

AN INJURY TO ONE IS AN INJURY TO ALL



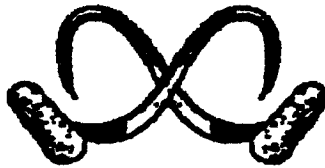
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**FRED BERG
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BUSH TOUTS FAKE PROSPERITY

By Dave Chaddock

It was not so very long ago that President Bush was raving about the high rate of home ownership in the U.S., and bragging about how the rapidly-increasing number of home owners was proof that the American dream was being fulfilled on his watch. But in reality, as the prices of houses soared far beyond the reach of mainstream Americans, vast numbers of people were victimized by what savvy insiders described as "neutron loans"- loans which eliminated the people and left behind their houses. Why did this happen? Why were lenders allowed to make so many loans that were doomed from the start to be unrecoverable? The leading player in all of this, the Enron of the affair, is Countrywide Financial Corporation. As Bush looked the other way, Countrywide fought very hard in state after state to defeat responsible lending laws. 45% of its loans were set to reprice at a higher level this fall, sending countless houses onto the auction block. Until very recently, you could get a home loan from Countrywide without putting down any money of your own. You could get a loan worth more than 95% of the value of a house without having to document any source of income whatsoever. Even if you had been 90 days late on a mortgage payment twice in the last twelve months, even if you had filed for bankruptcy or were facing foreclosure, Countrywide would make you a deal. In the short run, these loans were

immensely profitable. As it quickly turned around and sold these junk loans to investors, Countrywide generated profit margins of 1.84%, nearly twice as high as the 1.07% it made on prime loans. If borrowers tried to reduce their debt, they would be slapped with three-year prepayment penalties requiring them to pay six months worth of interest at a rate 3% higher than the prevailing market rate. Such prepayment penalties generated \$268 million last year for Countrywide, up from \$212 million in 2005. Again, if borrowers had difficulty making payments, Countrywide made out like a bandit. It made \$285 million from late charges alone last year. No wonder its sales representatives were given greater commissions when they bamboozled people into getting these adjustable rate mortgages. (See NYT 8-26-07)

Inevitably, this Ponzi-like scheme is running out of gas. Those who purchased Countrywide mortgage securities are paying the piper. Washington Mutual has taken a big loss. The Bank of America has had to eliminate 3,000 jobs. Citigroup has admitted so far to a loss of \$5.9 billion. Merrill Lynch has written off \$7.9 billion, which is \$3 billion more than it owned up to just two weeks previous. Banks in Britain, Switzerland, Australia and Japan are suffering from these tainted securities which had been given AAA ratings by Moody's and Standard and Poors, only to be suddenly downgraded. And this may

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be only the tip of the iceberg. One analyst estimates a \$400 billion loss altogether before we are through (which is considerably more than the \$240 billion lost in the Savings and Loan debacle) and another compares it to the Panic of 1907.

Even Countrywide itself is now gasping for air as it reaches the higher elevations of its pyramiding scheme. Though it made a profit of \$665 million in the second quarter of this year, in the third quarter it suffered a loss of \$1.97 billion, and it recently borrowed \$11.5 billion from 40 banks. Now it is promising to extend its initial rate for 5 years for certain select borrowers on a case by case basis. And it would also bring some of the already-adjusted interest rates back to initial levels. The stone wall they have run into is forcing them to compromise a bit, but the damage has already been done. Even the \$75 billion fund recently put forward by the big banks, if it comes to fruition, is itself infected by the same virus it is trying to fight. As one analyst describes it, it is not a rescue operation but merely "hospice care" or (using another analogy) it would be nothing but "a tow line to get them to the scrap yard." (NYT, 11-1)

