

Expert: [Isabel V. Sawhill](#), Senior Fellow, Economic Studies
 Compiled by: Emily Monea



Candidates on Fiscal Responsibility

Compiled by Brookings Institution experts, this chart is part of a series of issue indices to be published during the 2008 Presidential election cycle. The policy issues included in this series were chosen by Brookings staff and represent the most critical topics facing America's next President. Available voting records and statements vary based on time in office. For candidates who have not been a Member of Congress, public statements are noted when available.

CANDIDATES



Barack Obama (D)
 Senator from Illinois



John McCain (R)
 Senator from Arizona

Published 6/25/08. Updated 7/30/08. The index displays the top candidates from both major parties. Opportunity 08, a Brookings project in partnership with ABC News, aims to help presidential candidates and the public focus on critical issues facing the nation, providing ideas, policy forums, and information on a broad range of domestic and foreign policy questions. Brookings is an independent think tank (501c3) that does not support or oppose any candidate for public office. Voters should learn all they can about the candidates on a range of issues and should not rely on any single source of information before making their decision.

Candidates	Obama (D)	McCain (R)
Overview	<p>Senator Obama has proposed many plans calling for new spending initiatives and tax cuts. He has estimated the cost of several of these plans and identified offsets for some. He has pledged not to raise taxes for households making under \$200,000/\$250,000. –ABCNews.com</p> <p>Read more</p>	<p>Senator McCain has proposed many new tax cuts and almost no new federal spending, as his philosophy is that “intelligently-formulated tax cuts and sensible tax reform will deliver much higher growth when they are accompanied by lower spending.” Nonetheless, McCain said that he would go through with his tax cuts even if Congress did not approve offsetting spending cuts. He has pledged not to raise taxes and is committed to balancing the budget by the time he leaves office. –JohnMcCain.com</p> <p>Read more, read more and read more</p>
Fiscal Goals/Fiscal Balance	<p>In response to a question about whether it would be a priority of his administration to balance the federal budget every year, Obama responded: “We are not going to be able to dig ourselves out of that hole in 1 or 2 years. But if we can get on a path of sustained growth, end the war in Iraq, end some of the special interest loopholes and earmarks that have been clogging up the system, then I think we can return to a path of a balanced budget.” –GoVote.com</p> <p>Read more</p>	<p>McCain pledges not to leave office without balancing the federal budget. –JohnMcCain.com</p> <p>Read more</p>
Specificity: Pressing Fiscal Issues the Candidates are not Discussing in Detail	<p>AMT reform, Social Security reform, Medicare reform, Medicaid reform</p>	<p>Social Security reform, Medicare reform, Medicaid reform</p>
Budgetary Process Issues: CBO Budget Baseline¹	<p>Obama does not support following the traditional CBO baseline for budget projections. According to Austan Goolsbee, an economic advisor to Obama, the CBO baseline is “completely unrealistic,” and the campaign is making sure that its initiatives are paid for compared with the current budget. --Richard Rubin, “Candidates’ Plans Sketched in Red Ink,” <i>Congressional Quarterly Weekly</i>, January 13, 2008</p>	<p>McCain does not support following the traditional CBO baseline for budget projections. According to Douglas Holtz-Eakin, McCain’s domestic policy advisor, “an analysis grounded in sound economics would evaluate the impact of tax and spending proposals that change the current course of policy.” –TaxPolicyCenter.org</p> <p>Read more</p>

¹ The budget baseline is a powerful fiscal tool, as it effectively determines by how much a specific initiative will increase or decrease revenue or spending and therefore the federal budget deficit or surplus. It is especially important under PAYGO rules as it will determine whether an initiative must be offset with savings in other areas. The CBO baseline is based on current law, but Obama and McCain both support following a “current policy” baseline. The difference between these two baselines can be quite large. Consider extending all or portions of the Bush tax cuts, which are set to expire in 2010, as both candidates support: if the candidate prefers comparing his policies to current policy and not current law, then he will not feel compelled to offset the cost of the extensions, even though, according to the CBO baseline, the extensions would result in tens, if not hundreds, of billions of dollars a year in lost revenue.

