

# What's Happening

## IN THE WORLD ?

BY LAWRENCE GABLE

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Canada has had a one-cent piece for a long time, but over the years it has lost its value. Now it costs more than one cent to produce and distribute a penny. On March 29 the government in Ottawa announced that it will stop minting the penny later this year.

The early Canadian coins actually came from Britain. After the mid-1700s Britain ruled in Canada. By the mid-1800s the Canadians were governing themselves, but they still used the British monetary system. In 1858 Canada switched from the British system of pounds and shillings to a decimal system of dollars and cents.

The Royal Mint in Britain made the first Canadian coins in 1858. It made 20-cent pieces, 10-cent pieces, 5-cent pieces and 1-cent pieces and shipped them across the Atlantic. In 1908 Canada opened its own mint, although it was a branch of the Royal Mint. Its first coins were a 50-cent piece and a bronze cent, which was a little larger than a modern 25-cent piece. The penny became its current size in 1920.

A century ago the penny had real purchasing power. It has been a long time since gumball machines and parking meters have accepted them though. Many people do not even bother to bend over to pick one up off the sidewalk. Pennies are the favorite coin for people to toss into fountains. A survey in 2007 revealed that only 37 percent of Canadians use pennies anymore.

The Canadian government has finally decided that it costs too much to keep the penny. It spends 1.6 cents to produce and distribute each penny. In addition to that, Canada's big banks handle more than nine billion pennies a year. They spend \$20 million annually to store, transport, count and put those pennies into rolls. By getting rid of the penny, Canadian taxpayers will save about 11 million Canadian dollars every year.

Canadians always will be able to use the pennies that they have. However, whenever banks get them, they will send them back to the Mint for recycling. For now the government is recommending that people open their piggybanks and clean out their drawers. It wants



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people to donate their pennies to charities or bring them to banks. Eventually the one-cent piece will just disappear from everyday life.

Businesses will continue to calculate sales to the penny.

When customers pay with a debit or credit card, they will pay the exact amount. The majority of transactions are electronic, especially large ones. Getting rid of the penny will have no effect on them whatsoever.

Merchants will handle cash transactions differently without the penny. They will calculate the exact total, but then they will round the amount up or down to the nearest nickel. For example, for \$5.68 the merchant will round the total up to \$5.70. For \$5.67 they will round down to \$5.65. Economists believe that rounding up and down will even out for customers in the end. There is some concern that some merchants will round up more often than they should. However, many cash registers will automatically round the amount correctly.

Rounding could actually help customers in a couple of ways. When companies set prices, they like to use prices that end in “.99” so that customers do not think about the next whole dollar. Because of rounding, they may set prices lower so that the rounded amount ends up at “.95” rather than the whole dollar. Rounding may also cause a delay in higher prices. If someday a company needs to raise its prices by only a few cents, it may choose not to rather than force the customer to see an increase of a whole nickel. Once again, though, any gains or losses to customers and companies will even out over time.

Canada is not the first country to do this. At least nine other countries have done away with their least valuable coins without any real problems. One of them, New Zealand, even did away with its five-cent coin in 2009. The Royal Canadian Mint will stop distributing the penny in the fall. Although it will be strange for people for a while, getting rid of the little penny should bring a big benefit to the Canadian economy.

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The early Canadian coins actually came from Britain. After the mid-1700s Britain ruled in Canada. By the mid-1800s the Canadians were governing themselves, but they still used the British monetary system. In 1858 Canada switched from pounds and shillings to dollars and cents.

The Royal Mint in Britain made the first Canadian coins in 1858. Among them were the first one-cent pieces. In 1908 Canada opened its own branch of the Royal Mint. Its first coins were a 50-cent piece and a bronze cent, which was a little larger than a modern 25-cent piece. The penny became its current size in 1920.

A century ago the penny had real purchasing power. It has been a long time since gumball machines and parking meters have accepted them though. Many people do not even bother to pick one up off the sidewalk. A survey in 2007 showed that only 37 percent of Canadians use pennies anymore.

The Canadian government has decided that the penny costs too much. It spends 1.6 cents on each one. Canada's big banks handle more than nine billion pennies a year. They spend \$20 million a year to store, transport, count and put those pennies into rolls. Getting rid of the penny will save Canadian taxpayers 11 million Canadian dollars a year.