Meantime the Ken Lay of this operation, Angelo R. Mozilo, has not bought a share of his company's stock since 1987, and recently, he has been a huge seller of this stock, with such sales conveniently timed to occur while the company was still flying high. Since 1984 he has made \$406 million selling Countrywide shares, with \$129 million of that taking place in the last twelve months. It is not exactly a case of "insider trading" in that it was not done with privy information indicating a specific onset of a major profit loss. It was part of a pre-planned stock sale arrangement specifically designed to protect an executive from being accused of trading on inside information. But on the other hand, only an idiot in his position could not have foreseen, in general, that his policies were creating a bubble that was bound to burst. If the exact moment of its occurrence could not be predicted, if the particular straw that was going to break the camel's back could not be singled out, still it was obvious that the thing was going to tank. Moreover, the pace of his sales had begun to increase in October of 2006, and again in December, when he increased the amount of shares he intended to sell each month to 465,000 from 350,000. Then on Feb 2nd he upped the ante again, announcing he would start selling 580,000 shares a month, getting rid of almost all his remaining shares just before

Final Dispatch

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announcing the big third quarter loss. Mozilo's declaration that his stock sales "should in no way be viewed as any indication of my future outlook for Countrywide" (NYT, 10-19) is just about as convincing as Bush's periodic claims of progress in Iraq. One final point. I must take issue with a statement made in a book I just bought about finance. The book is called **A DEMON OF OUR OWN DESIGN**, and it is written by the director of a hedge fund, Richard Bookstaber. It is a very entertaining book, and I would grant his contention that the "brave new world" of "synthetic financial instruments created on the fly", their complexity, the speed with which they operate, and their integration into a global marketplace, has certainly caused a lot of confusion. Yes, he is right that "even minor events can have catastrophic consequences." That the number of hedge funds has increased from the 130 that existed in 1996 to the more than 9,000 present today is certainly mind boggling.

That it takes some diligence even to understand these sliced and diced artificial assets, these options and swaps and "swaptions", these exotic off-the-books "conduits" with an alphabet-soup of acronyms like CDO's, is not to be denied. But when Bookstaber argues that the real economy we live in has actually grown more stable, and that "virtually all mishaps over the past decades have had their roots in the complex structure of the financial markets themselves", he parts company with me. He would have it that hedge funds are so complicated that there

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is no way to regulate them, and that any attempt to do so is likely to make matters worse. Right, these new synthetic assets that Countrywide has been selling worldwide have confused a lot of people, and have thrown them off the scent. But as Adam Bryant points out, it is like a card trick. Financial wizards have taken the joker- "the risk that certain borrowers might default"- and have hidden it in the deck. Next "they shuffled all those risky subprime mortgages into much bigger investment pools, then cut the deck twice, fanned the cards and presto, it disappeared."(NYT, 8-19) But really, the joker was still there. And now a suspicion is arising that there is a malaise "deeper than anyone realized: "The U.S. may have been paying for a lot of its imports in recent years with mortgage securities of dubious value." (NYT, 8-17)

Though the trick may be a bit difficult to fathom, surely there are people in the U.S. who have the smarts to do so. Some of them, in fact, could and should have been hired by the government to do just that. Complexities may magnify the problem, may tend to obscure it, but at its root, it is a real instability, caused, not by financial intricacy, but by big business outlaws who are not being controlled by the American people. As we near contract time, we have to keep our minds clear and our powder ready!

Holiday Weeks

By Jon Halgren

"Hey, Kid did you take a job?" No the peg did not get to me, maybe tonight or tomorrow. "Is there a reason you did not take a job?" "Just too many pegs in the board." "If a replacement comes in are you next out?" "I think so."

This was at the 84 Union Street Hall. I do not remember the name of the brother who spoke with me. He went to the dispatchers' window and talked to the dispatcher.

He came back and started talking to me. "You know this week makes the paycheck of Christmas week. Believe it or not we had a sometime tradition, when the regulars would make sure all the "B" would get jobs for holiday weeks to have a nice paycheck, and a happy holiday."

My name got called. I got a replacement. That was a good job. I would not have understood why he checked out had he not told me the short story.

International Labor Solidarity

By Art Mink

The last few days have seen extraordinary struggles taking place in Korea and in France.

Those struggles have also illustrated the need for the trade union movement to have its own independent media. Let me explain what I mean.

