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26 August 2009

Denis M. Hughes
Chairman
Federal Reserve Bank of New York
33 Liberty Street
New York, NY 10045

Dear Chairman Hughes:

On behalf of the Alliance for Worker Freedom (AWF), an organization founded in 2003 to combat anti-worker legislation and promote free and open markets, and millions of rank-and-file American workers, **I am calling on you to formally resign as recently appointed Chairman of the Federal Reserve Bank of New York due to direct conflicts of interest.**

As you know, union pension funds are highly dependent on Federal Reserve interest rate-setting policies. While the Fed only sets the short-term rates, such rate changes will steer long-term rates in the same direction. When long-term rates go up, less new money needs to be deposited into union pension funds (since the existing money is assumed to compound faster). When long-term rates go down, more money needs to be deposited into the funds (since the existing money is assumed to grow more slowly). Unions, which manage these pension funds, always want to have more new money to play with. Thus, unions might tend to be in favor of lower-than-optimal interest rates.

From your former position as President of the New York state AFL-CIO, you are well aware of this process and you have a conflict of interest with that of your former union and what is in the best interest for the economy.

The conflict of interest here is clear. A Federal Reserve governor has a mandate to set rates based on price stability and full employment. This person does not (or should not) have any potential extraneous motivations, such as the health of their associates' pension plans.

As a former union member since age 16, you have an incentive to favor the unions over the health of the economy.

If you refuse to step down, please provide a detailed answer as to how as a lifetime union member, you will be able to divorce yourself from your loyalty to organized labor and base your policy on sound economics?

I look forward to your response.

Sincerely,

Brian M. Johnson, MPA
Executive Director

cc: President Barack Obama
Secretary of the Treasury Timothy Geithner

Chairman of the US Federal Reserve Ben Bernanke
Chairman of the Senate Committee on Banking Chris Dodd (D-CT)
Ranking Member of Senate Committee on Banking Rick Shelby (R-AL)
Chairman of House Financial Services Barney Frank (D-MA)
Ranking Member of House Financial Services Spencer Bachus (R-AL)
Senator Charles Schumer (D-NY)
Senator Kristen Gillibrand (D-NY)
All House of Representative Members from New York
All State Legislators of New York State