



What Senator McCain's Economic Agenda Would Mean for America's Poor

By Ben Furnas, Robert Gordon, and James Kvaal

To his credit, Senator McCain has begun to [talk](#) about the need to address America's "forgotten places" that have been "ignored for long years by the sins of indifference and injustice."

But what would Senator McCain's agenda mean for these forgotten places?

The analysis below demonstrates two facts about the impact of Senator McCain's agenda:

- First, his tax cuts would provide virtually no benefit for the 36.5 million Americans living in poverty.
- Second, paying for these tax cuts, as Senator McCain has pledged to do, would require massive reductions—from 20 to 40 percent—in programs that benefit the poor, such as Head Start, Pell Grants for college, Title I school funding, and nutrition aid for mothers and children.

The McCain Tax Agenda: No Help for the Poor

What would the centerpiece of Senator McCain's economic agenda – a \$3 trillion tax cut – do for people in poverty? The answer, unfortunately, is little or nothing.

More than half of Senator McCain's tax cuts -- \$175 billion a year – go to corporations. Another \$60 billion spent on repealing the Alternative Minimum Tax goes to very high-income taxpayers. And his gas tax holiday lasts only three months and expires before he takes office.

Senator McCain does propose one tax break that will benefit many middle-class families: doubling the personal exemption for dependents from \$3,500 to \$7,000. The proposal will let parents earn \$3,500 tax-free for each child they have. Its value is higher to higher-income families:

- Families in poverty – who pay sales and payroll taxes, but usually not income taxes– will not get any tax relief at all. In the families shown in the table, the adults are working full time earning the minimum wage and yet they live in poverty. These families would not receive a tax cut from the McCain plan.

- Typical middle-class families – defined as those in the 15 percent tax bracket -- would receive \$525 per dependent.
- High-income families in the top tax bracket – who pay a 35 percent tax rate – would receive \$1,225 per dependent.

McCain Tax Plan Gives Nothing to Families in Poverty		
Poor Families	Annual Income	Tax Cut
Single Parent with One Child	\$12,000	\$0
Two Parents with Two Children	\$24,000	\$0
Middle-Class Families		
Single Parent with One Child	\$40,000	\$525
Two Parents with Two Children	\$80,000	\$1,050
High-Earning Families		
Single Parent with One Child	\$500,000	\$1,225
Two Parents with Two Children	\$1,000,000	\$2,450

Source: Center for American Progress Action Fund analysis.

The McCain Tax Agenda: Deep Cuts for the Poor

While Senator McCain has proposed more than [\\$300 billion](#) in tax cuts, he has also said that, unlike President Bush, he will pay for these tax cuts by “cutting spending.” But he [has](#) “failed to give details about what, exactly, [he] would cut.”

The analysis below provides a rough estimate of how Senator McCain’s agenda would impact programs that serve the poor. We assume that Senator McCain’s agenda is fully implemented in 2016. We further assume that a President McCain would succeed in eliminating every one of the \$18 billion in earmarks identified by Taxpayers for Common Sense and in preventing all future earmarks. We assume (generously, in our view) that a President McCain succeeded in eliminating the \$18 billion in spending on “wasteful” programs that President Bush has [identified](#) and to which the McCain campaign has [pointed](#). Finally, we assume that the \$18 billion cut grows to \$30 billion over time.

Even if he did all that, Senator McCain would still need to cut more than **\$250 billion a year in spending**. In practical terms:

- If those cuts were spread equally over Defense and non-Defense discretionary spending, he would need to cut **approximately 20%** from those programs.

- If Defense spending were protected and the cuts were focused on non-Defense discretionary programs, he would need to cut **approximately 40%** from the future budget.

The analysis above incorporates all of the specific spending reductions identified by Senator McCain. The table below therefore shows the impact of the remaining \$250 billion in cuts if they fell across the board in 2016. These are reductions compared to the CBO baseline for discretionary spending, which assumes inflation of about 2.2% a year. Our reliance on the CBO baseline is conservative, assuming no growth in programs due to growth in populations served, even though the U.S. population is growing.

McCain's Budget Plan Takes Plenty Away from Families in				
PROGRAM	DOMESTIC DISCRETIONARY SPENDING CUT ONLY (20%)		ACROSS-THE-BOARD DISCRETIONARY SPENDING CUT (40%)	
	Dollars Cut	People Cut	Dollars Cut	People Cut
Head Start	\$1.6 billion	170,000	\$3.2 billion	340,000
Title I	\$3.2 billion	1.05 million	\$6.5 billion	2.1 million
Pell Grants	\$3.8 billion	810,000	\$7.6 billion	1.6 million
WIC	\$1.4 billion	1.7 million	\$2.9 billion	3.4 million
Adult Employment	\$200 million	57,000	\$400 million	110,000

Source: U.S. Department of Agriculture "FY 2009 Budget Summary and Annual Performance Plan" <http://www.obpa.usda.gov/budsum/fy09budsum.pdf>, accessed April 21, 2008; U.S. Department of Labor "Fiscal Year 2009 Budget in Brief" http://www.dol.gov_sec/budget2009/bib.htm#eta2, accessed April 21, 2008; U.S. Department of Education "Fiscal Year 2009 Budget Summary" <http://www.ed.gov/about/overview/budget/budget09/summary/edlite-section2a.html#tit>, accessed April 21, 2008.

It may seem foolish to imagine that such cuts would ever occur. But what is truly misguided, in our view, is to propose massive tax cuts for the wealthy without acknowledging the enormous harm to "forgotten places" that these tax cuts would ultimately cause.