


Net Investment = Gross Investment – Depreciation

If Gross Investment is equal to
Depreciation




If you only buy
the equipment
needed to
replace the pieces
that wear out

Net Investment is

Zero

If Gross Investment is smaller
than Depreciation



If you buy fewer
pieces than the
equipment that
wears out

Net Investment is
Negative

The size of the stock of capital does not change

The stock of capital
will be smaller

$$\text{Net Investment} = \text{Gross Investment} - \text{Depreciation}$$

If Gross Investment is **equal** to
Depreciation

Net Investment is
Zero

If you only buy
the equipment
needed to
replace the pieces
that wear out

The size of the stock of
capital does not change

If Gross Investment is **smaller**
than Depreciation

Net Investment is
Negative

If you buy fewer
pieces than the
equipment that
wears out

The stock of capital
will be smaller