Nativity scene: Angel—Tracy Shaw; Mary—Lisa Cobb; Joseph—Gannon Bryant; Shepherd—Neal Metcalfe; Donkey—Scott Allison; Cow—Tracy Dotson; Lamb—Dawn Crump; Shepherds—Chris Anderson and Shawn Tussey.

Jack-in-the-Box—Tracy Dotson, Gannon Bryant, Nancy Noll, Steven Baker, Lisa Moss, Shawn Tussey, Ronda Smart.

Christmas fun in Kindergarten

We've a Secret—Lisa Cobb, Monica Hamm, Christel Bussell, Kevin Hall, Kelly Brookshire, Todd Day, Steven Baker.

Muff Girl—Monica Hamm; Reindeer—Kelly Brookshire, Chris Anderson, Shawn Tussey, Kevin Hall, Scott Allison; Santa—Chris Berry; Snowman—Todd Day.

Christmas program held Dec. 19 at Kindergarten

The Carlisle Kindergarten, sponsored by the Carlisle Junior Woman's Club, held their annual Christmas program on Friday, Dec. 19. It was attended by a large crowd of parents, grandparents and friends.

Refreshments were served after the program. The children were treated with candy and gum which fell from two large silver balls hung from the ceiling.

Real estate course starts in Flemingsburg

Real Estate Law (RE 230) will be offered in Flemingsburg at the Fleming County Library on Monday evenings beginning Jan. 12.

The course, jointly sponsored by Maysville Community College and the Kentucky State Real Estate Commission will meet from 7-9:30 p.m. in the library Community Room for 15 weeks. Instructed by Cecil Beckett, G.R.I., the class will examine the legal aspects of Real Estate and Real Estate transactions. Realtors and Real Estate salesmen may use the course to satisfy state Real Estate licensing requirements. Bankers, land owners, and others interested in Real Estate transactions will also find the information presented in the course of benefit.

Kentucky Reflections

Elkton
by George Street Boone

Thomas Jefferson envisaged the future of the United States as that of an agricultural nation.

The precipitous urbanization of the past 30 years has found for us a host of problems, including such difficult ones as the busing of school children, an urban sprawl complicated by deterioration of public transportation, and a demand for energy which has exceeded even expert predictions.

The U.S. Commerce Department reports, apparently with some surprise, a record trade surplus for 1975 as the third quarter of the Twentieth Century ends after a deficit year in 1974. The increase in the export of coal, agricultural products and livestock are among the factors contributing to this surplus.

Economics has been called the "dismal science" and many observers regard it as more dismal than scientific. Nevertheless our prospects as 1976 approaches are not altogether dismal.

Unlike Japan or Germany, whose economies are so heavily dependent on processing imported substances, the United States has been fortunate enough to be able to produce a large portion of its own raw materials.

Kentucky as a major coal and tobacco producer appears to be in a more advantageous position from an economic aspect than many of her sister states, even with some lag in the tobacco market. Kentucky bids fair to be a participant in the benefits of the balance of payments which indicates expanding foreign markets.

Difficult as it may be for the average harried shopper to believe, the United States generally has had a lower rate of inflation than any major country outside the totally controlled economies such as Russia and China.

Next year increased exports are likely if American prices continue to rise more slowly than those of foreign competitors. The substantial increase in auto exports in 1975 is also an indication that in the international competition the American industrial talents and resources are competing successfully.

Despite this year's all-time record in wheat production, those troublesome surpluses of a generation ago are not with us and world wheat reserves are still near record lows.

The current winter wheat crop is reported by the U.S. Department of Agriculture to be suffering from dry weather. The Department predicts the wheat crop next year may be 9% less than the 1975 record crop. The Department also reports farmers are stepping up hog production this winter for the first time in five years.

So it appears as if Kentucky, although not the largest wheat producer, may enter the last quarter of the century with a steady and increasing demand for its coal, its tobacco and its food production in a world with a rapidly rising population.