Canadians always will be able to use their pennies. However, banks will start sending pennies back to the Mint for recycling. The



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government recommends that people open their piggybanks and clean out their drawers. It wants them to donate their pennies to charities or bring them to banks. Slowly the one-cent piece will just disappear.

Businesses will continue to calculate sales to the penny. When customers pay with a debit or credit card, they will pay the exact amount. Getting rid of the penny will have no effect on them at all.

Merchants will handle cash sales differently without the penny. They will calculate the exact total, but then they will round the amount up or down to the nearest nickel. For example, \$5.68 will become \$5.70, and \$5.67 will become \$5.65. Rounding up and down will even out for customers in the end. Many cash registers will automatically round the amount correctly.

Rounding could help customers in a couple of ways. Companies like to use prices that end in ".99" so that customers do not think about the next whole dollar. Because of rounding, they may set prices lower so that the rounded amount ends up at ".95" rather than the whole dollar. Rounding may also delay higher prices. If a company needs to raise its prices by only a few cents, it may choose not to rather than force the customer to pay a whole nickel more.

Canada is not the first country to do this. At least nine other countries have done away with their least valuable coins without any real problems. One of them, New Zealand, even did away with its five-cent coin in 2009. The Royal Canadian Mint will stop producing the penny in the fall. It will be strange for people for a while, but getting rid of the little penny should bring big savings to Canadians.

# Background Information

In 1931 Canada's mint became the Royal Canadian Mint under the control of the Canadian Finance Department.

The Royal Canadian Mint put 1.3 billion coins in circulation in 2011. Half of them were freshly minted, and half were made from recycled materials.

From 1982 to 1996 the one-cent piece was twelve-sided in order to help the visually impaired. Otherwise the coin always has had a round, smooth edge.

At the current exchange rate the Canadian cent is worth nearly the same as the U.S. cent.

In 1953 Canada put Queen Elizabeth II on its coins. In 1965 it updated her image on the coins.

The Royal Canadian Mint has produced 35 billion pennies since 1908. It produces 600 million pennies each year. Until 1997 it made them of copper, but changed to copper-plated zinc, and then to copper-plated steel. It shows two maple leaves on one side and Queen Elizabeth II on the other.

Some stores in Canada already round out prices to the nearest 5 cents.

Other countries along with New Zealand that have eliminated their least valuable coin include Australia, Brazil, Finland, Israel, Norway, Sweden, Switzerland and the Netherlands.

The U.S. House of Representatives failed to act on two separate bills calling for the demise of the penny in 2002 and 2006. Now it costs 2.41 cents to produce a penny. The United States government lost \$60.2 million on the production and distribution of pennies in 2011.

In 2011 each nickel in the U.S. cost 11.2 cents to produce and distribute.

On March 5, 2012 the Royal Canadian Mint issued 25-cent, 50-cent and \$10 coins to commemorate the 100th anniversary of the sinking of the *Titanic*.

In January Starbucks announced that a cup of coffee in New York City would cost \$2.01. Customers were upset not because of the price increase, but because it forced them to carry pennies.

## Topics for Discussion and Writing

### Pre-reading:

- What do you do with the pennies that you get?

### Comprehension:

- Explain how transactions in Canada will happen without pennies.

### Beyond the Text:

- For what kinds of purchases do people pay cash rather than use credit or debit cards?
- Explain the significance of the images on some American and foreign coins and bills.
- How would customers respond if they thought that a merchant were always rounding the total up?

## Vocabulary (\*advanced article only)

*Article-specific:* to mint; monetary; branch; bronze; to donate; charity; electronic\*; merchant; to round up/down

*High-use:* to eliminate; to distribute\*; decimal; century; to reveal; to transport; eventually\*; transaction\*; economist\*; benefit\*

## Sources

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*Chicago Tribune* April 4, 2012  
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## CA Curricular Standards (4–12)

### English-Language Arts

*Reading* 1.0 Vocabulary Development  
 2.0 Comprehension (Informational Materials)  
*Writing* 1.0 Writing Strategies  
 2.0 Writing Applications

### ELD—Intermediate and Advanced

Reading Vocabulary Development/Comprehension  
 Writing Strategies and Applications  
 Listening and Speaking

### History-Social Science

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