

FactChecking Debate No. 2: Nonsense in Nashville

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McCain and Obama debated for the second time, in Nashville. We noted some misleading statements and mangled facts:

- McCain proposed to write down the amount owed by over-mortgaged homeowners and claimed the idea as his own: "It's my proposal, it's not Sen. Obama's proposal, it's not President Bush's proposal." But the idea isn't new. Obama had endorsed something similar two weeks earlier, and authority for the treasury secretary to grant such relief was included in the recently passed \$700 billion financial rescue package.
- Both candidates oversimplified the causes of the financial crisis. McCain blamed it on Democrats who resisted tighter regulation of federal mortgage agencies. Obama blamed it on financial deregulation backed by Republicans. We find both are right, with plenty of blame left over for others, from home buyers to the chairman of the Federal Reserve.
- Obama said his health care plan would lower insurance premiums by up to \$2,500 a year. Experts we've consulted see little evidence such savings would materialize.
- McCain misstated his own health care plan, saying he'd give a \$5,000 tax credit to "every American." His plan actually would provide only \$2,500 per individual, or \$5,000 for couples and families. He also misstated Obama's health care plan, claiming it would levy fines on "small businesses" that fail to provide health insurance. Actually, Obama's plan exempts "small businesses."
- McCain lamented that the U.S. was forced to "withdraw in humiliation" from Somalia in 1994, but he failed to note that he once proposed to cut off funding for troops to force a faster withdrawal.
- Obama said, "I favor nuclear power." That's a stronger statement than we've heard him make before. As recently as last December, he said, "I am not a nuclear energy proponent."
- McCain claimed "1.3 million people in America make their living off eBay." Actually, only 724,000 persons in the U.S. have income from eBay, and only some of them rely on it as their primary source.

Analysis

Sens. Barack Obama and John McCain met Oct. 7 for the second of three scheduled presidential debates. It was a town-hall-style debate before an audience of 80 uncommitted voters. Questions were submitted by the audience members, and others who sent them by e-mail, and were screened beforehand by moderator Tom Brokaw of NBC News. The event was held at Belmont University in Nashville, Tenn., and was broadcast nationally. We caught several misleading statements and falsehoods, many of which the candidates have said before.

"My" mortgage plan?

McCain made what he claimed was a new proposal to rescue over-mortgaged homeowners:

McCain: As president of the United States. ... I would order the secretary of the treasury to immediately buy up the bad home loan mortgages in America and renegotiate at the new value of those homes — at the diminished value of those homes and let people be able to make those — be able to make those payments and stay in their homes.

McCain added: "It's my proposal, it's not Sen. Obama's proposal, it's not President Bush's proposal. But I know how to get America working again..."

But in fact, the recently passed \$700 billion rescue package already grants the treasury secretary authority to undertake just such a program. It requires the secretary to buy up troubled mortgages while taking into consideration "the need to help families keep their homes and to stabilize communities." It also says "the Secretary shall consent, where appropriate (to) loss mitigation measures, including term extensions, rate reductions (or) principal write downs."

Obama himself had urged this as the package was being considered. He said on Sept. 23 that "we should consider giving the government the authority to purchase mortgages directly instead of simply purchasing mortgage-backed securities."

McCain said "his" proposal would be expensive, and his campaign quickly issued a news release giving numbers:

McCain press release: The direct cost of this plan would be roughly \$300 billion because the purchase of mortgages would relieve homeowners of "negative equity" in some homes. ... It may be necessary for Congress to raise the overall borrowing limit.

Minutes later, McCain was attacking Obama for proposing what he said was \$860 billion in new spending.

Oversimplifying the financial crisis. Again.

The finger-pointing was fast and furious during the discussion of the fiscal crisis. McCain blamed lax regulation of the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation:

McCain: But you know, one of the real catalysts, really the match that lit this fire was Fannie Mae and Freddie Mac. [T]hey're the ones that, with the encouragement of Sen. Obama and his cronies and his friends in Washington, that went out and made all these risky loans, gave them to people that could never afford to pay back.

Obama blamed deregulation of the banking industry:

Obama: Now, I've got to correct a little bit of Sen. McCain's history, not surprisingly. Let's, first of all, understand that the biggest problem in this whole process was the deregulation of the financial system.

We've been here before. McCain has in fact been in favor of financial deregulation, but President Bill Clinton signed, and a lot of other Democrats supported, much of that same deregulation. And while Democrats really did fight McCain-cosponsored regulations of the FMs, McCain himself signed on to the bill just two months before the housing

bubble popped.

In fact, there's plenty of blame to go around. Experts have blamed everyone from home buyers to mortgage lenders to Alan Greenspan to both the Bush and Clinton administrations.

Furthermore, McCain misspoke when he said Fannie Mae and Freddie Mac "made all these risky loans, gave them to people that could never afford to pay back." Actually those organizations did not make "home loans directly with consumers." Rather, they "work[ed] with mortgage bankers, brokers, and other primary mortgage market partners" and supplied them with the funds to lend to home buyers at affordable rates, as described on their Web sites.

