

Abstract

The bachelor thesis deals with an important turning point in the international monetary system, which took place in 1971, when American President Nixon, in his New Economic Policy, suspended the convertibility of the dollar into gold and thus ended the Bretton Woods system. This system had worked since the end of World War II and was characterized by fixed exchange rates and the dominant role of the U.S. dollar. The thesis deals with the structural problems of the Bretton Woods system and with domestic problems of the U.S. economy at the beginning of the 1970s, which together led President Nixon to end the system. The thesis contains a description of the short-term consequences of "Nixon shock" and of the New Economic Policy in terms of macroeconomic indicators, rate of inflation and rate of unemployment. The most important long-term consequence of the Nixon shock was the creation of a new monetary system, which is called Jamaica system and is based on floating exchange rates. In the third chapter of this thesis Jamaica monetary system is characterized together with the advantages and disadvantages of floating exchange rates in comparison with fixed exchange rates according to economic theory. The last part is an analysis of the impact of floating exchange rates on the U.S. economy in the 1970 's and the early 1980's, at a time when the world economy was affected by two oil shocks.