Published 6/25/08. Updated 7/30/08. The index displays the top candidates from both major parties. Opportunity 08, a Brookings project in partnership with ABC News, aims to help presidential candidates and the public focus on critical issues facing the nation, providing ideas, policy forums, and information on a broad range of domestic and foreign policy questions. Brookings is an independent think tank (501c3) that does not support or oppose any candidate for public office. Voters should learn all they can about the candidates on a range of issues and should not rely on any single source of information before making their decision.

Candidates	Obama (D)	McCain (R)
Budgetary Process Issues: PAYGO	<p>Obama supports PAYGO principles when applied to the appropriate baseline (see above). –BarackObama.com</p> <p>Read more</p>	<p>According to Holtz-Eakin, McCain is a supporter of pay-as-you-go principles when applied to the appropriate baseline (see above). –David Nather, “A Softer Pay-as-You-Go Stance,” Congressional Quarterly Today, May 5, 2008</p>
Taxes: Overview	<p>Obama supports extending those portions of the Bush tax cuts aimed at providing relief for low- and middle-income earners and has pledged not to raise taxes on households with income below \$200,000/\$250,000. He has also proposed simplifying the process of filing tax returns by giving people the option to verify and sign pre-filled tax forms prepared by the IRS. –BarackObama.com</p> <p>Read more</p>	<p>McCain proposed several tax cuts in his economic plan (described below) and supports permanently extending the Bush tax cuts. He believes that it should require a 3/5 majority vote in Congress to raise taxes. –JohnMcCain.com</p> <p>Read more</p>
Taxes: Bush Income Tax Cuts	<p>Obama would roll back the Bush income tax cuts for those making over \$200,000/\$250,000 as well as restore the PEP and Pease phaseouts² for households making more than \$250,000.</p> <p>He would also permanently extend the EGTRRA child credit expansions, marriage penalty relief, adoption credit expansions, the 10, 15, 25, and 28 percent rates, EITC simplification, and the renewable electricity production credit. –TaxPolicyCenter.org</p> <p>Read more</p>	<p>McCain would permanently extend all of the Bush income tax cuts. –JohnMcCain.com</p> <p>Read more</p>
Taxes: Estate Tax³	<p>He would freeze and extend the estate tax at the 2009 level, with a 45 percent tax rate and an exemption of \$3.5 million (\$7 million per couple). –TaxPolicyCenter.org</p> <p>Read more</p>	<p>He would implement a 15 percent tax rate with an exemption of \$5 million (\$10 million per couple). –JohnMcCain.com</p> <p>Read more</p>

² The 2001 tax cuts gradually eliminate two provisions aimed at high-income earners that were enacted as part of the 1990 deficit-reduction package. The personal exemption phaseout, or PEP, phases out the personal exemption for those with high incomes. The Pease limits the value of itemized deductions for taxpayers with high incomes.

³ Changes to the estate tax were included in the Bush tax cuts. According to current law, the estate tax will be repealed completely in 2010. In 2011, the tax rate will revert to 55 percent and the exemption rate to \$1 million. Published 6/25/08. Updated 7/30/08. The index displays the top candidates from both major parties. Opportunity 08, a Brookings project in partnership with ABC News, aims to help presidential candidates and the public focus on critical issues facing the nation, providing ideas, policy forums, and information on a broad range of domestic and foreign policy questions. Brookings is an independent think tank (501c3) that does not support or oppose any candidate for public office. Voters should learn all they can about the candidates on a range of issues and should not rely on any single source of information before making their decision.

