



FINANCIAL FOUNDATIONS™ · LESSON 1 OF 60

# The Money System

*Why money exists, why a paper dollar has value, and where one dollar goes next.*

🕒 45–50 minutes    👥 Whole class, pairs and small groups    ☑️ About 10 minutes to prep

## INSIDE THIS LESSON



**Teacher plan**  
pp. 1–5



**Student pages**  
pp. 6–10



**Answer key**  
p. 5



**Family letter**  
p. 11

# The Money System

What it is and why it exists. Students meet the barter problem on a desert island, learn why a paper dollar has value, and follow one dollar through eight stops.

|                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |  |
|-------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| <b>LEARNING TARGET</b>        | <b>I can explain what a money system is, why currency has value, and how my money decisions connect to the larger economy.</b>                                                                                                                                                                                                                                                                                                                                                                                                                            |  |
| <b>SUCCESS CRITERIA</b>       | <input type="checkbox"/> I can give two reasons a dollar has value even though it is paper.<br><input type="checkbox"/> I can trace one dollar through at least four stops in the economy.<br><input type="checkbox"/> I can describe how a money decision I make affects other people.                                                                                                                                                                                                                                                                   |  |
| <b>MATERIALS &amp; COPIES</b> | <div> <input type="checkbox"/> Student journals or paper               <input type="checkbox"/> Recording sheet, 1 each (p. 8)             </div> <div> <input type="checkbox"/> Vocabulary cards + Island Problem (p. 6)               <input type="checkbox"/> Position cards A and B, cut (p. 9)             </div> <div> <input type="checkbox"/> Follow the Dollar cards, 1 cut set per group of 3–4 (p. 7)               <input type="checkbox"/> Exit tickets, cut in half (p. 10)             </div> <div> <b>About 10 minutes to prep</b> </div> |  |
| <b>VOCABULARY</b>             | <b>currency · medium of exchange · store of value · unit of account · inflation · economy</b><br>(cards on p. 6)                                                                                                                                                                                                                                                                                                                                                                                                                                          |  |
| <b>CONNECTS TO</b>            | Social studies: economics, trade and the Federal Reserve · Civics: the role of government · Math: percentages                                                                                                                                                                                                                                                                                                                                                                                                                                             |  |

## Lesson flow

|                |                                                    |               |
|----------------|----------------------------------------------------|---------------|
| <b>Warm-Up</b> | <b>The Island Problem</b>                          | <b>6 min</b>  |
| <b>I Do</b>    | <b>Why money exists and why a dollar has value</b> | <b>14 min</b> |
| <b>We Do</b>   | <b>Follow the Dollar, in groups</b>                | <b>14 min</b> |
| <b>You Do</b>  | <b>Who decides what money is worth?</b>            | <b>8 min</b>  |
| <b>Check</b>   | <b>Exit ticket</b>                                 | <b>5 min</b>  |

## Warm-Up

6 minutes · The Island Problem

Project or read aloud the Island Problem (p. 6). Then pose three questions. There is no correct answer yet.

1. What's the problem with the trading system they've set up?
2. What would make this easier?
3. If someone on the island invented something to solve this, what would it look like?

Give students 2 minutes to write a quick response in their journals, then take 3–4 answers aloud.

 **Tip** Students usually land near “we need something everyone agrees has value.” That’s money. Don’t confirm it yet: let the productive confusion carry into the lesson.

## I Do

14 minutes · the problem money solves

### Teacher Talk

*What you just described is called a **barter problem**. Barter is trading goods or services directly. It breaks down fast, because every trade needs what economists call a **double coincidence of wants**: both people need exactly what the other has, at exactly the same time.*

Money solves the barter problem by creating a **medium of exchange**: something everyone agrees to accept as a stand-in for value. That agreement is what gives money its power. Post the six vocabulary cards (p. 6) as you name each idea.

### Teacher Talk

*Here is the uncomfortable truth. A U.S. dollar bill is a piece of cotton and linen, printed by the government. Nothing like gold stands behind it: the last link to gold ended in 1971. So why does it have value?*

1. **Government declaration (fiat currency).** The U.S. government declares the dollar legal tender: the official money for paying debts. If you owe someone money, dollars settle it.
2. **Social agreement.** Everyone agrees it is valuable because everyone else agrees it is valuable. When that agreement collapses, the currency collapses. It has happened: in Zimbabwe in 2008, prices rose so fast that at the worst point they doubled about every day. In early 2009 the government printed a **\$100 trillion** bill, and within months the country stopped using its own currency. The paper hadn't changed. The trust had.
3. **Institutional backing.** The Federal Reserve, the U.S. central bank, manages how much money is in the system. If the amount of money grows faster than the goods to buy, each dollar buys less. That's why the Fed raises interest rates when inflation runs too high: to slow the flow of money.



**Milo Moment:** “Money is only as powerful as the trust behind it. When you spend wisely, you're not just managing your wallet. You're taking part in the system that keeps trust alive.”

