

# American Federation of Labor and Congress of Industrial Organizations



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August 21, 2007

Mr. Ángel Gurría  
Secretary-General  
OECD  
2, rue André-Pascal  
75775 Paris cedex 16  
France

Dear Secretary-General:

I write to follow up our conversations over the past several months in Washington, Dresden and Paris about the need for an OECD horizontal consultation on hedge funds, private equity and their impact on global capital markets, corporations and the prospects for growth and innovation in the real economy.

The proximate cause of the recent dramatic tightening in global credit markets and turmoil in equity markets is, of course, the troubled sub-prime mortgage market in the U.S. But these markets are simply too small to account for the scale of disruption we are experiencing. The accelerant for the latter, in my view, is the rapidly growing and complex role of leverage in these markets much of it structured by hedge funds and private equity.

As we have discussed, the emergence of hedge funds and private equity -- rapidly growing pools of lightly regulated capital employing highly leveraged and tax-subsidized investment strategies -- is posing new and vitally important issues for capital markets, and the real economy. These issues are complex, poorly understood, controversial and truly global in nature. As recent events argue, they are also increasingly urgent.

Central banks are intervening aggressively to maintain liquidity and calm capital markets and hopefully they will succeed. But, whether successful or not, these actions leave unaddressed the central role of leverage in our financial markets and the closely related issues of the transparency, governance, regulation, and taxation of hedge funds and private equity.

As you know, Chancellor Angela Merkel put these issues before the G8 Heiligendamm Summit. And President Nicolas Sarkozy has recently called for a more active regulatory response to financial market instability. Rep. Barney Frank, Chair of the House Financial Service Committee, is leading the effort to formulate more robust financial regulation in the U.S.

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The OECD is uniquely positioned to help address the many important issues posed by these new financial players and inform the discussions now underway among a number of national governments. At the last Ministerial, the TUAC called for a horizontal consultation addressing these complex and timely issues. I believe that such a consultation, drawing on expertise from throughout the OECD, from the advisory bodies and from outside experts is more timely than ever.

I urge you to take advantage of this opportunity to engage the full range of expertise at the OECD on the issues posed by the emergence of hedge funds and private equity in global capital markets. As always, the TUAC is prepared to assist in every way to ensure that any OECD initiative in this area is informed by the perspective of working people and the rich and varied experience of the international labor movement.

I look forward to your response and stand ready at the AFL-CIO and the TUAC to work with you on this initiative.

Sincerely,

  
John J. Sweeney  
President

JJS/RB:lkf

cc: Ambassador Constance Morella  
John Evans, General Secretary of TUAC