Despite the high cost of oil and its products such as farm chemicals, which complicate a farmer's life, and even with environmental pollution problems, our situation does look hopeful and those who live in Kentucky can derive satisfaction from knowing how good a state it truly is.

* * *

A prickly press is the best protection for a democratic society. It is a political early warning system and some sensitive observers both from the Right and Left are reporting signs of a new form of assault on constitutional liberties of a free press. The challenge is in the increasing number of "Gag" rules issued by trial courts forbidding publication of information about criminal cases.

It is typified in the Simants case in Nebraska where the state courts seek to limit press reporting of a sensational murder case. The Supreme Court of that state declared the news media may not publish or broadcast any information strongly implicative of an accused as the perpetrator of the slayings. Publication even of matters of public record or information that had appeared in open court proceedings were forbidden by the Nebraska courts on the theory the accused's constitutional right to a fair trial is superior to the constitutional right of the citizens to know.

While Article I of the Bill of Rights in the United States Constitution provides Congress shall make no law . . . abridging the freedom of the press, it does not expressly say the courts may not issue such an order in individual cases. Since the federal government has only such powers as are granted to it by the constitution, do the courts have the power to thus restrict the freedom of the press without legislation so justifying?

So conservative a writer as James J. Kilpatrick sees the Nebraska Gag Rule as a [illegible] than the case [illegible] where [illegible] stituted Supreme Court held the government could not restrain the printing of a secret official study of our conduct of foreign and military affairs. The people, says Kilpatrick, have a right to know what goes on in their law enforcement agencies, in their prosecutors offices, in their courts. The opposite extreme is the Soviet system where secret arrests and trials are the conventional course of action.

Nor is the gag rule a total stranger to Kentucky. Last week, in Mayfield, Graves Circuit Judge Seth Boaz was reported to have granted a Motion prohibiting local officials from discussing with newsmen the case of John W. Hubbard, charged with trafficking in cocaine and marijuana. Judge Boaz said he granted the defense Motion for such prohibition because, "I don't see any opposition to it". He said the rule will prohibit principals in the case from issuing statements, but the information placed in the public record can be published. Judge Boaz' restriction appears to be limited to disclosure by officials and not to publication if the press obtains the information.

This challenge of the courts to freedom of the press is from a new quarter. In the past decade the threat has been from the executive and that seems to have been limited. Nathan Glazer, Professor of Education and Social Structure at Harvard, asks rhetorically in the Winter issue of THE PUBLIC INTEREST if we are moving toward an imperial judiciary, while describing how, in his judgment, the courts have truly changed their role in American life, reaching even deeper into the lives of the people and often against the will of the people, as in the busing cases.

Freedom of the press is not a gift of power to the newspapers, it is a protection for the people.

An essential function of a free press is to inform the citizens of the abuse of power. If powerful institutions are permitted to control that function, we lose the fundamental protection.

The CLASSIFIEDS Could Be Your One Stop Shopping Trip —

Babson discusses economics--1975 and 1976

Continued from page one

be increasingly difficult to maintain as 1976 proceeds. The cumulative effects of boosts in labor costs, shipping charges, and other operating expenses will gradually offset some of the benefits of higher production and sales, squeezing profit margins to such an extent that only compensating price boosts can alleviate the situation. Also, continuing massive deficits in the federal budget will add potent fuel to inflation, both psychologically and to the degree that such deficits are monetized. We envision inflation averaging some 7% in 1976.

INVENTORIES—LESS DOMINANT IN 1976

Sudden changes in the policy of business toward inventory holdings in the year ahead will not be the dominating influence on economic activity that they have been in the past two years. The Arab oil embargo created fear of supply shortages and price increases. The ensuing splurge of inventory accumulation served to buoy 1974's business for the better part of the year before it was realized that consumers had altered their spending pattern and that high borrowing costs were negating the cost benefits of stockpiling. The resultant turnabout in policy in favor of retrenchments in inventory holdings and bank loans triggered the sharp slump in industrial activity in late 1974 and early 1975. And, here again, in some segments of the economy businessmen overreacted. So, as signs of a loosening of consumer purse strings were seen, overly deep slashes in inventories had to be corrected. It was this move to replenish stocks of raw materials and finished goods which brought about the unexpectedly early and steep business climb starting in the second quarter of 1975.

