
The wage curve and involuntary unemployment can usually be explained by the efficiency wage theory. However, the explanations are contradictory. In efficiency wage theory, unemployment is caused by high wage; however, for the wage curve, the low wage is due to high unemployment. In this paper, we present an efficiency wage model with equilibrium restricted by demand. Our model shows that the explications of unemployment and wage curve are indeed congruent.

**Key words:** Involuntary unemployment, wage, unemployment rate, economic fluctuations.

**JEL:** E240, E320, J230, J30.