Dubious Health Care Savings

Obama said that his health care plan would cut premium costs substantially:

Obama: We're going to work with your employer to lower the cost of your premiums by up to \$2,500 a year.

We contacted health experts about this claim before – when Obama was saying the \$2,500 would be the savings per family "on average." Some were quite skeptical. M.I.T.'s Jonathan Gruber told us, "I know zero credible evidence to support that conclusion." Obama has also said on the campaign trail that more than half of the savings would come from the use of electronic health records, a major part of his plan to cut health costs. When we looked into that claim, experts told us it was wishful thinking.

Adoption of electronic medical records has been slow among doctors and hospitals. Obama could do much to speed it up, but it's not clear that he could bring about widespread adoption or reap such large savings from it. One of his advisers previously told us that the \$2,500 figure included savings that would go to government and employers and that could, theoretically, result in lower taxes or higher wages for Americans. It remains to be seen whether savings could trickle down like that, even if Obama could gain the optimistic overall health care savings he touts.

More health care misleads

McCain misstated his own health care plan and Obama's in one sentence:

McCain: I am in favor of . . . giving every American a \$5,000 refundable tax credit and go out and get the health insurance you want rather than mandates and fines for small businesses, as Sen. Obama's plan calls for.

McCain's plan does not call for giving a \$5,000 tax credit for "every American." It calls for a tax credit of \$2,500. The \$5,000 figure would apply to couples or families. And Obama's plan requires large businesses to provide coverage for their employees or pay into a national plan, not "small businesses," as McCain said. Obama's health care proposal, posted on his Web site, says: "Small businesses will be exempt from this requirement." McCain previously used this charge in his acceptance speech at the Republican National Convention, and he repeated the claim in the debate, saying, "If you're a small business person and you don't insure your employees, Sen. Obama will fine you. Will fine you." As we said, that's false. Obama countered that he had proposed a refundable tax credit for small businesses of up to 50 percent of the cost of premiums, which is indeed part of his plan. We've noted before that neither man defines what he means by "small business."

Black Hawk down

McCain lamented having to "withdraw in humiliation" from Somalia in 1993, but failed to mention his own role:

McCain: We went in to Somalia as a peacemaking organization, we ended up trying to be – excuse me, as a peacekeeping organization, we ended up trying to be peacemakers and we ended up having to withdraw in humiliation.

What McCain isn't saying is that he led an attempt to force the Clintonmccain administration to withdraw more quickly. After the First Battle of Mogadishu (immortalized in the book and film "Black Hawk Down"), Clinton proposed a six-month plan for withdrawing combat troops. Then-Sen. Phil Gramm complained that the plan was an attempt to "save face," and McCain introduced an amendment to cut off funding for combat in Somalia and force an immediate withdrawal. The amendment was tabled and the Senate backed Clinton's plan. In his 2002 memoir, "Worth the Fighting For," McCain called his amendment "hasty" and wrote that he "regretted" what he came to see as "a retreat in the face of aggression from an inferior foe."

Nuclear warming

Obama flatly said he favored nuclear energy – embracing it more warmly than in the past:

Obama: Contrary to what Sen. McCain keeps on saying, I favor nuclear power as one component of our overall energy mix.

Previously Obama has been more hesitant. He said at a town hall meeting in Newton, Iowa, on Dec. 30, 2007, when asked if he was "truly comfortable" with the safety of nuclear power:

Obama (Dec. 30, 2007:) I start off with the premise that nuclear energy is not optimal. ... I am not a nuclear energy proponent.

He then went on to say later in the same response that he has "not ruled out nuclear ... but only so far as it is clean and safe." The energy plan Obama released in October 2007 only grudgingly conceded that more nuclear power is probably needed to reduce carbon emissions: "It is unlikely that we can meet our aggressive climate goals if we eliminate nuclear power from the table."

eBay error

McCain said that "1.3 million people in America make their living off eBay." He's way off. That's the number of people worldwide who have eBay earnings as their primary or secondary income. The online auction site says that of these, 724,000 people are in the U.S. – but it still doesn't say how many of the 724,000 use eBay as their primary source of income.

McCain was touting the founder of the popular Internet auction site, Meg Whitman, as a possible secretary of the treasury in a McCain administration.

Counting errors

McCain exaggerated Obama's votes to increase taxes.

McCain: Sen. Obama has voted 94 times to either increase your taxes or against tax cuts. That's his record.

He's getting warmer — the first time we dinged him for this one, he said Obama voted 94 times to increase taxes, which is way off. He's now saying it's 94 votes either for increased taxes or against tax cuts. But that's still misleading. Seven of the votes were for lowering taxes for most people while increasing them on a few, and 11 votes were for increasing taxes only on those making more than \$1 million a year (not "your taxes" except for a very few.)

Obama had his own misleading claim about vote counts:

Obama: And during that time, he voted 23 times against alternative fuels, 23 times.

We found that only 11 of those votes would have reduced or eliminated subsidies or tax incentives for alternative energy. The rest were votes McCain cast against the mandatory use of alternative energy, or votes in favor of allowing exemptions from such mandates.

More on that \$860 billion

McCain said that Obama has proposed more than \$800 billion in new spending.

