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Remarks By John McCain On The Economy

April 15, 2008

ARLINGTON, VA -- U.S. Senator John McCain will deliver the following remarks as prepared for delivery at Carnegie Mellon University in Pittsburgh, PA, today at 9:45 a.m. EDT:

Thank you. I appreciate the hospitality of the Allegheny Business Conference... the Pittsburgh Tech Council... and the students and faculty of Carnegie Mellon University. We have a strong showing this morning from the Carnegie Mellon Naval ROTC unit as well. And I'm happy to be with all of you.

This university has a fine reputation for its programs in business, finance, and other disciplines in the field of economics. And it's always worth recalling that economics is not a subject that can be wrenched apart from all the rest of life, or from the values that give life direction. When we debate economic policy, we are talking, after all, about the deepest hopes that carry us each along in the work we do... about all the things we wish for ourselves and for each other. And these cannot be measured by simply running the numbers.

In our free society, it is left to each one of us to make our own way in the world -- and our jobs, businesses, savings, pensions, farms, and homes are the work of years. Take these away and you are diminishing a lot more than the GDP, or the final tally on the Big Board on Wall Street. Take these away, and a million dreams are undone. The gains of hard work and sacrifice are lost. And something can be lost that is very crucial in our economy, and very slow to return -- confidence.

Every so often in our nation's capital, we relearn this lesson when the excesses of traders and speculators, and the poor planning of politicians, catches up with them, and the troubles spread far beyond Wall Street and Washington. This has happened in recent months, at great cost to workers, small businesses, families, and homeowners across our nation. And calling these serious problems a "correction" in the market, or a "cycle" of the economy, doesn't make their situation any better, their jobs and homes any safer, their lives any easier.

Economic policy is not just some academic exercise, and we in Washington are not just passive spectators. We have a responsibility to act -- and if I am elected president I intend to act quickly and decisively. We need reforms that promote growth and opportunity. We need rules that assure fairness and punish wrongdoing in the market. We need tax policies that respect the wage-earners and job creators who make this economy run, and help them to succeed in a global economy. In all of this, it will not be enough to simply dust off the economic policies of four, eight, or twenty-eight years ago. We have our own work to do. We have our own challenges to meet.

Millions of working men and women in Pennsylvania, Ohio, Michigan and beyond can tell you how urgent is the work before us. One man put it this way to a reporter not long ago, in reply to a question about the job he had just lost. He said, "I told my wife that I'll always keep a roof over her head. Now, I worry about keeping that promise." In the monthly reports of our Labor Department, nearly 250,000 Americans like this man were let go recently and suddenly from jobs they thought were safe.

A woman in the town of Trainer, in Delaware County, also captured the feeling of many when she described what it's like to work and save for years, and, at the age of 47, still struggle for the basics of life. The family has had medical problems, and as she puts it: "Trust me, no one wants to be in our shoes. And lots of people are just a sick husband away from where we are." For citizens like these -- doing their best to keep promises and meet obligations, there is no comfort knowing their problems are common and their worries are shared.

Meanwhile, the people we expect to be most sober and level-headed in their economic decisions -- bankers and other home lenders -- forgot some of the basic standards of their own profession. Hard-working homeowners are learning for the first time about the endlessly complicated borrowing, bundling, and betting that has been going on in our capital markets. Americans worry about a system that allows 4 million bad loans to affect 51 million good ones. They wonder how assets can so quickly become liabilities, and why the high-risk schemes of a few were permitted to inflict such grievous harm on our entire financial system.

Americans are also right to be offended when the extravagant salaries and severance deals of CEO's -- in some cases, the very same CEO's who helped to bring on these market troubles -- bear no relation to the success of the company or the wishes of shareholders. Something is seriously wrong when the American people are left to bear the consequences of reckless corporate conduct, while Mr. Cayne of Bear Stearns, Mr. Mozilo of Countrywide, and others are packed off with another forty- or fifty million for the road.

I leave it for others to speculate on the technical definition of a recession. It's all a little beside the point, if it's your plant that's closing and your job that's gone... when you are facing foreclosure, or back in debt after years of hard effort, or

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hardly able to buy food, gas, or heating for your home, the truest measure of prosperity in America is the success and financial security of those who earn wages and meet payrolls in this country. Many are waiting for their first homes... their first big break... their first shot at financial security. And helping them will be my first priority in setting the economic policies of this nation.