France saw a huge wave of strikes this week. This gigantic struggle is the long-awaited counter-attack by unions to a right-wing government with an explicitly anti-union agenda.

I've been able to follow the coverage a bit in the British media, and was not surprised to hear a discussion yesterday on the radio about whether French President Nicolas Sarkozy would be "tough enough" to resist the unions. As one reporter put it, would he be as strong a leader as Margaret Thatcher was back in the 1980s?

That's an extreme example, but the more common coverage has focussed entirely on the difficulties faced by commuters, with photos illustrating empty Metro stations in Paris to make the point. In other words, the news story for most mainstream media has been about Sarkozy's toughness and the suffering of commuters -- and not about the actual workers on strike and what they are calling for.

Korea this week provided us with what I think was an even more extraordinary example of how mainstream media covers labor disputes. Every November, tens of thousands of trade unionists rally in the capital, Seoul. I know because I was there ten years ago. This year's national workers' rally was used by Korean unions to focus attention on the free trade agreement between Korea and the USA, and thousands of farmers and students joined in the protest.

According to one eyewitness account, their protest was blocked by some 25,000 baton-wielding riot police, who proceeded to attack them with water cannon in an attempt to disperse the demonstration.

The main foreign news agencies such as Reuters and AFP reported this as an "anti-FTA" protest, without mentioning that it was actually an annual trade union event. Normally reliable news sources like the BBC didn't even bother to report the event at all. As a friend of mine in Paris put it, local coverage in France of the Korean rally described it as "a bunch of rebellious farmers going wild about a trade agreement with

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Conversations With Harry

By Ian Kennedy

In late October I flew down to San Francisco with the hopes of "killing two birds with one stone." I knew that I wouldn't be able to get down to see Harry at my usual time in November, as I was scheduled for surgery the end of the month. Recovery would take several months and I was unsure when I'd be able to return. My trip was to see an old friend who now lives in Mexico, and I hadn't seen in several years.

Luck was with me. When I entered "Teddy's" bar, there was Harry sitting at his usual table. I sat down, "You're alone tonight?" I asked. He looked surprised. "Just thought I'd slip over by myself and do some thinking." he responded. "You're a couple weeks early, what brings you into town?" I ordered us a pitcher of beer and filled our glasses, Harry smiles. He's a thin man, not tall, slightly stooped. He sits back in his chair and studies the glass in his hand. "You going to the caucus? When's it start?" he asks. "It starts on the last Monday of January, I think that's the 29th.

Yes, I hope I'll be able to make the trip." I responded. "Any thoughts on what we should be looking for in these negotiations?" He looks at me. "We've talked about this before.-----Needless to say, maintenance of benefits is topmost on the list. The employers would love to get a co-pay. And once that door is open, it never closes."

"But," I respond, "I've had members come to me, during the 2002 negotiations and say, why not a co-pay, we can afford it." Harry smiles. "And your response is?" I thought about it for a couple of minutes, "I would tell them about the time I lived in a cabin out in the woods when one late summer evening I watched a termite work it's way into the side of a 2x4. I let it go. The next year I pushed on the 2x4, my finger went right through and instead of one termite, there were dozens and they were working on the main structure. My point, if the employers could get small co-pay in this contract, two or three contracts down the road it will be a big co-pay."

Harry nods, "I think the negotiating committee has to keep working, building up the pensions of the old timers who have been retired for 15 and 20 years. But we've gone over this before. What about the active work force. What concerns do they have, or should they have?" Harry pauses. "As I remember, the employer wants utility

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men, from the hammerhead to the sweeper, any man, any job. Change at any time. Don't they want to put computers in all the handling equipment? So that the Longies can do the clerks input, again cutting out longshore jobs. Our brothers and sisters have got to work together and protect each other. And the hiring hall. The more steady jobs they get, the less the hall is needed. Our own people, especially the clerks, are big offenders.

Sure, sure, you're going to try and tell me, it's so that we can do a better job, thus the employers will want to keep us on the job. But that is never a factor. The people who call the shots don't have any real contact with us. They just see, cut a job save a dime. We fought long and hard in 33 and 34 to win control of the hiring hall, and those boys on the other side don't want to see anything happen to it." Harry sighs, drains his glass and refills it.

