



Financial Literacy with Mr. 401(k)  
Winter Term 2024 - 2025  
December 5, 2024

# Foundations of Money Class 3: Theories of Money & Business Plan Project



# Principal Theories of Money



## Commodity Theory of Money

Money is a good that is made of or represents something valuable, like gold or silver.

**Example:** trading snacks with a friend at lunch.



## Credit Theory of Money

Money is a promise to pay a debt, like an IOU. Its value comes from the trust that the promise will be kept.

**Example:** you do a favor for a friend, so they “owe you one.”



## State Theory of Money

Money’s value and legitimacy comes from the government or authority that legalizes and regulates it. Commodity or fiat.

**Example:** St. Joseph School’s House Points system.





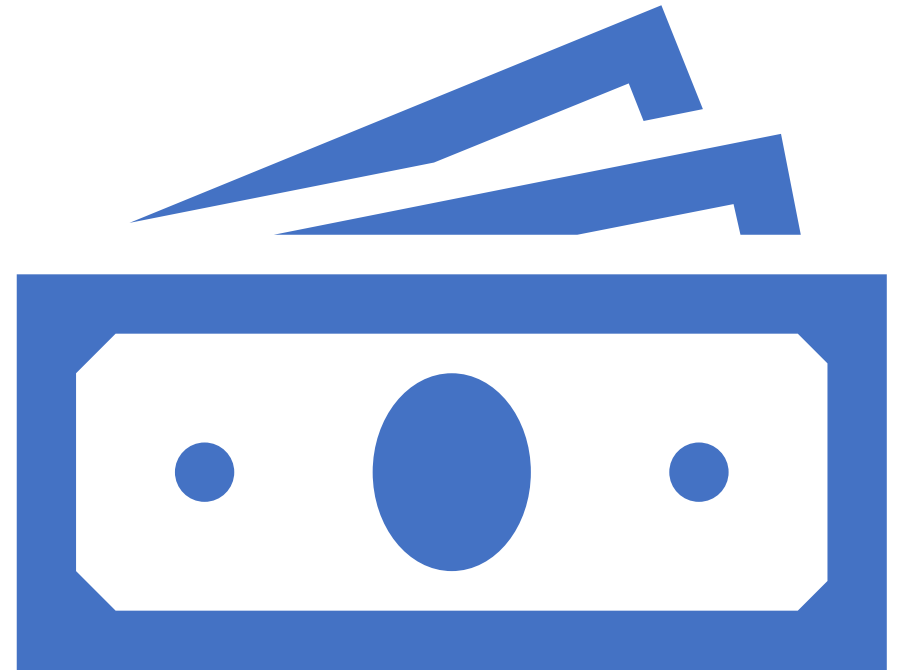
## *Class Discussion*

*What theory of money do you think we have adopted in the United States?*



# The United States: Fiat Money Theory

- Fiat Money Theory is a subset of State Theory of Money
- Fiat means, “by decree”
- Fiat money has little to no intrinsic value
- Commodities do not back fiat money
- Fiat money’s value stems from government decree
- Public trust in fiat currency is paramount





# Practical Application

1. Someone pays you \$100 in exchange for something (example: 6 hours of lawncare, 6 hours of babysitting, an item of memorabilia, a few used video games, etc.)
2. In your Money Journals, write down your answers to the following questions:
  - Would you accept an IOU from the buyer?
  - How long would you give the buyer to repay the IOU?
  - What would you do if the buyer never repaid the IOU?



# Money Mavericks

**Objective:** Share your answers to the Practical Application questions. Then, discuss the following: **(1)** What makes some people more trustworthy than others to repay IOUs. **(2)** What could sellers do to reduce the risk of buyers not paying back IOUs.





A collaborative workspace where several people are working on a business plan project. The scene is a top-down view of a wooden table covered with various documents, colorful sticky notes (pink, green, yellow), and a circular diagram with segments labeled 01 through 08. Hands are visible, interacting with the materials. In the background, there are office supplies like a white mug, a desk lamp, and a printer. The overall atmosphere is one of active teamwork and planning.

# Business Plan Project

# Refresher: Money Mavericks Workgroups

## Business Idea & Business Plan Project



### **Develop a Business Idea**

What problem does your business solve? Who are the business's target customers?



### **Write a Business Plan**

How does the business earn money? What are the ongoing costs? How is your business unique?



