

LAPSES FROM FULL EMPLOYMENT

BY

A. C. PIGOU, M.A.

EMERITUS PROFESSOR OF POLITICAL ECONOMY
IN THE UNIVERSITY OF CAMBRIDGE

LONDON
MACMILLAN & CO. LTD

1945

COPYRIGHT

First Edition, April 1945
Reprinted September 1945

PRINTED IN GREAT BRITAIN
BY R. & R. CLARK, LIMITED, EDINBURGH

PREFACE

THE purpose of this short book is to provide a background for the discussion of practical schemes for attacking the problem of unemployment. It does not itself discuss any of these schemes, but seeks to disentangle from one another and to set out in clear light some of the principal influences by which the employment situation is affected. The analysis is conducted from the money end, not, as in my *Theory of Unemployment*, from the real end. I have tried to make it simple and intelligible, at the cost of a little trouble, to readers not trained in economics.¹ But I have an uneasy feeling that, whether through my own deficiencies or because of the nature of the subject, I have not succeeded in this. Some parts of the argument unpractised readers — maybe others also — will almost certainly find difficult. I am sorry about this, but cannot help it. At least they have been warned. Professor Dennis Robertson, who has very kindly read my proofs, has warned me that the form of the book may suggest that I am in favour of attacking the problem of unemployment by manipulating wages rather than by manipulating demand. I wish, therefore, to say clearly that this is not so. In the present state of fact and opinion I am broadly in sympathy with the lines of approach suggested in the White Paper on Unemployment Policy. But the subject matter of this book is not policy at all, only diagnosis.

¹ A more thorough treatment is attempted in my books on *Industrial Fluctuations*, *The Theory of Unemployment* and *Employment and Equilibrium*.

A. C. P.

KING'S COLLEGE, CAMBRIDGE
November 1944

CONTENTS

	PAGE
CHAPTER I	
INTRODUCTION	I
CHAPTER II	
A FORMAL ANALYSIS	6
CHAPTER III	
WAGE RATES AND UNEMPLOYMENT	10
CHAPTER IV	
THOROUGH-GOING COMPETITION AMONG WAGE- EARNERS	18
CHAPTER V	
THE CLASSICAL VIEW	20
CHAPTER VI	
THE ACTUAL LEVEL OF WAGE RATES	26
CHAPTER VII	
THE DISTRIBUTION OF WAGE RATES AND UNEMPLOYMENT	30

LAPSES FROM FULL EMPLOYMENT

CHAPTER VIII

	PAGE
THE DEMAND FOR LABOUR AND UNEMPLOYMENT	38

CHAPTER IX

FLUCTUATIONS IN THE AGGREGATE DEMAND FOR LABOUR AND UNEMPLOYMENT	40
---	----

CHAPTER X

THE DISTRIBUTION OF FLUCTUATIONS OF DEMAND FOR LABOUR AMONG DIFFERENT CENTRES	52
--	----

CHAPTER XI

MOVEMENTS OF LABOUR IN RELATION TO UNEMPLOYMENT	57
--	----

CHAPTER XII

STABILISING THE DEMAND FOR LABOUR	69
-----------------------------------	----