

Nominal
rate


0%

10%




10%

0%

-10%



**All lenders need
to do is to guess
inflation
correctly!**



Real Interest Rate =

A piece of brown, textured material, possibly a piece of wood or a stone, with the text "10%" written on it in a large, black, handwritten font. The material has a rough, grainy surface and irregular edges. The text is centered on the surface.

10%

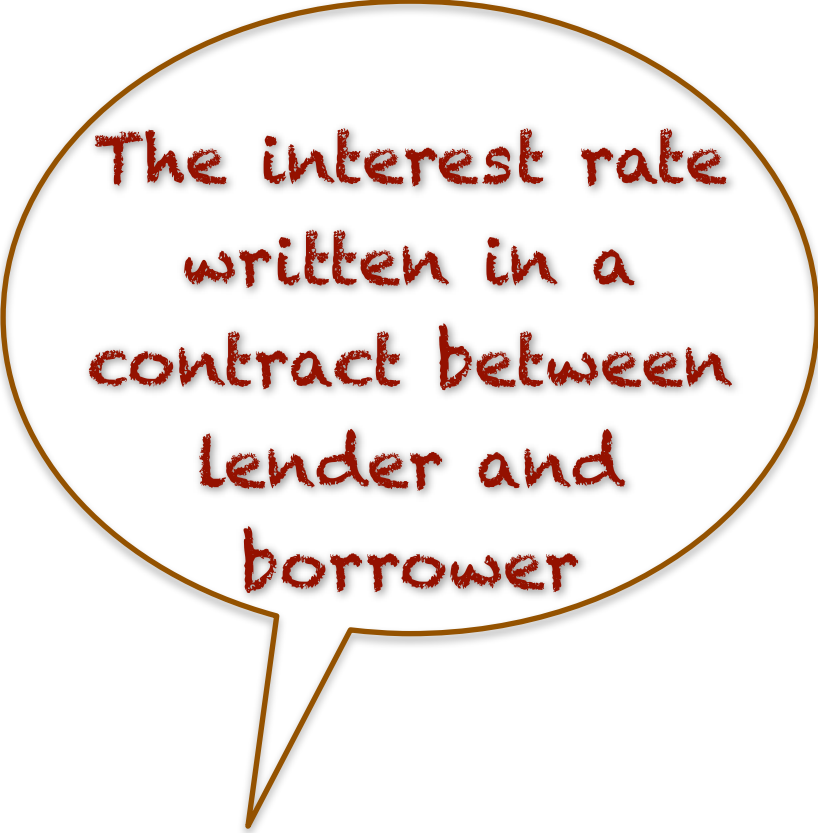
Minimal Interest Rate - Inflation Rate

**If inflation was 0% during the life
of the loan**

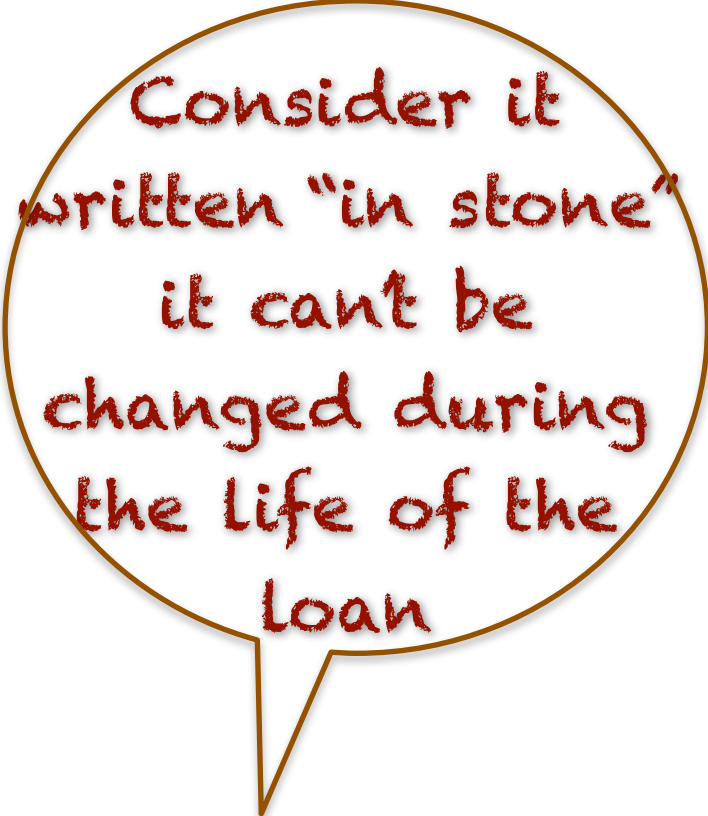
20%

**If inflation was 10% during the life
of the loan**

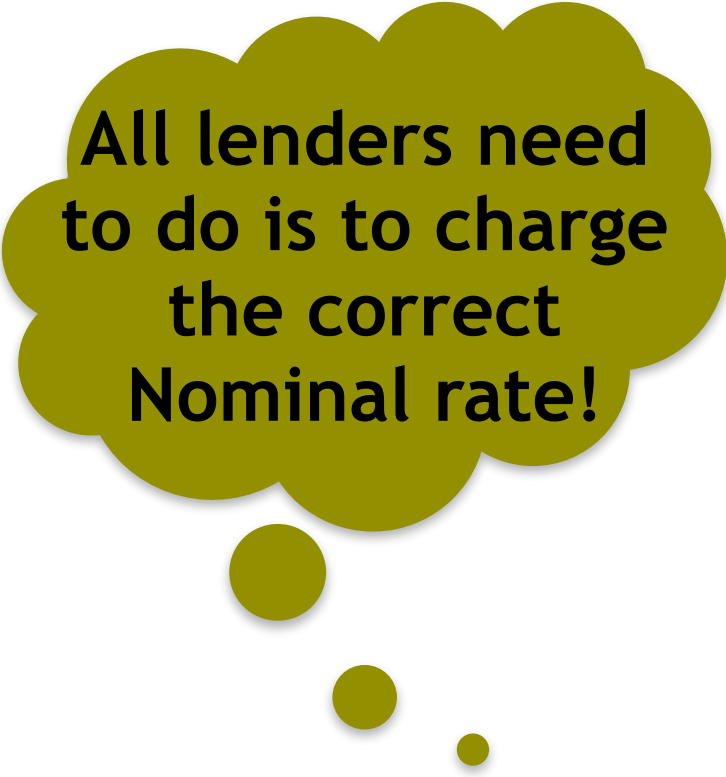
**If inflation was 20% during the life
of the loan**



The interest rate
written in a
contract between
lender and
borrower



Consider it
written "in stone"
it can't be
changed during
the life of the
loan



**All lenders need
to do is to charge
the correct
Nominal rate!**

All lenders need
to do is to charge
the correct
Nominal rate!

All lenders need
to do is to guess
inflation
correctly!

Real Interest Rate = -10%

Nominal Interest Rate - Inflation Rate

10%

20%

**If inflation was 20% during the life
of the loan**

**Do lenders guess inflation
correctly?**