"Well," I respond, "If it will let our brothers on the other side rest easier, International President McEllrath, at a conference in Panama, informed all, that the hiring hall will not be up for discussion, before, after, or during the 2008 negotiations. And the employers were present in force." Harry nods, refills our glasses and waits for me to continue. "We are amongst the highest paid blue collar workers in the world, yet it isn't enough. We have men and women who have been, or want to be union officers, take a selfish attitude. They say, 'screw the contract and the working rules, I want mine, I want it easier, Me, me, me.' Sometimes I get a little worked up."

Harry is nodding and smiles, "The good and the bad.-----If you take one away, you have no way of judging the other. So you live with them both. But when it comes to Union, we should all be united." He drains his glass, "This contract is as important as the last, be ready." he pushes his chair away from the table. "Remember, your strike fund is in your pocket." He stands, waves to the bartender and walks out. As the bartender approaches with the tab, I sigh, "Thanks Harry." As I reach for my wallet.



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Balloon Sling

By Jon Halgren

I stopped in at the dispatch hall to see the jobs to be dispatched that morning. Opportunities looked good. There was a ship at the Banana Terminal, West Waterway had a ship loading lumber, a vessel at Fishers Flour Mill, two ships at Alaska Steam, and a refer ship at the Navy.

I did notice an order for 8 extra stevedores for the ship at Fishers. Interesting, Fishers had started work yesterday with 5 gangs and 20 extra stevedores. I wondered what was happening.

As things worked out I was near the last to get a job, but I did get one. I was the 4th extra stevedore on the slip of 8.

Carl suggested we stop and get coffee and a scone at O. K. Lunch. We had time as it was about 7:25, we could get a coffee and a fresh scone.

"Sure, today is scone day. I will buy." The O.K. Lunch was a restaurant with counter seating only, no tables. The sisters that worked would begin at 4:00 or 5:00 to start the lunch menu, delicious pies, and other home cooked foods.

We got to the ships gangway just before 8:00. 'Chippey' the foreman in charge said, "extra steves, new today go the #2 hatch if you are the last four, the last four go to #3 hatch. You eight are here today because we will work with balloon slings, in those hatches. Work hard and you can sleep well tonight."

"Balloon slings? Are we going to a carnival? What on earth are balloon slings? I think I will learn a few things today.

We started work by taking off the night tent and landing it off shore. The boss yelled, "Keep a walkway for safety, around the hatch."

I looked to the dock to see four workers unfolding what looked like a tarp. There was a heavy rope going to the four corners, it looked like it was sewn, rope and tarp together. Bags of the product came down a wooden chute and were stacked on the tarp sling. When loaded the four eyes were placed on the hook, the winch driver was given a signal by the hatch tender to hoist. As the cargo was lifted it came together in a big ball.

"Hey kid, the work is down the hatch." I climbed down the escape hatch. What a sight! Yesterday, or the night shift built a worktable with cargo. The tables were about 1 1/2 times the size of the loaded balloon sling. I will learn something today.

The table was about 6' by 12' and the table top was about 5' above the floor. The winch driver would bring in a sling load and gently land the load on the table. We would unhook eyes of the sling and begin carrying the bulgur to the place of stowage. Two stevedores stayed on top of the table and passed the sacks down.

When we emptied the sling we pulled it to the side so another load could be landed. When the next load was landed we would send out the sling. Everyone worked, the four on the dock, the offshore side and the inshore side.

Coffee could not come soon enough. I enjoyed the rest. I started thinking about a cat nap in the hold at lunchtime. I was tired.

We used the table until the afternoon coffee. We could see that we would be using Fisher boards about 3:30. The extra men started thinking about going home early.

Chippey yelled down "you four extra men stay here and help after coffee. You are back to the hall at 5."

My balloon popped. The boss was right about sleeping. I got home, showered, ate dinner, and headed for bed. My head touched the pillow and the next thing I knew, the alarm sounded it was 6:00am.

