STATEMENT OF KARL R. BOPP, PRESIDENT
FEDERAL RESERVE BANK OF PHILADELPHIA
BEFORE THE SUBCOMMITTEE ON LEGAL AND MONETARY AFFAIRS
HOUSE COMMITTEE ON GOVERNMENT OPERATIONS
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Thank you, Mr. Chairman, for the opportunity to appear before you on this important matter. The committee is performing an important public service.

The shortage of coin, a problem of record for many years, has become progressively worse in recent months. This worsening is evidenced by several factors: (1) the coin shortage, at one time limited to a relatively few geographic areas , to particular coins, and to particular time periods during the year, is fast becoming a general problem, typical of practically all areas, all denominations, and chronic throughout the year; (2) while in the past business merely has been inconvenienced by the coin shortage, there is increasing evidence that the shortage will present an actual and perhaps severe impediment to the normal functioning of commerce and industry if remedial measures such as those advocated by the Treasury are not taken with all deliberate speed.

The coin shortage, at the official level, has meant a severe curtailment of coin shipments and receipts. At the Federal Reserve Bank of Philadelphia, for example, receipts of coin from the mint are down appreciably and coin receipts from member banks are virtually nonexistent. With receipts declining, payments to member banks have fallen precipitously.

The <u>causes</u> of the coin shortage are several in number.

1. Rapid growth of population and economic activity.

2. Rising state and local taxes.

3. Swelling numismatic interest.

4. Coin hoarding and speculation.

5. Melting of coins for commercial use.

6. Growth of coin-operated equipment and facilities including toll bridges and roads, parking meters, laundromats, do-it-yourself dry cleaning, baggage repositories in plane, train and bus terminals, pay phones, and a variety of vending machines which dispense goods such as coffee, soft drinks, stamps, milk, cigarettes, candy, soup, ice, and even fish bait.

The severity of the coin shortage can perhaps best be illustrated by actual examples. The following incidents serve to illustrate the types of problems which come with increasing frequency to the attention of commercial banks and Federal Reserve Banks throughout the nation. They represent a portrait in miniature of a generalized and progressively urgent problem.

1. One commercial bank which provides coin to a major turnpike (New Jersey) on the East Coast has found it so difficult to secure coin that toll collectors, on recent occasions, were unable to make change and had to give receipts. This bank pointed out that a further deterioration in coin availability could result in considerable delay in toll travel and in annoying traffic jams at toll booths.

2. A Midwestern bank (Cleveland) reports that on a recent Monday, its doors opened with $3.50 in pennies on hand, less than $100 in dimes, and no

halves. Another bank in the same area contacted 110 of its country bank correspondents and offered to pick up at its expense any surplus coin on hand. The bank received nominal amounts of coins from seven correspondents and then this source dried up.

3. An officer of the Federal Reserve Bank of Philadelphia reports that, in his church, all coins disappear each Sunday from the collection plate. A number of the church elders (who are responsible for counting the collection) replace the coin with currency and use the coin thus obtained in their businesses.

In short, the coin shortage presently is acute and presents prospects of actually hindering the transaction of business. It is urgent that something be done and be done now.

Reallocation or redistribution will not solve the problem. Though perhaps some improvement can be made in mint apportionment of coin among Federal Reserve Banks, Federal Reserve rationing of coin among member banks will not significantly ease the shortage. Rationing is at best a cumbersome procedure which often may be evaded. Indeed, the effort required to ration coins and to police that rationing would most likely be greater than that required to produce the additional coins to meet the deficit. Moreover, rationing of a basically inadequate supply of coins would still leave a shortage. Finally, the American people, in peacetime, are not likely to welcome rationing as a substitute for what they have come to regard as a basic duty of government -- the duty to produce a sufficient volume of currency and coin to meet the needs of commerce and industry.

To repeat, production is the way to relieve the coin shortage. Congress should give full support to the Treasury program aimed at accelerating sharply the nation's coin output, and should authorize the Treasury to contract for production by private industry, if necessary. And at this critical phase of the shortage, the costs of increasing output (though always an important consideration) should nevertheless remain secondary to the central task of getting the job done. Indeed, the costs of additional coin output at this time are likely to be less than the costs of further delay in meeting the coin needs of the nation -- the costs, that is, of production foregone and goods unsold.

With regard to the Treasury proposal to maintain the 1964 date on future coins, I find myself in basic agreement. I would, however, advocate a return to the system of current dating whenever practicable. Coin collection is, after all, a harmless and indeed an interesting hobby. The Treasury, moreover, does turn a profit on proof sets, a phenomenon which is difficult to condemn, either on grounds of philosophy or economics.

Basically, however, and I close by repeating, the problem of coin shortage in this nation will yield only to a significant expansion in production. Such production should increase the coin supply not only by virtue of the production itself, but also by encouraging banks, businesses, and others to release coin reserves they have accumulated in anticipation of shortage.