In so many ways, even now, the workers and entrepreneurs of America are taken for granted by their government, while the lobbyists and special pleaders are seldom turned away. By the tens of billions of dollars, our tax money is routinely squandered by the Congress on less than useless pork-barrel projects -- projects having nothing to do with the purposes of government, and everything to do with the preservation of power.

In the same way, many in Congress think Americans are under-taxed. They speak as if letting you keep your own earnings were an act of charity, and now they have decided you've had enough. By allowing many of the current low tax rates to expire, they would impose -- overnight -- the single largest tax increase since the Second World War. Among supporters of a tax increase are Senators Obama and Clinton. Both promise big "change." And a trillion dollars in new taxes over the next decade would certainly fit that description.

Of course, they would like you to think that only the very wealthy will pay more in taxes, but the reality is quite different. Under my opponents' various tax plans, Americans of every background would see their taxes rise -- seniors, parents, small business owners, and just about everyone who has even a modest investment in the market. All these tax increases are the fine print under the slogan of "hope": They're going to raise your taxes by thousands of dollars per year -- and they have the audacity to hope you don't mind.

They and others argue that the tax increase is necessary in part to finance Social Security and Medicare. Unfortunately, this claim only serves to remind us of Congress' consistent failure to repair both of these programs even under the best of circumstances. For years, Congress has been buying time, and leaving the great challenge of entitlement reform for others to deal with. And now the two contenders in the other party have even proposed enormous new federal commitments before the old commitments have been kept -- trusting that others, somewhere down the road, will handle the financing and make all the numbers come out right.

But there will come a day when the road dead-ends, and the old excuses seem even more hollow. And it won't be the politicians who bear the consequences. It will be American workers and their children who are left with worthless promises and trillion-dollar debts. We cannot let that happen. And you have my pledge: as president I will work with every member of Congress -- Republican, Democrat, and Independent -- who shares my commitment to reforming and protecting Medicare and Social Security.

In so many ways, we need to make a clean break from the worst excesses of both political parties. For Republicans, it starts with reclaiming our good name as the party of spending restraint. Somewhere along the way, too many Republicans in Congress became indistinguishable from the big-spending Democrats they used to oppose. The only power of government that could stop them was the power of veto, and it was rarely used.

If that authority is entrusted to me, I will use the veto as needed, and as the Founders intended. I will veto every bill with earmarks, until the Congress stops sending bills with earmarks. I will seek a constitutionally valid line-item veto to end the practice once and for all. I will lead across-the-board reforms in the federal tax code, removing myriad corporate tax loopholes that are costly, unfair, and inconsistent with a free-market economy.

As president, I will also order a prompt and thorough review of the budgets of every federal program, department, and agency. While that top to bottom review is underway, we will institute a one-year pause in discretionary spending increases with the necessary exemption of military spending and veterans benefits. "Discretionary spending" is a term people throw around a lot in Washington, while actual discretion is seldom exercised. Instead, every program comes with a built-in assumption that it should go on forever, and its budget increase forever. My administration will change that way of thinking.

I'll hold the agencies of the federal government accountable for the money they spend. I'll make sure the public helps me, and I'll provide federal agencies with the best executive leadership that can be found in America. We're going to make every aspect of government purchases and performance transparent. Information on every step of contracts and grants will be posted on the Internet in plain and simple English. We're going to post an agency's performance evaluation as well. We're going to demand accountability. We will make sure that federal spending serves the common interests... that failed programs are not rewarded... and that discretionary spending is going where it belongs -- to essential priorities like job training, the security of our citizens, and the care of our veterans.

In my administration there will be no more subsidies for special pleaders -- no more corporate welfare -- no more throwing around billions of dollars of the people's money on pet projects, while the people themselves are struggling to afford their homes, groceries, and gas. We are going to get our priorities straight in Washington -- a clean break from years of squandered wealth and wasted chances.

I have a clear record of not asking for earmarks for my state. For their part, Senators Obama and Clinton have championed a long list of pork-barrel projects for their states -- like that all-important Woodstock museum that Senator Clinton expected Americans to pay for at the cost of a million dollars. That kind of careless spending of tax dollars is not change, my friends: It is business as usual in Washington, and it's all a part of the same wasteful and corrupting system that we need to end.

The goal of reform, however, is not merely to check waste and keep a tidy budget process -- although these are important enough in themselves. The great goal is to get the American economy running at full strength again, creating the opportunities Americans expect and the jobs Americans need. And one very direct way to achieve that is by taking the savings from earmark, program review, and other budget reforms -- on the order of 100 billion dollars annually -- and use those savings to lower the business income tax for every employer that pays it.