Such pronounced swings in business inventories are not likely to be repeated in 1976. There may be some stockpiling early in the year to hedge against the debilitating effects of a possible protracted tie-up of the nation's trucking industry by the Teamsters early next spring, but for the most part labor negotiations during the year ahead do not involve industries which would require intensive strike-hedge inventory accumulation. Moreover, the somewhat more liberal consumer spending pattern is neither deep-rooted nor extensive enough to encourage merchants to load up. And manufacturers and retailers still haunted by memories of the surplus goods of the past 18 months are not anxious for a repeat of that fiasco.

INDUSTRIAL PRODUCTION

The last major cyclical uptrend in industrial production peaked in the latter part of 1973. Except for a moderate adjustment, factory operations were sustained near that top level for almost a year owing to the scramble for inventories. Finally, however, the stagnation in consumer demand forced a drastic liquidation of surplus stocks during the second half of 1974 and triggered the nosedive in production. In the six months encompassing the final quarter of 1974 and the first quarter of 1975, the economy was battered by an awesome sequence of events: Production curtailments, shortened workweeks, employe layoffs, and plant closings. But since the upturn last May, the Federal Reserve Index of Industrial Production has advanced steadily and somewhat more steeply than was thought likely a year ago.

What with the gathering momentum of the fledgling recovery phase, 1976 makes its debut enjoying a brisk pace of factory operations. While the strength is not evenly spread across the industrial spectrum, the cyclical advance of automobile output and the more positive signs in the long-subdued home building sector are optimistic. Consumer demand for apparel, appliances, and home furnishings is also contributing to the industrial improvement. So even with allowances for possible strike interruptions, it now looks as if 1976 can manifest an overall upward trend, although factory production may not exceed the close-to-3% long-term growth rate of the economy. Year-to-year comparisons are likely to be most impressive during the first four months since corresponding 1975 figures were in the cyclical trough of the recession. Thereafter, gains will narrow even as factory operations continue to make progress—ex strikes. This may not seem impressive, but a predominantly upward trend at approximately the rate of the nation's basic growth is surely far more acceptable than the adverse experiences suffered in parts of the past two years.

BUSINESS CAPITAL SPENDING

A more ambitious projection of both the real GNP and industrial production is not warranted at this time since business capital expenditures for the expansion of productive capacity are likely to remain limited. Such spending, particularly when superimposed upon powerful consumer demand and aggressive inventory accumulation, is a prerequisite for a business surge of boom proportions because it takes this type of activity to hike demand sharply for manpower and materials. But there is still a sizable amount of productive potential in American industry either underutilized or idle. Until the impetus of full-scale production is felt and business confidence is again running strong, it is unlikely that budgets for capital investments will be liberalized to any appreciable extent. This may apply especially to 1976 inasmuch as the high level of factory operations will doubtless be reached in the second half when profit margins will feel increasing pressure and the monetary climate may well present a considerably less expansive posture.

True, political overtones will be strong in much of the new year, and there may well be a push for business capital expenditure incentives. Capital spending policies, however, are not likely to anticipate any such favorable legislation but rather to wait and see. The total of capital spending in 1976 may top that of 1975, but the edge should be small and contain a substantial inflationary content. It should be noted, too, that many such outlays will be for compliance with environmental improvement regulations rather than for raising production. So, this aspect of economic activity in 1976 should prove to be more of a sustainer of business than an upthruster.