CORRESPONDENCE

TO: Rusty Hook readers: Money is always needed, but news about YOU is what makes the effort worthwhile. The members of the Pensioners club and the staff of the Rusty Hook are pleased, proud and grateful that the A members of local 19 and local 52 have contributed \$2.00 each, every quarter, to the support of the Rusty Hook and The Pensioners Club. Thank you, each and every one!

Your support makes it possible to send the Rusty Hook to every A and B longshore worker and clerk and distribute copies to casuals who work out of our hall.

We also send copies to many other friends and supporters of the labor movement here the United States and in Australia, New Zealand, Greece and Canada helping to insure the support of other longshore unions for our 2008 negotiations.

The RUSTY HOOK website has been updated. You can view all back issues from 2000 - 2007.
www.ilwu19.com/rustyhook

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CORRESPONDENCE

From MANNY VENTOZA, Cheyenne, Wyoming.

To all the brothers and sisters of Local 19. I send you greetings and good fortune to a great organization from one of your own. Bless you, MANNY VENTOZA

Thanks MANNY. Especially for the blessings, we're not used to getting them.

From DONALD REIDEL, Port Angeles.

Brothers, Use as needed and Thank You for all you brothers do for all of us.

DONALD REIDEL

Brother REIDEL sent \$100.00. Thank you DON. Your support makes possible the things we do for all of us.

From GERRY FOLTZ, Carpenteria, California.

Hello to all.

Hello back at you, GERRY, and thanks for the \$60.00.

From KAYO MARENO, San Pedro, California.

Hello to all in Seattle

Thank you for the \$20.00 KAYO and have updated your address.

From ED RODENBURED, Seattle.

No message, \$20.00 for the Rusty hook.

Thank you ED.

From BILL LEWIS, Shoreline.

Just a few to keep you guys in Do Nuts. Also a few for the Christmas Kids. Don't get around much any more, so the Hook keeps me informed to a point. Wish it was monthly. Say hello to all for me.

Thank you BILL. The \$200.00 will go to the Christmas for Kids in your name and ours.

From MARCIE PETERSON, Vancouver, WA.

\$30.00 to the Rusty Hook. A big thanks, I sure enjoy them. I share it with members of local 4.

Thank you MARCIE. And we are glad when people share the Hook.

From MICHAEL K. SNYDER, Marysville.

\$100.00 for the Rusty Hook.

Thank you MICHAEL. It is good to hear from you.

From STORM KING, Issaquah.

Hi guys, Just a little something for you. Love to get the paper and keep up with everyone. You do a great job keeping everyone informed. Love retirement but miss all the people.

Thanks STORMY. The \$100.00 is welcome indeed.

From LARRY MOONEYHAM, Rathdrum, ID.

Thanks for keeping the Rusty Hook going.

Thanks LARRY. The \$100,00 helps a lot.

From FRANK O'BRIEN, Shoreline.

No message, just a welcome \$60.00.

Thank you, FRANK. It is good to hear from you.

From CLARENCE HUBBARD, Colville.

Dear Rusty Hook—

Here's a couple hundred to do with as you choose. I was a long time grain handler. I followed DON BASS as foreman at pier 25. I was at pier 86 as foreman until I retired. I enjoy the Rusty Hook every month although I don't see many names I recognize. I'll be retired 30 years 1st of Feb. next year. We have the greatest union in the world, bar none.
CLARENCE "HUB" HUBBARD.

Thanks HUB for the newsy letter as well as the money. Its great to hear from our readers.

From LONZO FLICK, Allyn, WA.

No message, just another welcome \$100.00.

Thank you LONZO. Enjoy your well earned retirement.

From RICHARD MALETTA, Seattle.

\$44.00 contributed at the Hall

Thanks, we'd call that \$44.41, .RICHARD.

From BOBBY VAN CUREN, Seattle.

No message, but another welcome \$72.00

Thanks BOBBY.

From RODNEY ULMER, Seattle.

No message, but another welcome \$22.00

Thank you RODNEY..



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