Glossary: Monetary Policy and Currencies

bailout: funds provided to an entity, such as a country or corporation, to help it avoid serious financial trouble, often bankruptcy. Critics view bailouts as letting governments and corporations off the hook for financial mismanagement; defenders argue they are regrettable but necessary to avoid the disruption that would stem from the collapse of a government or major financial institution.

central bank: centralized financial institution responsible for the monetary policy of a country (or group of countries with the same currency, such as the eurozone).

commodity|commodities: goods, typically raw materials or agricultural products, that can be bought and sold. Commodities, such as oil, gold, apples, or wheat, are generally viewed as equally desirable regardless of origin. Goods such as sneakers or computers are not commodities.

contagion: a phenomenon in which financial problems or economic crises spread from one country to others through disruptions to trade, financial flows among banks, or general panic. The interconnectedness of the global economy facilitates contagion.

foreign direct investment (FDI): an investment in an enterprise in one country made by a party from another.

inflation: what happens when prices continue to rise, meaning a country's currency is worth less than it was before because it can't buy as much (also known as a decline in purchasing power).

interest rates: the percentage of a loan that the person borrowing must pay to the lender on top of paying back the loan itself.

recession: a period of economic downturn, usually marked when an economy shrinks instead of grows for at least six consecutive months.