### **Present Your Business Plans**

Deliver a 15-minute presentation of your business plan **during the last week of class.**





# *Class Discussion*

*What is an  
entrepreneur?  
Can you  
identify some  
examples of  
people who are?*

***“The purpose of  
a business is to  
create a  
customer.”***

**Peter Drucker**

Management Consultant,  
Educator, & Author

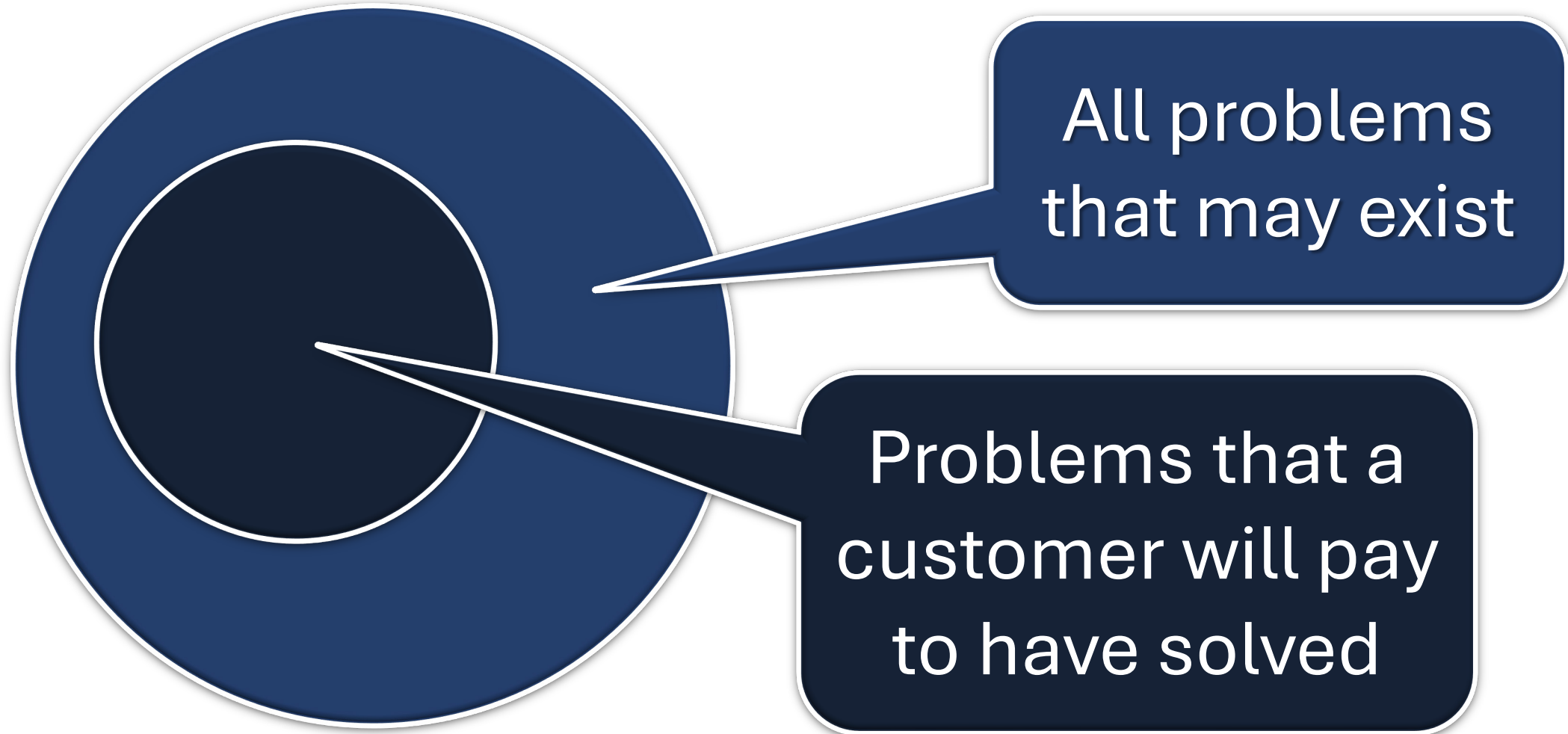




# Customers Pay to Resolve a Problem

People part with their money only if  
they can satisfy a **‘need’** or a **‘want’**

# Problems Worth Solving for Customers







# *Class Discussion*

*What problems  
do the following  
businesses solve:  
Amazon; Apple;  
Under Armour?*

# Kevin Plank

## Founder of Under Armour

Identifying a  
Customer  
Problem  
Worth Solving

[Launch Video](#)





# Practical Application



In your Money Journals, write down one problem that you have faced in school or at home that you would like to solve.



# Money Mavericks

**Objective:** Brainstorm problems that people face. These could be day-to-day problems, simple problems, or complicated problems. Discuss whether those problems have potential customers who are willing to pay to resolve the problems.







# Three Key Takeaways

1. The Commodity Theory of Money views money as a good, whereas the Credit Theory of Money views money as IOUs.
2. IOUs depend on trust where sellers trust buyers to make good on promises.
3. Businesses must fulfil customers' needs or wants by resolving problems that customers are willing to pay to have resolved.



## Where to Learn More

- Public Domain Book: [The Theory of Money and Credit](#) by Ludwig Von Mises
- Book: [The Essential Drucker](#) by Peter F. Drucker
- Book: [Teen Entrepreneurship: The #1 Book for Teenage Entrepreneurs](#) by Jack Rosenthal