



Financial Literacy with Mr. 401(k)  
Spring Term 2026  
March 18, 2026

# Foundations of Money

## Class 4: Human Action and Perceptions of Value



# Quick Review: Where We Left Off

## **Class 2** **What is Money?**

Money serves as a medium of exchange, store of value, and unit of account. Its form has evolved over thousands of years.

## **Class 3** **Theories of Money**

We explored Commodity, Credit, and State theories. The U.S. uses fiat money, which relies on trust and government decree.

## **Today** **Human Action & Value**

Why do people make the choices they do? What gives things their value? These questions are at the heart of economics.

# The Austrian School of Economics



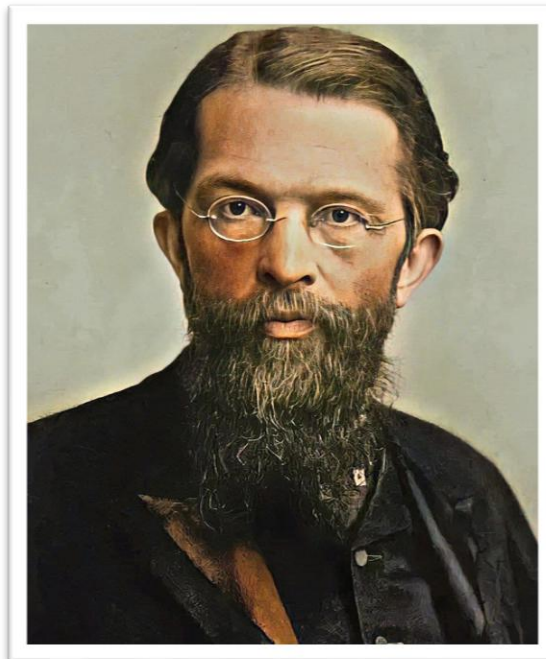
## Carl Menger (1840–1921)

*Founder of the Austrian School of Economics*

Menger asked a simple but powerful question: Why do people value things differently?

His answer changed economics forever:

**Value is not built into objects. Value comes from the people making choices about them.**



## Key Ideas

### Human Action

Every choice you make is purposeful.

### Subjective Value

Value is in the eye of the beholder.

### Preferences

People rank their wants and needs, and their rankings change based on circumstances.

# Human Action: Every Choice Is Purposeful



*“Human action is purposeful behavior.”*

– Ludwig von Mises

## What does this mean for you?

- Every decision you make has a purpose behind it, even small ones.
- You chose to come to school today. That was a purposeful action.
- You chose where to sit and who to sit with. That was purposeful action.
- Each choice reflects what you value most, at that moment.

## Examples of Human Action

- Studying for a test instead of playing video games
- Saving allowance money for something you want
- Choosing one snack over another at the store
- Picking a seat near friends at lunch



## *Class Discussion*

*Think about this morning. What choices did you make before arriving at school today?*

# Subjective Theory of Value



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## Austrian View: Subjective Value

*"Value depends on the person and the situation."*

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**a diamond**



**a bottle of water**

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**Problem: If you are lost in a desert dying of thirst, would you choose a diamond or a bottle of water?**

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**Key Insight: Value changes based on a person's needs, wants, and circumstances.**



## *Class Discussion*

*If you could only bring three things to a deserted island, what would you choose?*

# Preferences: How We Rank What We Value



Because value is subjective, every person ranks their wants and needs differently. Economists call these rankings **preferences**. Your preferences guide every choice you make.

**1**

## Preferences Are Personal

Your favorite food, music, and hobbies are uniquely yours. No one can tell you what you “should” value.

**2**

## Preferences Change

When you are hungry, food ranks high. After a big meal, a nap might rank higher. Context matters.

**3**

## Preferences Drive the Economy

Businesses succeed by understanding what customers prefer. Your preferences shape what gets produced and sold.

# Practical Application



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# Practical Application



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- Vending machine?
- Grocery store? (e.g. Safeway)
- Warehouse club store (e.g. Costco)
- Stadium (e.g. T-Mobile Park)

# Same Soda, Different Prices -- Why?

The product is identical in every location. So, what changes? Not the soda. The context and preferences of the buyer changes. Value is subjective.

