of a penny reveals more than just a coin—it exposes a piece of American culture. The one-cent piece has influenced our language, giving us a number of idioms², such as "a penny for your thoughts" (a way to ask what someone is thinking) and "not one red cent" cent" (meaning no money at all). The coin also gave rise to the terms like "penny candy" (a piece of candy sold for a cent) and "penny arcade" (an amusement center with machines that cost one cent to operate).

Despite its cultural influences the penny is currently under attack. The reason? Because making money also costs money. In 2011, it cost the U.S. Mint more than 2.4 cents to produce one penny. This has led many to argue that the penny is inflating the economy and should be eliminated. However, what many people fail to also consider is that the nickel, too, costs more to produce than it is worth. In 2011, the cost for the U.S. Mint to produce a nickel was over eleven cents. Even though production costs are slightly lower today, the penny still costs the U.S. just over 1.8 cents to produce. The nickel's cost is currently 9.4 cents.

The history of the American penny is a curious one. How long it will remain a part of our spending currency is yet to be determined.

¹production costs: costs of the materials and labor needed to manufacture something

²idiom: a word or phrase that means something different from its usual meaning

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