

# Union official takes the helm at New York Federal Reserve

Bill Van Auken  
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This week's naming of New York State AFL-CIO President Denis Hughes as the chairman of the Federal Reserve Bank of New York speaks volumes about the evolution of the union bureaucracy in America.

Hughes is taking a post that was until recently occupied by Stephen Friedman, the former chairman of Goldman Sachs, who was compelled to resign in May over a conflict of interests scandal. He was continuing to act as a director of the finance house and to buy stock in the company after it had been placed under regulation by the New York Fed.

Others who held the post before Friedman include the billionaire founder of the Blackstone Group private equity firm Peter Peterson and multi-millionaire New York real estate developer Jerry Speyer.

The state AFL-CIO chief will head a board that includes JP Morgan Chase head James Dimon and General Electric CEO Jeffrey Immelt.

Hughes will continue to hold the top post in the state AFL-CIO, where he was recently elected to a third four-year term.

The appointment provoked expressions of concern within the right-wing business press, where readers denounced the move as an indication of the grip of "organized labor" over the Obama administration.

The *Wall Street Journal* published a column that seemed aimed at reassuring its readership. The piece began with the question, "Is organized labor gaining power in the US, or are its leaders being co-opted by the federal government and corporate America?"

It noted that the naming of Hughes to head the New York Fed board was of a piece with other recent developments, including the United Auto Workers taking a seat on the General Motors board of directors and assuming an ownership share in the auto company,

making profits realized through the exploitation of autoworkers a substantial source of income for this bureaucratic apparatus.

The *Journal* quoted Gary Chaison, professor of industrial relations at Clark University, who noted that there could be some concerns that Hughes would "bring the union agenda to the Fed, and there will be questions about hedge fund profits and salaries."

Asked if such fears were warranted, Chaison replied, "The union doesn't run the fed. [The appointment] is more symbolic." Indeed, Hughes will hold the post only until the end of this year, when a new chairman will be installed.

However, this still raises the obvious question: symbolic of what? On the surface, it would appear that the selection of Hughes represents an attempt by the Federal Reserve—and the Obama administration—to use the elevation of a union official to chairman of the New York bank's board to mask the essential role that it has played over the entire past period as the servant of Wall Street. First it adopted monetary policies that facilitated the speculative bubbles that have produced the greatest crisis since the Great Depression of the 1930s, and subsequently it has poured trillions of dollars in taxpayers' money into the banks and finance houses to save them from their bad bets.

All of this has been done at the expense of working people, the vast majority of the population, who have seen no similar effort to save their jobs, homes and living standards from an ever-mounting assault.

On a more fundamental level, however, it is symbolic of the transformation of the AFL-CIO, the UAW, the Teamsters and similar organizations into what are unions in name only, dedicated not to defending the working class, but to preserving the posts and privileges of a layer of right-wing functionaries, who in

turn work to suppress working class struggles and uphold the interests of the banks, corporations and government.

Hughes is typical of this layer. He came out of New York City's International Brotherhood of Electrical Workers Local 3, which was long headed by Harry Van Arsdale, a right-wing craft union bureaucrat who played a key role in quelling working class struggles in the city, where he headed the Central Labor Council for nearly three decades. He gained national notoriety for working with investment bankers like Felix Rohytan to subordinate the labor movement to the bailout of New York City and Wall Street during the fiscal crisis of 1975.

Hughes, along with his close friend and protégé Brian McLaughlin, was trained by Van Arsdale in the methods of business unionism in an organization that made scant distinction between the interests of electrical contractors and the rank-and-file workers they employ. Appointed to the state AFL-CIO, Hughes rose through the hierarchy, acting as head of its political action arm, which served to subordinate workers to the Democratic Party.

For his part, McLaughlin recently began serving a 10-year prison sentence after being convicted of over \$3 million worth of kickbacks from electrical contractors, misappropriation of state funds and embezzlement from the New York City Central Labor Council, where he succeeded Van Arsdale's son Thomas as president. Hughes chaired the CLC board during McLaughlin's graft spree.

Moreover, Hughes has a proven track record at the Federal Reserve Bank of New York, the most important of the Federal Reserve regional banks, where monetary policy is most directly implemented.

He has held a seat on the board since 2004 and has served as its acting chairman since Friedman of Goldman Sachs resigned in May. During all of that time, there is no record of Hughes objecting to the adoption of policies designed to facilitate the vast enrichment of the financial elite during the Wall Street boom, and then to bail out the finance houses after the collapse of this boom little over a year ago.

This seamless collaboration between the head of the New York State AFL-CIO and elements like Peter Peterson, James Dimon and Jeffrey Immelt on the Fed Bank's board is merely the culmination of decades of

betrayals carried out by the union bureaucracy, the suppression of strikes and the surrendering of past conquests of the workers movement, all of which were essential to the concentration of wealth and growth of social inequality that are fundamental characteristics of the present social order in the US.

That a leading AFL-CIO bureaucrat is the titular head of a board overseeing a monetary policy that is bailing out multi-millionaires and billionaires at the expense of hundreds of millions of working people is only one more confirmation that the coming eruption of class struggle in America must take the form of a rebellion against these reactionary pro-corporate bureaucracies and the building of new organizations dedicated to mobilizing the working class against capitalism.



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