**Vending Machine**

**~\$1.50**

Convenient access  
when you want a  
quick drink

**Grocery Store**

**~\$0.50/can**

Buying in packs;  
planned purchase,  
lower urgency

**Warehouse Club**

**~\$0.30/can**

Bulk buying;  
patience and  
planning save  
money

**Stadium**

**~\$5.00+**

Captive audience;  
high demand,  
limited options, you  
really want that  
drink

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# Marginal Utility: What's The Value of "One Unit More"



## The Pizza Slice Example

Imagine you are really hungry and someone offers you pizza



**1st Slice**  
Amazing!

**2nd Slice**  
Great!

**3rd Slice**  
Good

**4th Slice**  
Meh...

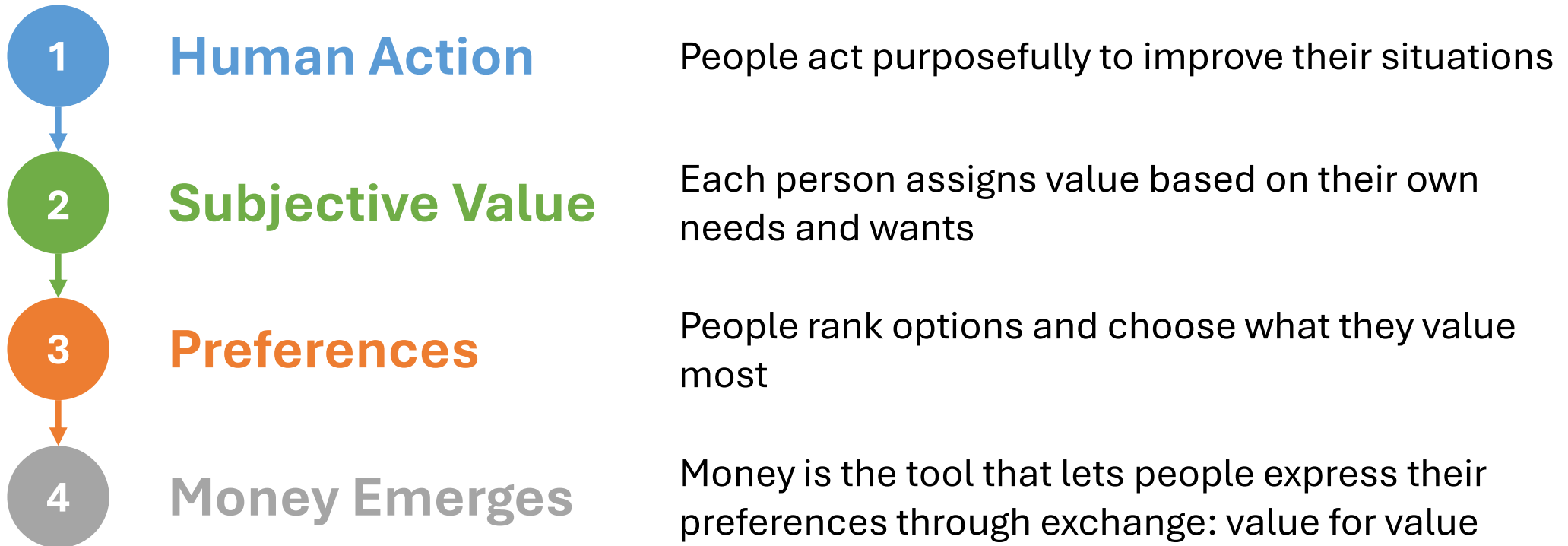
**5th Slice**  
No thanks!



## *Class Discussion*

*Can you think of something where the first one is valuable, but having more of it becomes less useful?*

# Connecting The Dots: Value, Preferences, and Money



**Money only has value because people choose to accept it.  
Money's value is subjective, just like everything else.**

# Practical Application



In your Money Journals, write down your answers:

1. Name something you value highly that most of your friends probably do not value as much. Why do you think your preferences differ?
2. Think of a time when your preferences changed because of your circumstances (e.g., being hungry, tired, bored). What happened?
3. If you had to choose between receiving \$100 or a new pair of shoes worth \$100, which would you choose and why?

# Money Mavericks

**Objective:** Share your Money Journal answers with your workgroup.

(1) Does everyone in your group value the same things? Why do you think people's preferences differ?

(2) If value is subjective, how do we agree on prices? How does money help?





# Three Key Takeaways

1. Human Action means that every choice you make is purposeful and you are always trying to improve your situation.
2. Value is subjective: it is not built into things, but assigned by individuals based on their needs, wants, and circumstances.
3. Your preferences guide every economic decision you make, from buying a soda to choosing a career.



## Where to Learn More

- Book: [The Tuttle Twins and the Road to Surfdom](#) by Connor Boyack
- Book: [Economics in One Lesson](#) by Henry Hazlitt
- Article: [Subjective Value Is Not the Same as Arbitrary Value](#) by Frank Shostak