



Financial Literacy with Mr. 401(k)
Spring Term 2026
March 16, 2026

Foundations of Money

Class 3: Theories of Money & Business Plan Project Launch



Monday Money Matter\$

The Washington State legislature just passed a proposal adding a 9.9% tax on any money a person earns over \$1 million per year. The stated goal is to use the new taxes to fund schools, student meals, and healthcare. Some wealthy people are responding by moving to states with no income tax, like Florida, including Starbucks founder Howard Schultz. This raises an important question: if enough high earners leave, might Washington State collect less tax revenue than before, hurting the public programs everyone depends on?

Source: Forbes.com; "Washington's 9.9% Millionaire Tax Raises Fears Of Wealthy Exodus;"

<https://www.forbes.com/sites/nathangoldman/2026/03/11/washingtons-99-millionaire-tax-raises-fears-of-wealthy-exodus/>;

Reference Date: March 11, 2026.

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

What Is Fiat Money?

- Fiat is a subset of State Theory of Money
- Fiat means “by decree”
- Fiat money has little to no *intrinsic value* (value from the thing itself)
- Commodities do not back fiat money
- Fiat money value stems from government decree
- Public trust in fiat currency is paramount

How Did We Get Here?

- **Before 1971**
The U.S. dollar was backed by gold. Other countries could exchange dollars for gold at a fixed rate.
- **August 1971**
President Nixon ended the dollar’s convertibility to gold — the “Nixon Shock.”
- **Today**
The dollar is fiat money. Its value comes from government decree and public trust, not gold.

Practical Application



1. Someone pays you \$100 in exchange for something (example: lawncare services, childcare services, a collectible item, a few used video games, etc.)
2. Let's discuss:
 - Would you accept an IOU from the buyer? Why? Why not?
 - How long would you give the buyer to repay the IOU?
 - What would you do if the buyer never repaid the IOU?



Business Plan Project

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.

What Is an Entrepreneur?



Entrepreneur

A person who organizes and operates a business, taking on financial risk to do so. Entrepreneurs identify problems, create solutions, and bring products or services to customers.

Sees a Problem

Entrepreneurs notice everyday problems that people would pay to have solved.

Takes a Risk

They invest their time, money, and energy without a guarantee of success.

Creates Value

By solving problems, they create something valuable for customers and for themselves.



Class Discussion

*Can you
identify any
people who are
entrepreneurs?*

“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'**

NEED

Problem:

It's raining outside and I'm going to get soaked!



A Solution:

Umbrella

WANT

Problem:

I can't access the music that I want!



A Solution:

Spotify

NEED + WANT

Problem:

My homework takes too long to research!



A Solution:

Google / AI tools



Class Discussion

*What problems
do the following
businesses solve:*

Amazon;



Class Discussion

*What problems
do the following
businesses solve:*

Amazon;

Apple;



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](#)



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 for a solution.





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