CORPORATE PROFITS

Corporate profits in 1975 did better than had been anticipated because of the unexpectedly sharp and early business recovery and the decline in some raw materials costs. With the prospect of even further advances in business during the new year, corporate profits after taxes could well run 20% above the 1975 levels. Most of the gains are likely to occur early in the year, however, as the bite of costs will tend to deepen as the year proceeds. Profit margins will find it difficult to move up along with the higher level of sales in the second half of the year since the cost squeeze will tighten and interest rates will likely be on the upswing again. The widest year-to-year gains will be chalked up in the early months of 1976 because the comparisons will be made with the recession lows in profits. Also, the business advance will still be in that stage where productivity improvements, increased use of idle facilities, and strict cost controls will help to provide favorable profits. In an effort to speed up the economy as an antidote to the high level of unemployment, it is a reasonable bet that the federal corporate tax structure will be kept as it was in 1975. Any broad sweeps of the threatened tax reform will not take place in 1976 although there are likely to be hikes in levies by some states and municipalities.

POSSIBLE LABOR PITFALLS

1976 will be a busy year for new labor contract negotiations. In fact, parleys are scheduled to hammer out fresh labor agreements virtually from the beginning through to the very end of the year. Among the talks will be those involving workers in clothing, electrical machinery, construction, and retailing. But the most crucial for the economy as a whole will be in trucking and automotive production. Both these lines have far-reaching effects on the economy, and they are also rated as pattern setters for other bargaining sessions in 1976 and subsequent years.

While some labor observers express hope that depleted war chests of labor groups and flattened pocketbooks of workers because of the recession and inflation may discourage long and bitter walkouts, this is by no means certain. Labor representatives cite the costly spurt in living costs since the last contracts were signed, and they seek not only compensatory wage hikes but also raises in anticipation of further inflation. Demands of union leaders will, moreover, be heightened because of a healthier business climate along with the issuance of good corporate profits reports.

But management will be mindful of their profit margins and put up sufficient resistance to hold final wage settlements in the 6%-10% range. Even though raises will average less than union leaders seek, there will be a persistent push for such costly fringe concessions as health and death insurance, shorter hours with the same pay, more liberal vacations and holidays, and other benefits.

EMPLOYMENT AND PERSONAL INCOME

The seasonally adjusted unemployment rate, as a percentage of the total civilian labor force, peaked at 9.2% in mid-May of 1975. Total employment slipped only about 3% on a seasonally adjusted basis. Both barometers were slow in recovering, which was not unusual in view of the fact that curtailed workweeks are normally lengthened before additions are made to work forces. In 1976, unemployment will continue to ease only grudgingly and will do well to recede to the 7% mark by year's end. Employment, on the other hand, can climb to new peak levels even without a sizable public "make work" program. The disparity between the jobless and the employment sectors will be a reflection of the expansion in the total labor force.

With the lengthening of workweeks and the beefing up of staffs as the business advance makes further headway, personal income figures should make good reading in 1976. Wage boosts will also help materially. Overall, personal income could gain as much as 12% over that of 1975, and disposable income should not be far behind.

CONSUMER AND GOVERNMENT SPENDING

Although inflation was a big factor in turnover totals, consumer demand responded to the betterment in economic conditions and prospects over the past year. With the outlook for business, employment, and personal income enjoying a distinctly healthier tone (except for the threat of labor disruptions), 1976 is expected to see more liberal spending on the part of consumers. In current dollars, consumer expenditures should cross the trillion-dollar mark, but high prices will temper the year-to-year improvement on a unit volume basis. Such a large part of the spending dollar will be gobbled up by hefty allocations for food, shelter, clothing, and energy that there will be scant leeway for lower priority segments.

Locked in by inflation and ever-expanding social programs, public spending at all government levels will move higher in 1976. The federal government, particularly, is saddled with prior commitments. Hence, mounting pressures for fiscal responsibility are not likely to do more than pare some appropriations, and force curtailment and postponement of some lavish and low-priority items. Therefore, another huge federal deficit looms for calendar 1976, despite the moderating influence of an increase in tax revenues.

