

# The Carlisle Mercury

Our 113th year, No. 1

Carlisle, Kentucky, 40311, Thursday, January 3, 1980

25 cents per copy

## An unexpected Christmas

It didn't look like it would be a very happy Christmas for Mr. and Mrs. Tippy Otis but a surprise visit by a couple of neighbors made the Christmas spirit shine throughout their house on the Headquarters Road.

Otis, a native of Bath County, moved to Nicholas County from Oklahoma recently, leaving behind a farm that dialysis treatments at \$100 a visit to a private hospital had gobbled up.

The fifth member of his family to have serious kidney disease Otis and his wife moved back to his native Kentucky so he could continue his treatments at the Veterans Administration Hospital in Lexington.

People who have to have dialysis treatments because of kidney disease face a harrowing experience at least three times a week that some patients feel isn't worth it. But without the treatments the patients would surely die, because their kidneys, unlike normal kidneys, cannot cleanse their blood of the impurities that it picks up on its trip through the body.

So three times each week Otis goes to Lexington and is hooked up — literally — to a machine. His blood runs from his body into the machine where it is cleansed and then returned to the arteries.

The treatments are painful and long — each lasts five hours. The point on the arm where the blood enters and leaves often becomes sore and inflamed. The chances of contracting hepatitis are far greater than usual.

The treatments that Otis took at that private hospital in Oklahoma cost \$100 each. At three per week, it does not take long to amass a considerable hospital bill. His native Kentucky was fortunate by the treatments available to him as a veteran at the VA Hospital in Lexington. The Otises still are faced with selling their car and truck and their Oklahoma farm is now a memory as they sit in the rented house they live in on the Billy Doyle place.

But one thing the Otises are rich in is neighbors. And two of their

neighbors exhibited such a Christmas spirit that Mrs. Otis called the Mercury to see if there was any way she could thank them.

Ron McDonald and Ralph Jones are constables in the Headquarters-Saltwell area. When Tippy Otis goes to Lexington for a treatment it is often Jones or McDonald who takes him. The two men also keep a close eye on the Otis home and periodically stop by to check and see if the couple needs anything.

"They have been so good to Tippy," Mrs. Otis said. "We really never expected to find this kind of people here. But they both have gone out of their way to help us and it has shown us just how wonderful people in Nicholas County are."

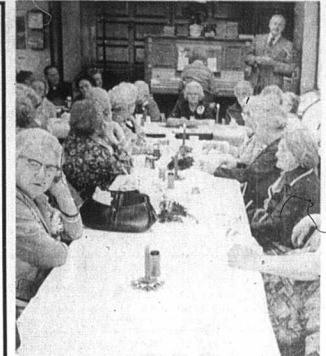
One day just before Christmas Jones and McDonald stopped by the Otis house but this visit was different than the rest. The men carried in a Christmas tree and strings of lights and ornaments, then decorated the tree.

"I didn't know what kind of Christmas we would have," Mrs. Otis said. "It didn't look as if it would be much but what those two did just made our Christmas."

Tippy Otis faces a future more uncertain than most of us. There is no one left in his family that could donate a kidney to him so he could stop the dialysis treatments. Five members of his family suffered from kidney disease and there are no matches left.

His sister received a kidney from their father when she was 13. It was the third kidney ever transplanted at the UK Medical Center. She lived for 12 more years, years that Mrs. Otis said were cherished by everyone who knew her.

"Tippy won't give up," she said. "My husband is a fighter. But it makes it so much easier when you know you have friends and neighbors who care enough to help when they can. I just can't say enough about Mr. Jones and Mr. McDonald and all they've done for us. And we were strangers!"



### Christmas carols

Lee Bentz leads the singing and Mrs. A. V. (Geneva) Allison provides the accompaniment at the Nicholas County Senior Citizens Center annual Christmas party. Dec. 20. Invited for the meal and program were city and county officials. — Mercury photo

## Recession threat greater— Babson

Babson's Business and Financial Forecast for 1980

By Babson's Reports Inc., Wellesley Hills, Mass., December 27, 1979. Just a year ago we envisioned in our forecast for 1979 a slowing in the economic tempo of sufficient scope to create a technical state of recession, stemming from the effects of anti-inflation monetary measures. We did point out, however, that the intrinsic strength of the economy would forestall a deep, prolonged business dislocation. Instead, we looked for "real" gross national product to show only enough softening in the second and third quarters of the year to constitute a recession. Visualized was a mild and brief setback, more in the nature of a spell of slow growth, the economy again on the mend by the fourth quarter of 1979.

The statistical evidence now shows that there was enough resilience to produce a sharp rebound in the third quarter, negating the spring slump. So, even though 1979's final quarter was adversely impacted by the broader, more aggressive anti-inflation program instituted by the Federal Reserve, the year as a whole did not suffer an economic recession. This was an impressive achievement in view of the heights to which interest rates and inflation had soared.

### Recession Threat Heightened for 1980

Developments of the past three months have raised the odds that 1980 will experience the economic recession which 1979 escaped. The Fed's credit-tightening move took an increasing toll on business as the final 1979 quarter progressed. When the results for that period are made public, "real" gross national product (GNP ex inflation) will probably show some loss. Since we now expect this business barometer to move off further in the initial quarter of 1980, the required two consecutive quarters of lower "real" GNP readings will have been recorded to constitute a recession.