### From the economy to you

The economy is not something that happens only to experts in Washington. It is the sum of every money decision every person makes, including yours. In 2023, U.S. consumer spending made up about **68% of GDP** (Gross Domestic Product, the total value of everything the country produces). Everyday people buying groceries, paying rent and buying clothes drove more than two-thirds of the economy.

#### Teacher Talk

*When you spend \$20 at a local restaurant, the restaurant pays its workers. The workers buy groceries. The grocery store pays its suppliers. The suppliers hire truck drivers. The drivers pay rent. Your \$20 doesn't stop at the restaurant. It ripples.*

#### Read aloud: Sai and Miller

*Sai is trying to explain to Miller why a piece of paper with “100” on it is worth more than a piece of paper with “1” on it. “It's just paper,” Miller says. “Why does anyone care?” Sai pulls out his phone and shows Miller a photo of a Zimbabwean \$100 trillion bill. “This is what happens when people stop caring,” he says. “The paper is the same. The agreement is different.” Miller stares at it. “So... money is just trust made physical?” Sai nods. “Exactly.”*

## We Do

14 minutes · Follow the Dollar

Each group of 3–4 gets a cut set of the eight Follow the Dollar cards (p. 7). The cards are lettered, not numbered, and printed out of order. Groups arrange them into the dollar's journey, write the order on the recording sheet (p. 8), then answer the four questions together.

 **Tip** Circulate and ask: “Who has the money now? Where could it go next?” Groups that finish early: where could the chain leak out of the neighborhood?

**Debrief** (whole class, 4 minutes): call on 2–3 groups to share question 2. The key insight: money kept under a mattress leaves the system. Spending, and saving in banks that lend it out, keep the system working.

## You Do

8 minutes · Who decides what money is worth?

**Structured controversy.** Pair students and give each pair one position card (p. 9). Each pair has 2 minutes to build the strongest case for its side, then pairs share with the class.

- **Card A:** The government decides what money is worth.
- **Card B:** The people decide what money is worth.

### Teacher Talk

*Both of these can be true at once. How is it possible for two opposite things to both be right about money?*

Target insight: money gets its value from institutional authority *and* collective agreement. One without the other breaks down. Currency crises happen when governments print too much money, and when public trust collapses.

## Check for Understanding

5 minutes

Hand out the exit ticket (p. 10). Answer key on p. 5.

## Differentiation

meeting every learner

|                         |                                                                                                                                                       |
|-------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Needs support</b>    | Give groups the first card (Paycheck) face up as a starting point. Keep the vocabulary cards posted; let students point to the word they mean.        |
| <b>English learners</b> | The chain cards carry their meaning in the pictures. Pair students who share a home language for the position-card debate, then share out in English. |
| <b>Ready for more</b>   | Rebuild the chain so the grocery store buys from an overseas supplier. What changes for the farm worker, the bank and the teenager?                   |

## Extend & Adapt

if you have more time, or a different room

- **Spreadsheet chain:** students build their own Follow the Dollar chain in a spreadsheet with a custom starting amount and see how much stays local.
- **After-school, faith and community groups:** run the chain as one whole-group exercise on a whiteboard instead of small groups. The Island Problem works well as a role-play before the written reflection. With mixed ages (5th–8th), pair older and younger students: older students benefit from explaining, younger ones bring fresh questions. No journals? Use the exit ticket alone.

## Answer Key

for the teacher

**Chain order:** B Paycheck → F Local store → D Supplier → H Farm → A Bank deposit → G Loan → C New business → E Back to the store

1. **How many people touched the \$30?** Six after Miller: the store, the supplier, the farm worker, the bank, the business owner and the teenager. Accept seven if students count Miller.
2. **Under the mattress?** The chain stops at stop 1. Nobody else gets paid from that \$30.
3. **Overseas supplier?** The money leaves the neighborhood: the local farm worker isn't paid, so the bank deposit, loan and teenager's job don't happen here.
4. **The bank?** Cards A and G (deposit and loan). It holds savings and lends them to people who need them, which keeps money moving.

**Exit ticket.** 1: any two of government declaration (legal tender), social agreement (trust), institutional backing (the Federal Reserve). 2: prices would rise sharply (inflation), because there are more dollars chasing the same goods. 3: open; strong answers take a side and give a reason about trust and power.

### Where this goes next

This is Lesson 1 of a connected Grades 6–8 year: 60 lessons across six units. See Financial Foundations™ at [wealthwisekids.org/curriculum](https://wealthwisekids.org/curriculum).

## The Island Problem

Project or read aloud

Imagine your class gets stranded on an island after a field trip. No adults, no signal. There's plenty of food and water for everyone. But there's a problem: not everyone knows how to do everything. Macon can build shelters. Naiya knows which plants are safe. Miller is fast and can scout. Ava is good at keeping everyone calm and organized.

