

Abstract

This paper deals with the period of the 1970s Great Inflation in the United States and its impact on the present Federal Reserve System. The seventies after the oil shock were in the United States a period of the so-called stagflation, a mix of high inflation, high unemployment and economic stagnation, or recession. The role of the Fed in this era is discussed. The main thesis of this paper is that the Fed during the Great Inflation has changed markedly, with the basic goals and approaches remaining at the Fed till nowadays. An analysis of the period is made. The author concludes that the period of the Great Inflation really had a major impact on the transformation of the Fed, which more closely resembles its present form than in the post-war era.