BUILDING AND CONSTRUCTION

After a sharp two-year slump during which the seasonally adjusted annual rate of private housing starts tumbled from 2.5 million units to somewhat less than 1 million units, an improvement in mortgage credit supplies spawned an upturn for home building in 1975. But even when the full year's total is tallied, it will be well below the 1972 record and even less than the poorest showing of recent years. Babson's forecasts new housing starts of some 1.3 million units in 1976. Non-residential construction will also improve steadily, but the gains will not be substantial and will lend business only mild support.

FARM PROSPECTS

1975 was a fine year for agricultural output, but farmers did not fare well in terms of income. High operating costs and the embargo on grain exports held net farm income far below expectations relative to the bumper 1975 crop. There will be a good carryover of key harvests for 1976, although with the worldwide food shortages weather conditions will be crucial in the coming crop year. Better fertilizer supplies and costs, however, augur well for 1976 totals.

WAGES AND PRICES

The expected advance in business for the year ahead will mean gains in pay rates, employment, and the length of the workweek. So, 1976 consumers' earned income should post sizable increases which, in turn, will stimulate consumer confidence and demand.

While price increases have been a matter of deep concern this past year, the impact was far less burdensome than in 1974. Markdowns to spur consumer demand and lower costs for some key raw materials helped restrain the overall price advance. 1976 will not be as fortunate, however, as the business uptrend will inevitably bring a firm-to-higher price pattern. With new wage boosts in labor contracts, there will be added price pressures. Any imperilment of 1976 crops could move prices sharply higher, and lurking in the background also is the threat of new hikes in the price of OPEC oil.

ELECTION YEAR CONSIDERATIONS

Political campaigns will have a definite effect on the economy during the new year, since all aspirants will focus mainly on economic problems. The Administration will devote most of its attention to alleviating the plight of the jobless as well as the farmers. Of course, the power struggle on the Hill will continue.

POTENTIAL DANGERS ON FOREIGN SCENE

The Administration shows little inclination to cease its quest for detente with the Soviet Union or alter its calm approach to the Middle East. However, success in both objectives will remain in the tenuous category in 1976. The SALT talks have made little progress of late, and civil strife in Lebanon and Angola may impose new strains on Soviet-American relations. Still, Babson's forsees no direct conflict between the superpowers over the year ahead.

In the realm of world trade, the outlook is encouraging. True, gains in imports will likely exceed those in exports. But American business can benefit from the currently stronger dollar, and also from the fact that the domestic rate of inflation is so much lower than that prevailing in many other nations.

INTEREST RATES—MONEY

Because of the worries over unemployment, it is unlikely that the monetary authorities will change their current policy during the better part of 1976. Money and credit will be kept sufficient to meet business needs and to accommodate the Treasury's financings. Once inflationary forces regain the ascendancy, however, the money supply may once again be curtailed as an anti-inflation move.

The Babson staff looks for short-term money rates to hover near present levels in the early part of 1976. With the approach of spring there should be an upswing continuing until late in the year, but the high may not quite reach the 10% level. Since longer-term interest rates have receded only modestly in 1975, they will move up only a trifle in 1976. But with the firming of homebuilding, mortgage money can be expected to move upward toward the 10% mark.

STOCK AND BOND OUTLOOK

Some easing of the New York City fiscal crisis in the waning weeks of 1975 made it possible for the stock market to wind up on a constructive note. Hence, the early part of 1976 should enjoy an optimistic climate. Over the year as a whole, however, the heavy labor agenda will keep investors on edge, as will the fear of inflation. With prospects favoring a good—but not a lusty—business year, an upsurge in stock prices vigorous enough to drive the Dow Jones Industrial Average significantly above the 1000 mark is unlikely. For the same reasons—barring an adverse development not now in evidence—the DJIA is not likely to move materially below the 800 level. At this juncture there is a good supply of attractively priced common stocks and convertible securities for investors oriented toward the growth and appreciation of their capital funds. And many of these issues offer reasonably rewarding yields. Investors who require high income that is also well protected have a substantial selection of bonds and preferred stocks from which to choose. In recent years the emphasis of the investment fraternity has shifted to quality and value, with a healthy measure of income. This attitude is likely to persist in 1976, and individual investors would do well to follow suit.