Everyone has something to contribute. But Miller is tired of giving his scouting work away for free: he wants something in return. Naiya will only share plant knowledge if she gets shelter. Everyone starts negotiating trades.

**One week in, it's chaos. You spend more time negotiating than actually surviving.**

## Words for Today

Post as you teach

### Currency

The money system a country uses: bills and coins plus digital money.

### Medium of exchange

Something used to make trades easier.

### Store of value

Something that holds its buying power over time.

### Unit of account

A standard way to measure and price things.

### Inflation

When prices rise because each dollar buys less.

### Economy

The whole system of how money, goods and services are made and exchanged.

# Follow the Dollar

✂ Cut on the dashed lines · one set per group · put them in order

A

## Bank deposit



The farm worker deposits her \$6 in a savings account.

B

## Paycheck



Miller earns \$80 mowing lawns this week.

C

## New business



The business owner pays a local teenager \$4 to help set up the storefront.

D

## Supplier



The grocery store uses that money to pay its food supplier \$18.

E

## Back to the store



The teenager saves \$2 and spends \$2 on a snack, at the same grocery store where it started.

F

## Local store



Miller spends \$30 at a neighborhood grocery store.

G

## Loan



The bank uses deposits like hers to make a small loan to a new business.

H

## Farm



The supplier pays workers at a farm. One worker earns \$6 from that payment.

Write the card letters in order, starting with the paycheck.

|   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | → | 2 | → | 3 | → | 4 | → | 5 | → | 6 | → | 7 | → | 8 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|

1. How many people touched Miller's \$30 before it came back to the community?

---

---

2. What would have happened to this chain if Miller had kept his \$30 under his mattress instead?

---

---

---

3. What would have happened if the grocery store had bought from a supplier in another country instead of a local one?

---

---

---

4. At which stop does a bank appear, and what role does it play?

---

---

**Card A**

Build the strongest case for this side

**“The government decides what money is worth. Without government laws and the Federal Reserve, dollars would be worthless.”**

Our three strongest reasons:

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_

The other side will say... and we answer:

---

---

**Card B**

Build the strongest case for this side

**“The people decide what money is worth. If everyone stopped accepting dollars tomorrow, no law could make them valuable.”**

Our three strongest reasons:

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_

The other side will say... and we answer:

---

---

## Exit Ticket

Name \_\_\_\_\_

1. Name two reasons a U.S. dollar has value even though it is just paper.

\_\_\_\_\_

2. A government prints 10 times as many dollars overnight, but the amount of goods stays the same. What would likely happen to prices? Use the word *inflation*.

\_\_\_\_\_

\_\_\_\_\_

3. Ava says: "If money is just trust, then the people with the most trust have the most power." Do you agree? Why?

\_\_\_\_\_

\_\_\_\_\_



## Exit Ticket

Name \_\_\_\_\_

1. Name two reasons a U.S. dollar has value even though it is just paper.

\_\_\_\_\_

2. A government prints 10 times as many dollars overnight, but the amount of goods stays the same. What would likely happen to prices? Use the word *inflation*.

\_\_\_\_\_

\_\_\_\_\_

3. Ava says: "If money is just trust, then the people with the most trust have the most power." Do you agree? Why?

\_\_\_\_\_

\_\_\_\_\_



## Dear Family,

A note from your child's class

Today your child started learning how money works as a system. We imagined a class stranded on an island, trading skills with no money, and saw how quickly that turns into chaos. Money solves that problem: it is something everyone agrees to accept.

We learned three reasons a paper dollar has value: the government declares it official money, people trust it, and the Federal Reserve manages how much of it exists. When trust disappears, money can lose its value fast. It has happened in real countries.

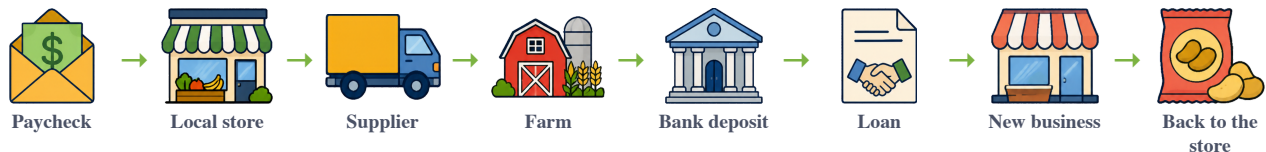
Then we followed one dollar from a paycheck to a grocery store, a supplier, a farm, a bank, a new business and back again. Every dollar you spend becomes someone else's income.

### Try this in the car or at the store:

“Where do you think the money we spend here goes next? Who gets paid because we bought this?”

**A 5-minute game:** pick something your family buys every week, like bread or gas.

Together, name as many people as you can who get paid along the way, from the farm or factory to the cashier.



Thank you for your partnership.

*Milo Peregrine*

and the WealthWise Kids™ Team



*Milo's footprint*