To protect from inflation, lender must charge **interest**

If you lend $100 today at **10% interest**

You get:

$100 + 100 (0.1) = 100 + 10 = $110

Reward for those who give up spending today to spend in the future

Cost paid by those who need to spend today but do not have the money

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Interest

Reward for those who give up spending today to spend in the future

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CPI = 100
Today you
lend $1,000