So I will send to Congress a proposal to cut the taxes these employers pay, from a rate of 35 to 25 percent. As it is, we have the second-highest tax on business in the industrialized world. High tax rates are driving many businesses and jobs

overseas -- and, of course, our foreign competitors shouldn't mind if we kept it that way. But if I am elected president, we're going to get rid of that drag on growth and job creation, and help American workers compete with any company in the world.

I will also send to the Congress a middle-class tax cut -- a complete phase-out of the Alternative Minimum Tax to save more than 25 million middle-class families more than 2,000 dollars every year.

Our tax laws and those who enforce them should treat all citizens with respect, whether they are married or single. But mothers and fathers bear special responsibilities, and the tax code must recognize this. Inflation has eroded the value of the exemption for dependents. I will send to Congress a reform to increase the exemption -- with the goal of doubling it from 3,500 dollars to 7,000 dollars for every dependent, in every family in America.

The tax laws of America should also promote and reward innovation, because innovation creates jobs. Tax laws should not smother the ingenuity of our people with needless regulations and disincentives. So I will propose and sign into law a reform agenda to permit the first-year expensing of new equipment and technology... to ban Internet taxes, permanently... to ban new cell phone taxes... and to make the tax credit for R&D permanent, so that we never lose our competitive edge.

It is not enough, however, to make little fixes here and there in the tax code. What we need is a simpler, a flatter, and a fair tax code. As president, I will propose an alternative tax system. When this reform is enacted, all who wish to file under the current system could still do so. And everyone else could choose a vastly less complicated system with two tax rates and a generous standard deduction. Americans do not resent paying their rightful share of taxes -- what they do resent is being subjected to thousands of pages of needless and often irrational rules and demands from the IRS. We know from experience that no serious reform of the current tax code will come out of Congress, so now it is time to turn the decision over to the people. We are going to create a new and simpler tax system -- and give the American people a choice.

Better tax policy is just one part of a pro-growth agenda that includes smarter regulation and a leaner, more focused government. Among the many benefits to America, these reforms will help to create jobs, improve the investment climate, attract global investors, and strengthen the dollar.

Americans also worry about stagnant wages, which are caused in part by the rising cost of health care. Each year employers pay more and more for insurance, leaving less and less to pay their employees. As president, I will propose and relentlessly advocate changes that will bring down health care costs, make health care more affordable and accessible, help individuals and families buy their health insurance with generous tax credits, and enable you to keep your insurance when you change jobs.

Many retired Americans face the terrible reality of deciding whether to buy food, pay rent or buy their prescriptions. And their government should help them. But when we added the prescription drug benefit to Medicare, a new and costly entitlement, we included many people who are more than capable of purchasing their own medicine without assistance from taxpayers who struggle to purchase their own. People like Bill Gates and Warren Buffet don't need their prescriptions underwritten by taxpayers. Those who can afford to buy their own prescription drugs should be expected to do so. This reform alone will save billions of dollars that could be returned to taxpayers or put to better use.

There's never been a problem Americans couldn't solve. We are the world's leaders, and leaders don't fear change, pine for the past and dread the future. We make the future better than the past. That is why I object when Senators Obama and Clinton and others preach the false virtues of economic isolationism. Senator Obama recently suggested that Americans are protectionist because they are bitter about being left behind in the global economy. Well, what's his excuse for embracing the false promises of protectionism? Opening new markets for American goods and services is indispensable to our future prosperity. We can compete with anyone. Senators Obama and Clinton think we should hide behind walls, bury our heads and industries in the sand, and hope we have enough left to live on while the world passes us by. But that is not good policy and it is not good leadership. And the short-sightedness of these policies can be seen today in Congress' refusal to vote on the Colombian Free Trade Agreement.

When new trading partners can sell in our market, and American companies can sell in theirs, the gains are great and they are lasting. The strength of the American economy offers a better life to every society we trade with, and the good comes back to us in many ways -- in better jobs, higher wages, and lower prices. Free trade can also give once troubled and impoverished nations a stake in the world economy, and in their relations with America. In the case of Colombia, a friend and crucial democratic ally, its stability and economic vitality are more critical now, as others in the region seek to turn Latin America away from democracy and away from our country. Trade serves all of these national interests, and the interests of the American economy as well -- and I call on the Congress once again to put this vital agreement to an up or down vote.

