

Investment Function



Types of Investment
Autonomous Investment

What is Investment?

- ❖ In economics, investment means the new expenditure incurred on addition of capital goods such as machines, buildings ,equipments, tools etc.
- ❖ Investment in Keynesian economics refers to real investment which implies the creation of new factory buildings, roads, bridges and other forms of productive capital which directly generates new jobs and increases production

What is Investment?

- ❖ It leads to increase in the level of income, production and purchase of capital goods
- ❖ The concept of investment is not expressed in terms of financial investment because it usually refers to capital ownership rights that are transferred from one person to another

What is Investment?

- ❖ It is undertaken on shares, bonds, etc. and results in no addition to the capital stock of the economy
- ❖ Investment and capital are interrelated. Precisely, net investment means the investment which results in an increase in capital stock
- ❖ It is the excess of gross investment over depreciation

Types of Investment

Generally, investment can be classified into two types:

1. Autonomous Investment
2. Induced Investment

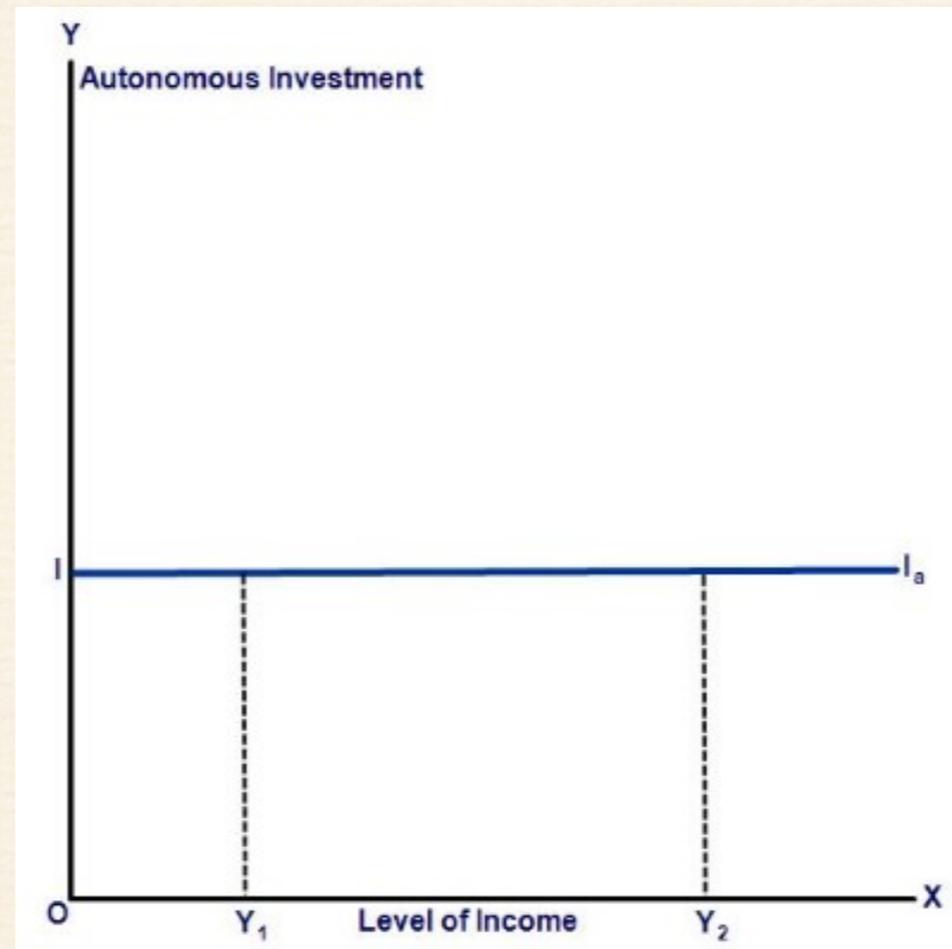
1. Autonomous Investment

- ❖ Autonomous Investment refers to the investment which does not depend upon changes in the income level
- ❖ Means the investment which does not change with the changes in the level of Income level, hence independent of Income

1. Autonomous Investment

- ❖ This Autonomous Investment depends more on population growth and technical progress than on the level of income
- ❖ Most of the investment undertaken by the the Government is of the autonomous nature
- ❖ It is an investment expenditure made by the government with a view of promoting the level of aggregate demand in the economy

1. Autonomous Investment



OI is the level of autonomous investment and the horizontal line I I_a indicates the OI level of investment that remained unaffected by the level of income

Thank You