

National coin shortage an unexpected consequence of the COVID-19 pandemic

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A national coin shortage is the latest consequence of the COVID-19 pandemic in the U.S. Credit: Matthew Modoono/Northeastern University

If you've been out and about in the United States in the past few weeks (masked up, of course), you may have noticed a strange sound. Or

rather, the lack of one: loose change jangling around.

A national [coin shortage](#) is the latest consequence of the COVID-19 pandemic in the U.S. As people avoid public spaces that include vending machines and laundromats, or just avoid paying with physical money altogether, the circulation of coins has dropped, says William Dickens, university distinguished professor of economics and social policy at Northeastern.

"Instead of being recirculated, those coins are just sitting in people's pockets or in their dresser drawers—they're not going back into the system," he says.

Sites such as vending machines and laundromats have typically served as massive deposit centers for coins, Dickens says. Those coins are traded in for cash at the banks, and then banks can recirculate the coins back to their customers. But, when people stopped paying in change and banks shut down their branches, the whole system came to a screeching halt, Dickens says.

William Dickens is university distinguished professor of economics and social policy in the College of Social Science and Humanities at Northeastern. Photo by Matthew Modoono/Northeastern University

And while the coin shortage may be an inconvenience for people buying snacks and doing laundry, it has serious consequences for people who routinely pay in cash or don't have access to a [bank account](#), Dickens says.

Six percent of people in the U.S. don't have a checking, savings, or money market account, according to a [2018 survey](#) by the U.S. Federal Reserve. An additional 16 percent have a bank account, but rely on alternative sources of funding, such as a money order, check cashing

service, pawn shop loan, auto title loan, payday loan, paycheck advance, or tax refund advance, according to the survey.

For people who don't have the option to pay for goods with a credit or [debit card](#), the coin shortage limits their ability to pay at all, Dickens says.

"This is essentially a price increase for people who routinely pay in exact change, because they'll have to spend a full dollar instead," he says. "To the extent that this is an economic problem, that's the biggest cost: It's a price increase for people who are un-banked."

The Federal Reserve is working with the U.S. Mint to produce more coins, but the process will be a slow one, Dickens says. In the meantime, retailers may choose to round their prices up to the nearest dollar and the ubiquitous change trays on retail counters that encourage customers to "take a penny or leave a penny"—trays that first hit the scene during the [national penny shortage of the 1970s](#)—may fill up with other coins as well, he says.

In the long run, this coin shortage may serve to reinforce the [growing trend](#) of eschewing physical money altogether in favor of electronic or card-based payments, Dickens says.

"My guess is that the shortage will be with us for a while," he says, "and we'll find other ways of accommodating it."

Provided by Northeastern University

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