Candidates	Obama (D)	McCain (R)
Taxes: Capital Gains and Dividends⁴	<p>Obama supports increasing the top rate on capital gains and dividends, though he has said he would not raise it above 28 percent. –FOXnews.com, Read more and read more</p> <p>Obama supports two other minor capital gains tax breaks. –BarackObama.com, Read more and read more</p>	<p>McCain would maintain the current rates. –JohnMcCain.com</p> <p>Read more</p>
Taxes: Corporate Income Tax	<p>Obama would support reducing the corporate income tax rate if it were accompanied by a reduction in corporate tax loopholes and thus a broadening of the corporate tax base.</p> <p>Bob Davis and Amy Chozick, “Obama Plans Spending Boost, Possible Cut in Business Tax,” Wall Street Journal, Jun 17, 2008, pg. A.1. –BarackObama.com</p> <p>Read more</p>	<p>McCain would reduce the corporate income tax rate from 35 percent to 25 percent (see below) while eliminating corporate tax loopholes. –JohnMcCain.com</p> <p>Read more and read more</p>
Taxes: AMT	<p>According to his Senate website, Obama supports reforming the AMT in a “fiscally responsible manner.” He has no specific proposal to do so. –Obama.Senate.gov</p> <p>Read more</p>	<p>McCain would permanently repeal the AMT. –JohnMcCain.com</p> <p>Read more</p>
Medicare	<p>Obama is “committed to the long-term strength of the Medicare program” and believes that we must reduce waste in the Medicare system and tackle fundamental health care reform in order to address the problems facing Medicare.</p> <p>Specifically, his health care reform plan will reduce “excessive subsidies” to Medicare Advantage plans and allow Medicare to negotiate lower drug prices.</p> <p>Obama will also seek to close the donut hole in the Medicare Part D prescription drug program. He has no specific proposal to do so nor has he stated how he would pay for such an initiative. –BarackObama.com</p> <p>Read more and read more</p>	<p>McCain’s proposed health care plan will reform Medicare payment systems to compensate providers for diagnosis, prevention and care coordination, not for preventable medical errors or mismanagement. He says that his health care reform will reduce the growth in Medicare spending.</p> <p>McCain also supports income-relating Medicare prescription drug coverage premiums. –JohnMcCain.com</p> <p>Read more and read more</p>

⁴ The cuts in the capital gains and dividends rates were part of the Bush tax cuts. The bottom rate is currently 5 percent and the top rate is 15 percent. Published 6/25/08. Updated 7/30/08. The index displays the top candidates from both major parties. Opportunity 08, a Brookings project in partnership with ABC News, aims to help presidential candidates and the public focus on critical issues facing the nation, providing ideas, policy forums, and information on a broad range of domestic and foreign policy questions. Brookings is an independent think tank (501c3) that does not support or oppose any candidate for public office. Voters should learn all they can about the candidates on a range of issues and should not rely on any single source of information before making their decision.

Candidates	Obama (D)	McCain (R)
Medicaid	<p>Obama supports state-level reform efforts to constrain Medicaid costs such as negotiating for low drug prices, implementing disease management and quality initiatives, and offering greater support for community-based, long-term care services. –BarackObama.com</p> <p>Read more</p>	<p>McCain will reform Medicaid payment systems to compensate providers for diagnosis, prevention and care coordination, not for preventable medical errors or mismanagement. –JohnMcCain.com</p> <p>Read more</p>
Social Security	<p>Obama does not support privatization and does not want to cut benefits or raise the retirement age.</p> <p>He does support creating a donut hole in the payroll taxation of earnings, taxing all earnings up to the current limit (\$102,000) and all earnings above \$250,000. Earnings between \$102,000 and \$250,000 would remain untaxed. –QCTimes.com and Newsweek.com</p> <p>Read more and read more</p>	<p>McCain does not support raising taxes to fix Social Security.</p> <p>He does support supplementing the current system with personal accounts and, according to Holtz-Eakin, he would hold annual increases in benefits to about 5 percent of GDP – below the 6 to 7 percent increases under the current system. He has no specific proposal to do so. –JohnMcCain.com and TaxVox.TaxPolicyCenter.org</p> <p>Read more and read more</p>
Initiatives: Offsets Suggested	<p>Health Care:</p> <ul style="list-style-type: none"> • Key Component(s): Create sliding-scale subsidies that recipients can use to purchase health insurance; expand Medicaid and SCHIP • Cost: \$50 - \$65 billion per year⁵, net of assumed savings from reducing inefficiencies in the health care system • Financing: Restore the top two personal income tax brackets; increase the tax rates on capital gains and dividends; freeze and extend the estate tax at the 2009 level (see above for details) <p>–NewYorkTimes.com, Read more</p>	<p>Health Care: General Reform:</p> <ul style="list-style-type: none"> • Key Component(s): Give tax credits to encourage more people to buy insurance on the open market • Cost: Not specified • Financing: Eliminate the employer-sponsored insurance tax expenditure <p>–NewYorkTimes.com, Read more</p>