I know that open markets don't automatically translate into a higher quality of life for every single American. Change is hard, and while most of us gain, some industries, companies and workers are left to struggle with very difficult choices. And government should help workers get the education and training they need -- for the new jobs that will be created by new businesses in this new century.

Right now we have more than a half-dozen different programs that are supposed to help displaced workers, and for those who are not working at all. We have an unemployment insurance program straight out of the 1950s. It was designed to assist workers through a few tough months during an economic downturn until their old jobs came back. That program has no relevance to the world we live in today.

If I'm elected president, I'll work with Congress and the states to make job training and unemployment insurance what they should be -- a swift path from a job that's not coming back to a job that won't go away. We will build a new system, using the unemployment-insurance taxes to build for each worker a buffer account against a sudden loss of income -- so that in times of need they're not just told to fill out forms and take a number. And we will draw on the great strengths of America's community colleges, applying the funds from federal training accounts to give displaced workers of every age a fresh start with new skills and new opportunities.

These reforms must wait on the next election, but to help our workers and our economy we must also act in the here and now. And we must start with the subprime mortgage crisis, with the hundreds of thousands of citizens who played by the rules, yet now fear losing their houses. Under the HOME plan I have proposed, our government will offer these Americans direct and immediate help that can make all the difference: If you can't make your payments, and you're in danger of foreclosure, you will be able to go to any Post Office and pick up a form for a new HOME loan. In place of your flawed mortgage loan, you'll be eligible for a new, 30-year fixed-rate loan backed by the United States government. Citizens will keep their homes, lenders will cut their losses, and everyone will move on -- following the sounder practices that should have been observed in the first place.

It's important as well to remember that the foolish risk-taking of lenders, investment banks, and others that led to these troubles don't reflect our free market as it should be working. In a free market, there must be transparency, accountability, and personal and corporate responsibility. The housing crisis came about because these standards collapsed -- and, as president, I intend to restore them.

The grave problems in the housing market have been viral, spreading out to affect the credit and buying power of Americans even as the price of oil and gas is rising as never before. There are larger problems underlying the price of oil, all of which I will address in my energy plan, but in the short term there are crucial measures we can take.

I propose that the federal government suspend all taxes on gasoline now paid by the American people -- from Memorial Day to Labor Day of this year. The effect will be an immediate economic stimulus -- taking a few dollars off the price of a tank of gas every time a family, a farmer, or trucker stops to fill up. Over the same period, our government should suspend the purchase of oil for the Strategic Petroleum Reserve, which has also contributed to the rising price of oil. This measure, combined with the summer-long "gas-tax holiday," will bring a timely reduction in the price of gasoline. And because the cost of gas affects the price of food, packaging, and just about everything else, these immediate steps will help to spread relief across the American economy.

By summer's end, moreover, millions of college students will be counting on their student loans to come through -- and we need to make sure that happens. These young Americans, including perhaps some of you at CMU, are among the many citizens whose ability to obtain a loan might be seriously hurt by faraway problems not of their own making. So, today, I propose that the Department of Education work with the governors to make sure that each state's guarantee agency has the means and manpower to meet its obligation as a lender-of-last-resort for student loans. In the years ahead, these young Americans will be needed to sustain America's primacy in the global marketplace. And they should not be denied an education because the recklessness of others has made credit too hard to obtain.

These are just some of the reforms I intend to fight for and differences I will debate with whoever my Democratic opponent is. In the weeks and months ahead, I will detail my plans to reform health care in America... to make our schools more accountable to parents and taxpayers... to keep America's edge in technology... to use the power of free markets to grow our economy... to escape our dependence on foreign oil... and to guard against climate change and to be better stewards of the earth. All of these challenges, and more, will face the next president, and I will not leave them for some unluckier generation of leaders to deal with. We are going to restore the confidence of the American people in the future of this great and blessed country.

I do not seek the presidency on the presumption that I am blessed with such personal greatness that history has anointed me to save my country in its hour of need. I seek the presidency with the humility of a man who cannot forget that my country saved me. I am running to serve America, and to champion the ideas I believe will help us do what every American generation has done: to make in our time, and from our challenges, a safer, stronger, more prosperous country and a better world.

As I have always done, I will make my case to every American who will listen. I will not confine myself to the comfort of speaking only to those who agree with me. I will make my case to all the people. I will listen to those who disagree. I will try to persuade them. I will debate. And I will learn from them. But I will fight every moment of every day for what I believe is right for this country, and I will not yield.

Thank you.

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