

# Federal Reserve Bank of San Francisco

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## From Silver to Susan

The nation's payments system can be a very prosaic business, involving as it does billions of paper checks, plastic cards and electronic blips. But there's still something glamorous about the coin of the realm, as any coin dealer who has tried to track down a scarce "Morgan" dollar can tell you. The Treasury expects equal popularity — and much greater circulation — for the new Susan B. Anthony dollar coin, which will be released to the public on July 2.

For almost two centuries, the lure of silver and the mystique of the Old West helped along the popularity of large coins. In a debate on silver legislation about a decade ago, Senator (now Ambassador) Mike Mansfield said, "Decent hardworking and honest folk like the feel of heft in their pockets. To them, the jingle of silver dollars is the sound that signifies liquidity. It is the echo of cash on the barrelhead."

But time ran out on silver as a circulating medium during the inflation of the 1960's, as the market price of silver first approached and then exceeded the old monetary value of \$1.2929 per ounce. (Last week, silver was quoted at \$8.65 an ounce.) Silver coins disappeared into coin vaults and people decided that they didn't really like the heft of large non-silver substitutes, such as the Eisenhower dollar. Still, the Treasury believed that there was room in the coinage for a smaller and lighter coin of large

denomination, and hence designed the attractive Anthony dollar, with its unique historical associations.

### From silver ...

People can still obtain silver coins, at a price, from their nearest coin dealer. The Bureau of the Mint coined 485 million silver dollars prior to 1937, and the Treasury still had about 3 million turn-of-the-century Morgan dollars in its vaults when it stopped redeeming silver certificates for coins in 1964. The General Services Administration sold most of those 90-percent-silver pieces at a series of auctions during the 1972-75 period, receiving roughly \$30 per coin at those sales.

Kennedy halves also have mostly dropped out of circulation. In 1964, the Mint produced about 433 million 90-percent-silver Kennedy halves, but these became collectors' items and rapidly disappeared. It minted even larger quantities of 40-percent-silver coins in later years, but these also dropped out of circulation. Finally, following the passage of new legislation in 1970, the Mint began using a cupronickel alloy for those Kennedy halves which remain in circulation.

During the 1970's, the Mint's activity in large-coin production has centered around Eisenhower dollars — either cupronickel coins for general circulation or 40-percent-silver coins for non-circulating

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purposes. Congress in 1971 set aside 150 million ounces of silver for 40-percent-silver commemorative coins, at prices of \$10 for "proof" and \$3 for "uncirculated" pieces. Despite strong initial interest, only about 18 million of these coins were sold during the 1972-73 period, and Congress thus decided to use much of the silver set aside for this purpose for Bicentennial commemorative coins instead. The cupronickel Eisenhower dollars for general circulation were also unsuccessful, apparently because of their size and weight.

### ... to cupronickel

The Treasury strongly believed, however, that the public would accept a new and better-designed coin for general circulation. The choice of material was straightforward. It could not be silver, because of the soaring price of that metal, but a useful substitute was cupronickel, the versatile alloy chosen by the Treasury during its switch-over from silver coinage during the 1960's. Specifically, the Mint decided in favor of a 75-percent copper/25-percent nickel alloy clad on a 100-percent copper core.

This material, now used for every denomination except the penny and nickel, has several desirable characteristics as a circulating medium. These include its ability to provide long-lasting service as a means of exchange; acceptability to the public in terms of weight, color, wearing qualities, and operation in vending machines; and low cost and adaptability to coin-production processes.

A second consideration was the need to avoid the characteristics which had worked against public acceptability of the Eisenhower dollar. (In recent years, that coin has represented less than one percent of the Mint's annual production.) The Mint thus designed a coin which is one inch in diameter, eight grams in weight, and is characterized by a distinctive 11-sided inner border. The coin is only two-thirds the diameter and one-third the weight of the Eisenhower dollar; in fact, each new dollar coin weighs only one-third as much as the like value in quarters.

In addition, public acceptability seemed assured by the choice, for



the first time, of a woman to be pictured on the nation's coinage. Congress selected the design in recognition of Susan B. Anthony's life-long struggle to achieve women's right to vote, and perhaps also (to quote her biography) in recognition of her many writings on "the plight of working women." The reverse side of the coin shows an American eagle landing on the moon — the same design used for the Eisenhower dollar.

#### **Cost-saving coin**

The Treasury expects production-cost savings of more than \$4 million a year from minting the Anthony dollar rather than the bulkier Eisenhower dollar. Much larger savings could be obtained, however, if dollar coins replaced dollar bills in circulation. Treasury officials claim that it costs \$28 million annually to maintain a circulation pool of 2.4 billion one-dollar notes, with each note wearing out and being replaced every 18 months. In contrast, it would cost only \$5 million annually to main-

tain the same-sized pool of dollar coins, since each coin lasts about 15 years. Thus, the Government could achieve a net saving of \$23 million annually from switching to coins from bills. In fact, without some such move, the Bureau of Engraving and Printing would have to invest about \$100 million in new facilities for making dollar bills, because of the capacity limitations on its present production facilities.

Anthony dollars are now being shipped to commercial banks by the Federal Reserve System, so that about 500 million of the coins will be available for distribution to the public on the July 2 release date. The "S" mint mark is being used to designate the coins struck at the San Francisco Mint, and the "D" and "P" marks are being used for the coins struck at the Denver and Philadelphia Mints, respectively. Through the circulation of this new coin, the public for decades to come will have tangible evidence of the life and deeds of a remarkable woman.

**William Burke**

### **The Dollar of the Future**

To help publicize the Anthony dollar coin, the Federal Reserve is making available to the public a Treasury pamphlet entitled, "The Dollar of the Future." Free copies of the pamphlet are available, individually or in bulk, to financial institutions, retailers, schools and community groups. For copies, write or call the Public Information Section, Federal Reserve Bank of San Francisco, P.O. Box 7702, San Francisco, Phone (415) 544-2184 — or call the Bank and Public Services Department at any Federal Reserve office.