

[Databases selected:](#) ABI/INFORM Global

## THE WALL STREET JOURNAL.

### Do You Want That in Paper, or Metal?

By Robert J. Barro and Betsey Stevenson. *Wall Street Journal*. (Eastern edition). New York, N.Y.: Nov 6, 1997. pg. 1

#### Abstract (Summary)

Almost every other advanced country, with the notable exception of Italy, has a widely circulating coin with a value above \$1: Germany has one worth \$2.80, England one worth \$1.60, France one worth \$1.70 and Japan one worth \$4.10. Even Mexico has a popular coin worth \$1.30. Given the success of larger-denomination coins almost everywhere, the question is why the U.S has had to make do with quarters. The obvious answer: The (Susan B.) Anthony dollar was widely rejected because it is virtually indistinguishable from a quarter.

Canada's experience suggests that a \$1 coin would be accepted, perhaps after a brief period of resistance. Canadians, like their American counterparts, were reluctant to replace their \$1 bill with a coin in 1987. Two years after the Bank of Canada introduced the coin, it ceased issuing C\$1 notes. Soon, Canadians began to forget that they were ever opposed to the coin. By 1992, a Gallup survey showed that only 18% of Canadians disapproved of the coin. By 1996, the C\$1 coin was so popular that the government introduced a C\$2 coin, today worth US\$1.43.

#### Full Text (958 words)

*Copyright Dow Jones & Company Inc Nov 6, 1997*

Two weeks ago, the Senate Banking Committee passed legislation to replace the unsuccessful Susan B. Anthony dollar with a coin similar in weight and size but with a gold color and distinctive edge. And a House committee has begun hearings on similar legislation.

Legislation creating a \$1 coin has been introduced in Congress several times over the past decade. But until now, bad memories of the Anthony dollar's introduction in 1979 and the contentious issue of whether to kill the \$1 bill have prevented serious consideration of new proposals. Unfortunately, Congress's failure to act has deprived the American taxpayer of a cheaper and more efficient currency.

Almost every other advanced country, with the notable exception of Italy, has a widely circulating coin with a value above \$1: Germany has one worth \$2.80, England one worth \$1.60, France one worth \$1.70 and Japan one worth \$4.10. Even Mexico has a popular coin worth \$1.30. Given the success of larger-denomination coins almost everywhere, the question is why the U.S has had to make do with quarters. The obvious answer: The Anthony dollar was widely rejected because it is virtually indistinguishable from a quarter.

Opponents of a new \$1 coin are led by Save the Greenback, an organization supported largely by paper and ink companies, the main beneficiaries of continued \$1 bill production. They argue that Americans don't like coins because they are burdensome to carry and they wear out pockets. However, this argument ignores the vast number of quarters now required for parking meters, vending machines, buses and many other staples of life. For a lot of transactions, an attractive \$1 coin would be a great convenience. And although we would all be walking around with a few \$1 coins, they would be replacing several quarters. The only people who are likely to suffer from an overload of \$1 coins are those who get large quantities of \$1 tips, such as waiters and strippers.

Canada's experience suggests that a \$1 coin would be accepted, perhaps after a brief period of resistance. Canadians, like their American counterparts, were reluctant to replace their \$1 bill with a coin in 1987. Two years after the Bank of Canada introduced the coin, it ceased issuing C\$1 notes. Soon, Canadians began to forget that they were ever opposed to the coin. By 1992, a Gallup survey showed that only 18% of Canadians disapproved of the coin. By 1996, the C\$1 coin was so popular that the government introduced a C\$2 coin, today worth US\$1.43.

The U.S. Congress has so far managed to avoid the thorny issue of whether to stop production of \$1 bills. Since many people view the \$1 bill as part of our national heritage, there is considerable reluctance to abandon it. In fact, Save the Greenback decided to support the Senate \$1 coin proposal because it does not mandate the elimination of the \$1 bill. Indeed, it may be unnecessary to halt the printing of \$1 bills altogether. If the new coins are well designed and convenient, then people would

freely choose to use them, and the bills would die a natural death. But stopping printing of the \$1 bills would be justified even if they remained popular, because individual users don't bear the costs of printing and replacement.

The full substitution of the \$1 coin for the \$1 bill would save the federal government around \$450 million per year over the next 30 years, according to estimates of the Federal Reserve Board and the General Accounting Office. The savings come from several sources, the most obvious of which is the difference in production costs. A \$1 bill costs four cents to produce, whereas a coin costs eight cents -- but the bill wears out in an average of 1.4 years, compared with 30 years for the coin. If one coin replaced each \$1 bill, the government would save roughly \$150 million per year thanks to the coin's longer life.

The replacement rate is actually expected to be about two coins for each bill because of the greater demand for coins. This would provide a further benefit to the Treasury: seigniorage income, the revenue obtained by getting the public to exchange interest-bearing assets for coins or paper currency.

Additional savings stem from the long-term capital investments that could be avoided by not producing the \$1 bill. Although a new \$1 coin would require 30 months to prepare for production and an estimated \$73 million of investment at the U.S. Mint, eliminating the \$1 bill would cancel the Bureau of Engraving and Printing's planned investment of between \$158 million and \$250 million for a new facility.

Perhaps the key issue now is to ensure that the new coin is well designed. Two things to avoid: a coin that's indistinguishable from a quarter (such as the Anthony dollar) and one that is overly large and heavy (such as the old Eisenhower dollar). The British GBP 1 coin is a pretty good model -- gold in color and with a distinctive edge, relatively small and light, but sufficiently thick to appear valuable. At this point, the Senate bill leaves the issue of who would be on the coin up to the Treasury. The one thing that seems to be agreed is that it will be a woman -- but not necessarily Lady Liberty, who graces the most widely discussed prototype. If only Queen Elizabeth were American, we would have that problem solved, too.

---

Mr. Barro, a contributing editor of the Journal, is a professor of economics at Harvard University and a senior fellow of the Hoover Institution. Ms. Stevenson is a Ph.D. candidate in economics at Harvard.

(See related letter: "Letters to the Editor: Americans Don't Want Heavy Metal" -- WSJ Nov. 21, 1997)

#### **Indexing (document details)**

**Subjects:** Coins, Currency, Design

**Author(s):** By Robert J. Barro and Betsey Stevenson

**Document types:** Commentary

**Publication title:** Wall Street Journal. (Eastern edition). New York, N.Y.: Nov 6, 1997. pg. 1

**Source type:** Newspaper

**ISSN:** 00999660

**ProQuest document ID:** 22024446

**Text Word Count** 958

**Document URL:** <http://proquest.umi.com/pqdweb?did=22024446&sid=6&Fmt=3&clie ntlid=3748&RQT=309&VName=PQD>

---

Copyright © 2009 ProQuest LLC. All rights reserved.

