




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

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