⁵ At times the candidates state that spending on a particular initiative will amount to a specific amount over a certain number of years, say \$150 billion over 10 years. In these cases, we have put everything in one-year terms and have done so for all of the candidates. This does not necessarily mean that this is the exact amount of money that will be spent in a given year (the initiatives could be phased in, for example).

Published 6/25/08. Updated 7/30/08. The index displays the top candidates from both major parties. Opportunity 08, a Brookings project in partnership with ABC News, aims to help presidential candidates and the public focus on critical issues facing the nation, providing ideas, policy forums, and information on a broad range of domestic and foreign policy questions. Brookings is an independent think tank (501c3) that does not support or oppose any candidate for public office. Voters should learn all they can about the candidates on a range of issues and should not rely on any single source of information before making their decision.

Candidates	Obama (D)	McCain (R)
<p>Initiatives: Offsets Suggested (Continued)</p>	<p>Middle Class Tax Relief:</p> <ul style="list-style-type: none"> • Key Component(s): Create “Making Work Pay” tax credit; create universal mortgage credit; eliminate income taxes for senior citizens earning less than \$50,000 per year • Cost: \$80 - \$85 billion per year • Financing: Close corporate loopholes, crack down on international tax havens, increase the highest bracket for capital gains and dividends, and close the carried interest loophole <p>–BarackObama.com, Read more</p> <p>Energy and the Environment:</p> <ul style="list-style-type: none"> • Key Component(s): Invest in clean energy; create Clean Technology Deployment Venture Capital Fund • Cost: \$15 billion per year in investments; \$10 billion per year for 5 years for the fund • Financing: Use revenue raised from cap-and-trade auction <p>–BarackObama.com, Read more</p> <p>Early Education and K-12:</p> <ul style="list-style-type: none"> • Key Component(s): \$10 billion per year for “Zero to Five” plan; reform and expand the Child and Dependent Care Tax Credit (CDCTC) • Cost: \$18 billion per year • Financing: Delay the NASA Constellation Program for five years, use purchase cards and the negotiating power of the government to reduce costs of standardized procurement, auction surplus federal property, reduce erroneous payments identified by the GAO, and close the CEO pay deductibility loophole. Remainder of plan will be financed using a small portion of the savings associated with ending the war in Iraq <p>–BarackObama.com, Read more</p> <p>College Affordability:</p> <ul style="list-style-type: none"> • Key Component(s): Create American Opportunity Tax Credit; expand Pell Grants • Cost: Not specified • Financing: Eliminate the Federal Family Education Loan Program <p>–BarackObama.com, Read more</p> <p>Public Service:</p> <ul style="list-style-type: none"> • Key Component(s): Expand national and community service • Cost: \$3.5 billion per year • Financing: End a corporate tax loophole; use a small portion of the savings associated with ending the war in Iraq <p>–BarackObama.com, Read more</p>	<p>Health Care: Guaranteed Access Plan:</p> <ul style="list-style-type: none"> • Key Component(s): Create state-run high-risk pools with federal financial assistance • Cost: \$7 - \$10 billion per year • Financing: Redirect federal money currently going towards uncompensated medical care <p>–NewYorkTimes.com, Read more</p> <p>Tax Plan:</p> <ul style="list-style-type: none"> • Key Component(s): Reduce corporate tax rate from 35 percent to 25 percent; raise personal exemption for each dependent from \$3,500 to \$7,000; establish alternate, simpler tax system with two tax rates and a generous standard deduction; allow first-year deduction of equipment and technology investment; establish permanent tax credit equal to 10 percent of wages spent on R&D; ban internet and new cell phone taxes. • Cost: \$200 billion per year • Financing: Eliminate earmarks; put a one-year freeze on discretionary spending in most federal agencies; later eliminate wasteful programs; broaden the tax base by eliminating loopholes; spur economic growth. <p>–JohnMcCain.com, Read more</p> <p>–Laura Meckler, “Campaign ’08: McCain Reverses Position to Support Bush Tax Cuts; New Plan Includes Billions in Breaks; Setting Up a Clash,” Wall Street Journal, April 16, 2008, pg. A.5</p> <p>–NewYorkTimes.com, Read more</p> <p>Energy and the Environment:</p> <ul style="list-style-type: none"> • Key Component(s): “Help build the infrastructure of a post-carbon economy.” • Cost: Not specified • Financing: Use revenue from cap-and-trade auction (which will be phased in) and other federal funds <p>–JohnMcCain.com, Read more and read more</p>

