




**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**