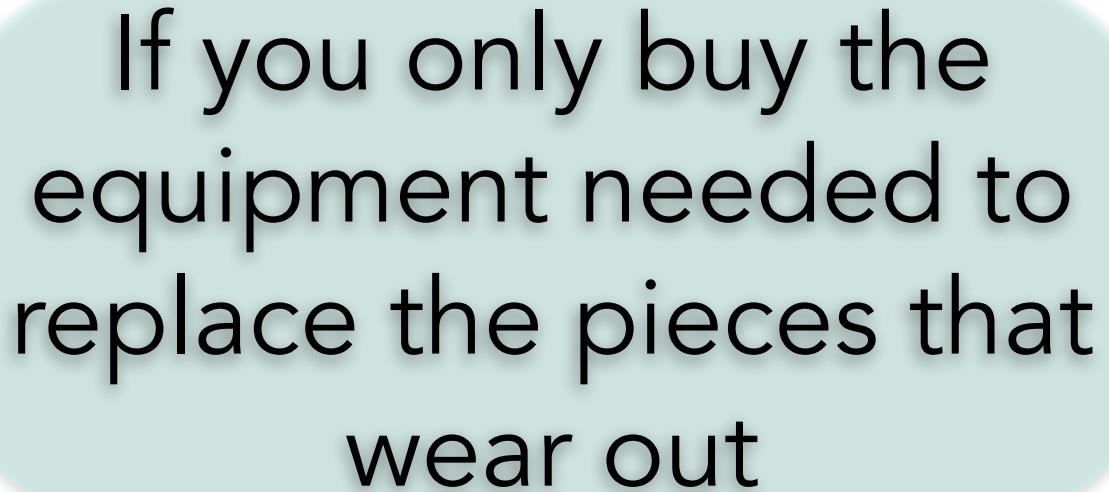


Net Investment = Gross Investment – Depreciation

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

If Gross Investment is
larger than Depreciation



If you buy more
pieces than the
equipment that
wears out

Net Investment is Positive

The stock of capital will be
larger

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

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**

The size of the stock of capital **does not change**

If Gross Investment is **larger** than Depreciation

If you buy more pieces than the equipment that wears out

Net Investment is **Positive**

The stock of capital will be **larger**

If Gross Investment is **smaller** than Depreciation

If you buy fewer pieces than the equipment that wears out

Net Investment is **Negative**

The stock of capital will be **smaller**