



**Open Letter to G7 Finance Ministers
from the International Trade Union Organisations
8 October 2008**

Dear Minister,

The global economy is teetering on the edge of a precipice. The coordinated interest rate cuts announced by six central banks are necessary but the G7 Finance Ministers meeting with Central Bank Governors in Washington on 10 October must initiate a major recovery plan to stabilise global capital markets, stave off the risks of a global recession and get back on the track to the creation of decent work.

For two decades the G7 and the international financial institutions have promoted the lightly regulated “new financial architecture” that characterises the global financial markets. They have been cheer-leaders for financial innovation that has led to complex financial products based on untrustworthy collateral contaminating the global financial system. As a result what should have been a containable sub-prime mortgage crisis in the United States has triggered a global financial crisis with enormous social and economic cost. This is not any more a crisis of individual banks it is a crisis of the financial system.

The interventions by central banks and governments over past days to restore confidence and stabilise credit markets are necessary to save the banking system. As large parts of the financial system are being supported by the public taxpayer we insist that governments should take equity stakes and act as activist investors to protect the public interest and ensure that taxpayers are eventually reimbursed. Even so these measures represent only “fire fighting” and alone they will not restore public trust in economic governance nor stave off a global recession.

The mounting financial chaos is taking its toll on the real economy with sharply falling employment in the United States now spreading into a global recession. The G7 Finance Ministers and Central Bank Governors must put in place a coordinated recovery plan targeted at stimulating the real economy in the G7 and beyond. There should be further coordinated interest rate cuts as necessary. Governments should bring forward infrastructure investment programmes as well as measures to create “green jobs” through alternative energy development and energy saving and conservation. Direct tax and expenditure measures should be introduced to support purchasing power of median and low income earners.

Beyond the immediate action, the G7 governments must work to ensure that a crisis of this scale does not happen again. Work on a new regulatory architecture must begin that covers not just banks but also the parallel financial system - hedge funds, private equity and what is left of the investment banking sector. In the future excessive leverage must be limited through

counter-cyclical capital requirements applied to all financial institutions. There must be transparency and disclosure and the use of a “precautionary principle” for the prohibition of risky financial products. Tax rules should be changed to provide a level playing field for debt and equity financing of corporations. There must be a capping of executive compensation and an ending of the perverse incentives that have fuelled the destructive speculation of recent years. The remuneration and incentives of management must be re-linked to interests of the real economy and in reasonable proportion to employees as a whole. In short the new regulatory structure has to ensure that the financial system serves the real economy.

Cooperation must be extended at all levels G7, G8, Europe, OECD and at the International Financial Institutions to avoid regulatory arbitrage and ensure global reach. A meeting of G8 Leaders, with Labour and Finance Ministers should be held in the weeks ahead to map out the details of an emergency recovery plan for the G8. But working people require a seat at the table in these fora. They have little confidence that bankers and governments meeting behind closed doors will get it right this time – there must be full transparency, disclosure and consultation. The Global Union organisations are ready to play their role in this process.

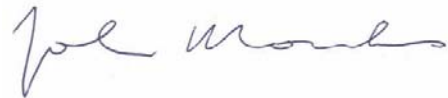
Yours sincerely,

John Evans



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