Abolishing the Penny Makes Good Sense
Editorial by Alan S. Blinder

Why keep what is no longer USEFUL?

Are there old tools or appliances in your home that nobody ever uses? What keeps your family from throwing them away? In “Abolishing the Penny Makes Good Sense,” economist Alan Blinder denies the usefulness of one of the most common objects in our society.

QUICKWRITE Write a paragraph about a device or an object that has outlived its usefulness. Explain what caused it to lose value, and discuss why some people might be reluctant to get rid of it.
TEXT ANALYSIS: EVIDENCE

Writers use evidence to show that their arguments and conclusions are valid. Alan Blinder presents a variety of evidence in “Abolishing the Penny Makes Good Sense,” including family anecdotes and observations like this one:

*Few people nowadays even bend down to pick a penny off the sidewalk.*

Anecdotal evidence is based on personal experience. Other types of evidence include:

- empirical evidence (based on scientific research)
- logical evidence (based on sound reason or facts)

As you read, evaluate the evidence Blinder presents.

READING SKILL: ANALYZE DEDUCTIVE REASONING

When you arrive at a conclusion by applying a general principle to a specific situation, you are organizing your ideas by using deductive reasoning. Here is an example:

**General Principle:** Any student caught cheating will be suspended.

**Specific Situation:** Jeremiah was caught cheating.

**Conclusion:** Jeremiah will be suspended.

Writers often use deductive reasoning in arguments without stating the general principle. They just assume that readers will recognize and agree with the principle.

Careful readers don’t always assume the general principle is sound, however. They identify it, as well as the other parts of the argument, and then ask whether each part is really true.

To analyze Alan Blinder’s deductive reasoning, complete the following chart as you read his editorial.

<table>
<thead>
<tr>
<th>Specific Situation</th>
<th>Reasons and Evidence</th>
<th>Conclusion</th>
</tr>
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<tbody>
<tr>
<td>Any coin that has outlived its usefulness should be abolished.</td>
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An economist rarely has the opportunity to recommend a policy change that benefits 200 million people, imposes costs on virtually no one, and saves the government money to boot. But I have such a suggestion to offer the nation as a holiday gift: Let’s abolish the penny. Yes, the old copperhead has outlived its usefulness and is by now a public nuisance—something akin to the gnat. Pennies get in the way when we make change. They add unwanted weight to our pockets and purses. Few people nowadays even bend down to pick a penny off the sidewalk. Doesn’t that prove that mining and minting copper into pennies is wasteful? Today, if it rained pennies from heaven, only a fool would turn his umbrella upside down: The money caught would be worth less than the ruined umbrella.

1. **minting:** stamping coins from metal.
I have been antipenny for years, but final proof came about two years ago. I used to dump my pennies into a shoe box. Eventually, I accumulated several hundred. Dismayed by the ever-growing collection of useless copper, I offered the box to my son William, then 8, warning him that the bank would take the pennies only if he neatly wrapped them in rolls of 50. William, obviously a keen, intuitive economist, thought the matter over carefully for about two seconds before responding: “Thanks, Dad, but it’s not worth it.” If it’s not worth the time of an 8-year-old to wrap pennies, why does the U.S. government keep producing the things?

91 Billion in Circulation

More than the time of 8-year-olds is involved. Think how often you have waited in line while the customers ahead of you fumbled through their pockets or purses for a few—expletive deleted—pennies. A trivial problem? Yes, until you multiply your wasted seconds by the billions of cash transactions that take place in our economy each year. I estimate that all this penny-pinching wastes several hundred million hours annually. Valuating² that at, say, $10 an hour adds up to several billion dollars per year, which is more than enough to justify this column.

We also must consider the cost of minting and maintaining the penny supply. There are roughly 91 billion pennies circulating, and every year the U.S. Treasury produces 12 billion to 14 billion more, at a cost of about $90 million. Since this expenditure just produces a nuisance for society, it should be at the top of everyone’s list of budget cuts.

There are no coherent objections to abolishing the penny. It has been claimed, apparently with a straight face, that eliminating pennies would be inflationary,³ because all those $39.99 prices would rise to $40. Apart from the fact that such increases would be penny-ante,⁴ the claim itself is ludicrous. A price such as $39.99 is designed to keep a four from appearing as the first digit—something the retailer deems psychologically important. In a penny-less society merchants probably would change the number to $39.95, not raise it to $40. Even if only one-fifth of all merchants reacted this way, abolishing the penny would be disinflationary.

