in the supermarket this fall and further expand overseas agricultural markets. While consumer spending is slower than it was last year, backlogs of manufacturers' orders are very high -- a good economic indicator. Housing starts (usually considered a prime economic indicator) dropped again in May, but the Nixon administration hopes to pump $10-billion into the housing mortgage market to spurt housing construction before the end of the year. In other words, there is as much good news as bad.

Widespread political changes have also added to world economic uncertainties. Besides an American president mired in a Constitutional battle, many countries are still adjusting to new leadership (e.g., Britain, France, Germany and Portugal), or still looking for it: the Canadians are holding new national elections this month; Italy's government continues to flounder; and Japan's politicians remain under heavy domestic pressures (plus those in the upper house of Parliament face July 7 elections). Economic optimists see these developments as further support for their contention that the world economy is only reflecting the uncertainties of international restructuring rather than the beginnings of a collapse.

The Arabs may once again try to bully their way around the world marketplace -- this time with the cash reaped since the oil price hikes. Saudi Arabia, Kuwait, the United Arab Emirates and Libya are expected to amass an estimated $100-billion in oil revenues this year. While these countries are neither industrialized nor populated enough to directly influence a tariff war, their new riches do put them in a position to help stabilize (or create havoc in) international currency markets. So far the Arabs have invested much of their new wealth in short-term investments including Eurodollar bank accounts. (Many people do not know what these "Eurodollars" are: they are simply dollars held by individuals or institutions outside the United States.) Since many of these are "call accounts" from which money can be withdrawn immediately the Arabs could set off a world monetary crisis if they started switching from one Eurocurrency to another.

The oil-rich Arab nations have come under heavy attack from one of their own -- Saudi Arabia. At the recent meeting in Quito, Ecuador, of the Organization of Petroleum Exporting Countries (OPEC), Saudi Arabia's Sheik Yamani was the lone voice urging a cut in crude oil prices rather than an increase. He argued that the prospect of an oil glut is very real (as New World Economy Newsletter predicted in May) and that overinflated oil prices would reduce the demand for oil and force OPEC nations to slow production -- and consequently cut their real profits. Although the other OPEC countries voted to approve 10 to 12 cents per barrel increases, it may have been just a face-saving maneuver: the Saudis are OPEC's largest producer and may lower world oil prices on their own initiative.

The Saudis are also taking a hard look at how they are investing their oil riches. Like other Arab nations, they have traditionally fallen back on safe, short-term investments. The Saudis are now considering making large investments in the United States including American company stocks, property and industrial projects. Although they are still cautious about the risks, they see the prospect for some real bargains on Wall Street right now. (The Saudis are also reported to be watching for investment opportunities in "boom" areas such as the "Atlanta-Greenville Corridor" in Georgia and South Carolina.)

Good news for American newspapers? While ailing big city newspapers have attracted the most publicity recently, the majority of this country's newspapers are actually showing record profits. The success of both new and old publications in near-monopoly positions in rural and suburban areas accounts for newspapers pulling 30 percent of advertising sales -- which is almost equal to the total advertising sales of magazines, radio and television combined. Although established urban newspapers are expected to continue to face heavy labor costs, higher newsprint prices (the smaller papers use less newsprint) and shrinking profit margins, automation may spur new newspaper growth in big cities: it will soon be much cheaper to launch a new, automated newspaper than negotiate long-range switch-overs with unions on established papers. (A highly automated, new daily for New York City is now in the planning stages.)

Do you think Wall Street's in bad shape? It may be better off than many think: the Dow Jones industrial average has "stabilized" around 800 and could begin a rally in a few months. That's how some of the bulls among the chartists are thinking these days. And, according to a recent article in the London Economist, some chartists go even further with predictions that the market will bottom out at 700 and then bounce up to a peak of 1100! (Non-chartists are more modest. They auger falling interest rates in the summer will jump the market 100 points in a week.) Not to be outdone by optimists, the pessimists predict a "superbear" market with a 25% chance that the market will plummet to 500.

Another far-reaching shortage looms over industry and threatens to raise prices across the board in the near future: a shortage of fresh water for both industrial use and human consumption. Some management consultants are warning top management of the approaching crisis and are urging clients to take a hard look at solutions now. While the most immediate impact of a water shortage will be higher profits in direct-use industries such as bottled water, water meters and water purification equipment, the negative consequences will be more far-reaching. Prices will rise in a variety of industries including food and beverages, film processing, paper, and paints. A water shortage would also hurt sales of swimming pools (and related recreational products), laundry products, steam appliances, home gardening products, and many heating and air-conditioning systems.