### Steeper, Longer Recession Than Previously Expected

The staff of Babson's Reports looks, in fact, for the downward slide of "real" gross national product to extend through the second quarter of 1980. The recession, therefore, will very likely last a bit longer than we had previously anticipated. Also, the depth of the down-trend is currently expected to approximate 4 percent from the high of the third quarter of 1979. The scope of the recession we now foresee is not unrealistic since we have experienced only the early effects of the anti-inflation program started last fall. In addition, the fight has been made all the more difficult by the further climb in prices for petroleum products. And the implications of conditions in Iran and of U.S.-Iran relations are anything but reassuring for the petroleum picture, in terms of both prices and supplies. This does not augur well for the domestic automobile industry which has been in a beleaguered state for many months and the tightening of credit compounds its troubles. Extremely high borrowing costs and scarcer mortgage money are hurting residential building. Therefore, neither of these key industries will be of much help in 1980.

Fortunately, there are no massive imbalances to correct. Except for the excessive supplies of high-gasoline-consumption autos relative to retail demand, there are no

appreciable inventory problems in the economy. Hence, this time around, the period of economic adjustment is not expected to be as vicious as the last recession. The first two 1980 quarters will see the business tempo on the wane, with the first three months likely to bear the brunt of the losses. By the time summer rolls around, the economy should stabilize and perhaps edge a bit upward. The final three 1980 months will make additional headway, with vitality somewhat more evident. But the upturn in the second half of 1980 will not be as power-packed as the rebound from the last recession because inflation will be difficult to defuse. While the economic recession will not be unduly painful, neither will the ensuing recovery phase be initially vigorous.

### A Great Many Uncertainties

Make no mistake, there are problems and uncertainties which are capable of inflicting greater damage to the economy than may now seem likely. The uncertain economic climate itself and the questions which are sure to arise in the quadrennial national elections, including those concerning anti-American violence, must be watched closely. Moreover, the course of the battle against inflation must be monitored, so it would be ill-advised to project a more optimistic outlook right now.

### Slower Inflation Pace Possible

There can be little doubt that inflation has been one of the banes of 1979. While there seems little early prospect of any perceptible recession in the inflation rate, the Babson Staff is of the opinion that some headway can be made against inflation in the year ahead. As the winter progresses, recession-muted demand can help to damp its fires, and bring additional slowing in the inflationary pace further on in 1980. The task will not be easy and the problem will likely prove stubborn. From this vantage point, we feel that inflation can be wrung down to a rate of around 10 percent for the year as a whole. This would still be a higher level than is good for the economy, but the decline would be welcomed.

### Gross National Product

In current dollars, the nation's gross national product (dollar value of goods and services produced) will continue to trend upward. But this will be mainly due to the impact of inflation, and the rate of increase will not be as great as that of 1979. "Real" GNP (the constant-dollar GNP — i.e., in terms of the 1972 dollar) is now expected to fall about 2 percent for the year as a whole versus the 1979 average. While the exigencies of a political year will likely bring some federal pump-priming moves by spring, nevertheless, as indicated earlier, we think "real" GNP will decline sharply in the first 1980 quarter and moderately in the following three months. A flat-to-uplift pattern is expected in the third quarter, with an even better showing in the final quarter. Any substantive recovery signs prior to midyear seem unlikely because of tight credit, still onerously high levels of interest rates and inflation, and upward-moving fuel costs.

### Industrial Production

We look for industrial production to trend lower through mid-1980. Since a good deal of the decline will be

over the second half of the year, we feel the annual rate of industrial activity will average only about 1 percent below the 1979 average. Bear in mind that auto production and related businesses have already been working downward for the better part of 1979, as has home building. But these two sectors should lead the late-1980 recovery.

### Business Inventories

One of the unusual aspects of the long period of economic rise since the spring of 1975 is the orderly manner in which business inventories have been expanded — mostly in step with the uptrend in sales. Disproportionate inventory positions were quickly brought back into line by price-mark-down sales efforts. Thus, with the above-mentioned exception of hard-to-move gasoline guzzlers in the automobile field, there is no glut of inventories to liquidate. Despite the acceleration of inflation's pace, most inventory positions have been kept trim. This has been due to the agonizing experience of the last recession, the extremely costly rates of borrowed capital over the past two years, and the ability to monitor inventory positions closely with the help of computers. But while the economy is not expected to be unduly disrupted by inventory liquidations under duress on a widespread basis, neither will inventory accumulation be an important factor in helping to lift business activity in most of 1980.

### Business Capital Expenditures

Business capital outlays for new plant and equipment will rise about 10 percent in current dollars owing to the effects of inflation, but — as in the case of the GNP — there will be a slight year-to-year slippage in constant dollars. With the ease-off in industrial activity taking the pressure from high-level capacity utilization, incentive to expand will not come until late 1980.

### Labor Front to Remain Active

1979 was a busy year on the labor front, and it will be very active again in 1980. However, with most of the major contract expirations coming around midyear — i.e., in construction, communications, steel, aluminum, and metal containers — the early-year recession and the rise in unemployment will temper the aggressiveness of labor leaders.

### Building and Construction

One of the pivotal industries helping to determine the course of 1980's economic achievement will be the housing field. After peaking out in 1978, new housing starts slowed down in the past year. The high degree of inflation-hedge purchasing of both new and existing homes proved to be a substantial bolstering factor for 1979's economy. Nevertheless, high borrowing costs and scarce mortgage credit restrained new housing starts compared with 1978's superlative effort. The tightness in mortgage credit and the high rates for mortgage money may not relent significantly before mid-1980. Hence, we forecast a steep slide in new housing starts in the first quarter of the year, followed by a flat second quarter. After midyear, loosening of the mortgage credit situation and less oppressively high mortgage money rates will facilitate improvement in home building; but even then new housing starts will do well to better the 1¼-million mark.

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