To discuss the definition of money, we first need to define the concept of **value**, which is the perceived benefit derived from a good or service. For example, one may *value* apples for their intrinsic capacity as food. **Money** is a way in which we can measure value, and it serves three main functions:

- Unit of account: Money can serve as a direct numerical measurement of value for a good or service, acting as a standard description of value.
- Medium of exchange: A useful form of money is accepted by a large number of participants in a market.
- Store of value: Money should "generally" be stable relative to most of the goods and services it is exchanged for.

Money has had many forms throughout history, and we refer to physical money as **currency**. Some earlier forms of physical money include precious metals, gems, and seashells, which we refer to as **commodity money**, meaning that the material the money is made out of is valuable in its own right. Later, we began to create money that represented discrete portions of those commodities, which we call **representative money**. Paper money and coins issued by a government are examples of representative money, because the value comes from what they represent instead of the physical money itself.

Most currencies also have three other properties:

- Fungibility: Each unit of currency is interchangeable.
- Scarcity: The currency is not easy for everyone to create more of, as generating more currency can debase its value.
- Portability: Currency should be easy to transport and exchange between parties.

Now that we have clearly defined money, let’s look at how it is managed.