

Mr. COHEN. I think housing conditions for the bulk of aged people are very, very tragic.

Chairman PROXMIRE. This would help them improve those conditions.

Mr. COHEN. It would; although I think there is another factor and that is the tendency of older people not to leave their immediate neighborhoods or contacts, no matter how bad the housing is, because they don't like to move away from familiar circumstances. I think there is a built-in reluctance to move. The two big problems of the aged, medical care costs and housing conditions, still need a great deal of further attention.

Chairman PROXMIRE. Then can you summarize in general what effect you think this is likely to have on prices, this increase in benefits coming at this time, looking at the economy as you would, as an excellent economist and as a member of the administration?

Mr. COHEN. I would say, taking the disadvantageous aspect first; namely, in a period of rising prices and particularly, rising medical care prices, part of the benefit increase, in a sense, may be used up because aged people will be only meeting the cost changes that are occurring.

But, on the other hand, I think the benefits will be expanded rapidly, and they will serve to provide the aged with a somewhat better standard of living.

Chairman PROXMIRE. Yes. What I am concerned about, and of course, we are all deeply concerned with that, but I am also concerned right now with what effect this is going to have on prices across the board. They will spend less of this on housing because of patterns and habits and because they are older people and would be less inclined to move. They would be spending probably little on automobiles.

Mr. COHEN. That is right.

Chairman PROXMIRE. I imagine some in that area but not very much. Not much on recreation because these are people who need the money and have to spend it on necessities. Some on travel.

Mr. COHEN. A very major part would be spent for food.

Chairman PROXMIRE. A very major part would be food?

Mr. COHEN. A very major part, I think, would be spent for food. What the impact of that would be on prices in relation to agricultural products and demand I am not sufficiently aware of, but I do think that a benefit increase would be reflected in additional purchases in food, and unfortunately it may be reflected in somewhat higher rents for those who have rental housing. When social security beneficiaries get an increase it becomes known in the community and the costs which have been somewhat held down are reflected in higher prices for medical costs and housing.

Chairman PROXMIRE. We have been so much concerned with the impact of farm production policies on prices for food and so much less on the demand side that my instinct is that this would not have a great effect on increase in food prices.

Mr. COHEN. I would not think so.

Chairman PROXMIRE. We have almost an unlimited capacity for production of food. We have Government programs that try to help the farm income by retarding production. But I would think that from that standpoint, it would not be inflationary.