Published 6/25/08. Updated 7/30/08. The index displays the top candidates from both major parties. Opportunity 08, a Brookings project in partnership with ABC News, aims to help presidential candidates and the public focus on critical issues facing the nation, providing ideas, policy forums, and information on a broad range of domestic and foreign policy questions. Brookings is an independent think tank (501c3) that does not support or oppose any candidate for public office. Voters should learn all they can about the candidates on a range of issues and should not rely on any single source of information before making their decision.

Candidates	Obama (D)	McCain (R)
<p>Initiatives: Offsets NOT Suggested</p>	<p>Encouraging Savings:</p> <ul style="list-style-type: none"> Key Component(s): Increase savings by making the Savers Credit refundable and expanding it to match 50 percent of the first \$1,000 of savings for families that earn under \$75,000 Cost: Not specified <p>–BarackObama.com, Read more</p> <p>Expand the EITC:</p> <ul style="list-style-type: none"> Key Component(s): Increase benefit for full-time workers making minimum wage; increase benefit for workers supporting children on child support; increase benefit for families with three or more children; reduce EITC marriage penalty Cost: Not specified <p>–BarackObama.com, Read more</p> <p>Infrastructure:</p> <ul style="list-style-type: none"> Key Component(s): Create National Infrastructure Bank Cost: \$6 billion per year <p>–BarackObama.com, Read more</p> <p>Other initiatives: foreign assistance to lower poverty (\$25 billion, read more); humanitarian initiative in Iraq (\$2 billion, read more); paid leave (\$1.5 billion; read more); jobs creation (\$200 million per year, read more); make the R&D tax credit permanent (cost not specified, read more); double funding for basic research (cost not specified, read more); improve and expand Trade Adjustment Assistance (cost not specified, read more, p. 12); extend the federal Production Tax Credit for 5 years (cost not specified, read more); increase funding for federal workforce training programs, LIHEAP, and food support programs (cost not specified, read more, read more and read more); rural development (cost not specified, read more).</p>	<p>Reform the unemployment insurance system (cost not specified) –JohnMcCain.com</p> <p>Read more</p>
<p>Earmarks and Wasteful Spending and Taxation</p>	<p>Obama would cut earmarks to no greater than the 2001 level. He would also increase the efficiency of government programs and ensure that federal contracts over \$25,000 are competitively bid.</p> <p>He supports closing corporate and other tax loopholes. –BarackObama.com</p> <p>Read more (p. 29) and read more</p>	<p>McCain will impose a one-year pause in non-security discretionary spending growth so that all federal programs can be reviewed for effectiveness; he will eliminate all wasteful and broken programs. He also pledges to veto every bill with earmarks and seek the line-item veto to reduce waste and eliminate earmarks.</p> <p>He will also reform the federal tax code and eliminate corporate tax loopholes. –JohnMcCain.com</p> <p>Read more and read more</p>