Sales tax poses a problem. How would a penny-free economy cope with, for instance, a 7% sales tax on a $31 purchase, which comes to $2.17? The answer leads to the second part of my suggestion. Let all states and localities amend their sales taxes to round all tax bills to the next-highest nickel. In the example, the state would collect $2.20 instead of $2.17. The customer would lose 3¢ but—if my previous arguments are correct—would actually be better off without the pennies. What other tax leaves the taxpayer happier for having paid it?

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2. valuating: placing a value on.
3. inflationary: causing an increase in the price of goods.
4. penny-ante (p’nē-ānt’ē): a business deal on a trivial scale.
Sentimental Value

Only tradition explains our stub-
born attachment to the penny. But
sometimes traditions get ridiculous.
Surely the smallest currency unit
a country uses should be related to
its average income. Yet countries
with lower standards of living than
the United States have minimum
currency units worth more than
1¢—while we have been minting
the penny for two centuries.

Even England, as tradition-bound
a nation as they come, is more
progressive in this matter than the
United States. Years ago the smallest
unit of British currency was the far-
thing, equal to one-quarter of what
was then called a penny. As England
grew richer, the farthing gave way
to the half-penny, then to the old
penny, and finally to the new penny,
which is the equivalent of 9.6 far-
things. During this same time, all
the stodgy United States did was
abolish the half-penny.

Sure, the penny has sentimental
value. That motivates the last part
of my suggestion. Rather than call
in all the pennies and melt them,
which would be too expensive and
perhaps heartrending, the govern-
ment should simply announce that
it is demonetizing the penny as of
next January—and let collectors
take many of the pesky coppers
out of circulation. After hobbyists
and investors accumulated what-
ever stockpiles they desired, the rest
could be redeemed by the govern-
ment—wrapped neatly in rolls of
50, of course.

Let’s get penny-wise and abolish
the 1¢ piece. The idea is so logical,
so obviously correct, that I am sure
the new Congress will enact it dur-
ing its first days in office.

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5. demonetizing (dē-mōn′t-ī-′zēng): depriving of value.
Comprehension

1. **Recall** What is the author’s opinion of the penny?

2. **Recall** In what ways does the penny inconvenience people?

3. **Summarize** According to the author, how will customers be affected at checkout lines if the penny is abolished?

Text Analysis

4. **Examine an Argument** For each objection to abolishing the penny listed in the chart shown, summarize the **counterargument** that the author makes to refute the objection.

<table>
<thead>
<tr>
<th>Objection</th>
<th>Counterargument</th>
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<tbody>
<tr>
<td>Inflation would result.</td>
<td></td>
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<tr>
<td>People would pay more in sales taxes.</td>
<td></td>
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<tr>
<td>The penny is part of our tradition.</td>
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5. **Analyze Deductive Reasoning** Review the chart you created as you read. What is the strongest reason that the author presents to support his conclusion that the penny has lost its usefulness? Explain your answer.

6. **Analyze Tone** What tone does the author use when discussing arguments in favor of keeping the penny? Cite examples from the text.

7. **Interpret a Statement** What does the author intend to suggest in the last paragraph when he says that his “idea is so logical, so obviously correct, that I am sure the new Congress will enact it during its first days in office”?

8. **Predict an Outcome** The author speculates about how merchants and consumers would respond if the penny is abolished. What do you predict will happen if the penny is removed from circulation? Give reasons for your prediction.

9. **Make Judgments** The author states in the opening paragraph that abolishing the penny would impose “costs on virtually no one.” Do you agree with his characterization of how the change would affect people? Cite evidence to support your opinion.

10. **Evaluate Evidence** Does the author provide sufficient evidence to support his conclusion that the penny should be abolished? Explain why or why not.

11. **Evaluate an Unstated Assumption** Look at the chart on page 647 and note Blinder’s unstated general principle. Do you agree with this basis for Blinder’s argument? Explain why or why not.

**Why keep what is no longer USEFUL?**

Do only useful things have value?