McCain: Do you know that Sen. Obama has voted for — is proposing \$860 billion of new spending now? New spending.

That's based on a McCain campaign estimate of how much Obama's new proposals will cost, without figuring in any savings or reductions in spending. Any increase in funding and any created program counts as "new spending" in this estimate, whether or not it is offset by decreases in spending elsewhere.

The nonpartisan Committee for a Responsible Federal Budget has found that both Obama and McCain are proposing combinations of tax and spending policies that would increase the federal deficit. It found that in 2013, Obama's proposals would produce a net deficit increase of \$286 billion, while McCain's major policies would produce a net deficit increase of between \$167 billion and \$259 billion. In talking to CNN, CRFB President Maya MacGuineas estimated that McCain's deficit increase would fall midway between the extremes of that range, at \$211 billion.

Iraqi surplus

Obama repeated a stale talking point when he said, "We're spending \$10 billion a month in Iraq at a time when the Iraqis have a \$79 billion surplus, \$79 billion."

As we've pointed out when Obama said it on the campaign trail, when he repeated it at the last debate, and even when Biden mentioned the figure in the vice presidential debate, that number is wrong. The Iraqis actually "have" \$29.4 billion in the bank. The Government Accountability Office projected in August that Iraq's 2008 budget surplus could range anywhere from \$38.2 billion to \$50.3 billion, depending on oil revenue, price and volume. Then, in early August, the Iraqi legislature passed a \$21 billion supplemental spending bill. The supplemental will be completely funded by this year's surplus, and that means that the Iraqis will not have \$79 billion in the bank. They could have about \$59 billion.

\$6.8 billion boast

McCain repeated a questionable boast when he said, "I've taken on some of the defense contractors. I saved the taxpayers \$6.8 billion in a deal for an Air Force tanker that was done in a corrupt fashion."

As we mentioned in our analysis of the first debate, there is more to the story. McCain certainly did lead a fight to kill the contract, and the effort ended in prison sentences for defense contractors. The contract is still up in the air, however, and questions have been raised about the role McCain played in helping a Boeing rival secure the new contract.

After the original Boeing contract to supply refueling airliners was nixed in 2003, the bidding process was reopened. And in early 2007, Boeing rival EADS/Airbus won the bid the second time around. But Boeing filed a protest about the way the bids were processed, and the Government Accountability Office released a report that found "significant errors" with the bid process.

Further, the New York Times reported that "McCain's top advisers, including a cochairman of his presidential campaign, were lobbyists for EADS. And Mr. McCain had written to the Defense Department, urging it to ignore a trade dispute between the United States and Europe over whether Airbus received improper subsidies."

68 million acres

Obama was off the mark when he said that oil companies "currently have 68 million acres that they're not using."

As we've pointed out previously, those 68 million leased acres are not producing oil, but they are not necessarily untouched. In fact, in 2006, the last year for which figures are available, there were a total of more than 15,000 holes that were being proposed, started or finished, according to the Bureau of Land Management. These acres of land that these holes sit on are not counted as being "producing," but they are certainly far from untouched.

The return of the oil slick

McCain recycled a misleading claim from Sen. Hillary Clinton's primary campaign, charging Obama with voting to give "billions" to oil companies:

McCain: By the way, my friends, I know you grow a little weary with this back-and-forth. It was an energy bill on the floor of the Senate loaded down with goodies, billions for the oil companies, and it was sponsored by Bush and Cheney. You know who voted for it? You might never know. That one. You know who voted against it? Me.

McCain is referring to the Energy Policy Act of 2005, which Obama did in fact vote for. Clinton raised this same charge against Obama during the Democratic primaries. It was misleading then and it's equally misleading now.

In fact, according to a Congressional Research Service report, more tax breaks were taken away from oil companies than were given. Overall, the act resulted in a small net tax increase on the oil industry:

Congressional Research Service: The Energy Policy Act of 2005 (EPACT05, P.L. 109-58) included several oil and gas tax incentives, providing about \$2.6 billion of tax cuts for the oil and gas industry. In addition, EPACT05 provided for

\$2.9 billion of tax increases on the oil and gas industry, for a net tax increase on the industry of nearly \$300 million over 11 years.

As we said last year, the bill did contain \$14.3 billion in tax breaks, but most of those went to electric utilities, and nuclear, and also to alternative fuels research and subsidies for energy-efficient cars, homes and buildings – not to the oil industry.

Computer error

Obama moved the invention of the computer up by more than a century:

Obama: The same way the computer was originally invented by a bunch of government scientists who were trying to figure out, for defense purposes, how to communicate, we've got to understand that this is a national security issue, as well.

It's true that the first electronic computer, ENIAC, or the Electronic Numerical Integrator And Computer, was developed at the University of Pennsylvania with funding from the War Department.

But ENIAC was not actually the first computer. That distinction belongs to the difference engine, a mechanical computer invented in 1822 by the British mathematician Charles Babbage. And even Babbage was drawing on earlier work, such as the calculating machine built in 1671 by the German philosopher Gottfried Leibniz.

Other quibbles

- Obama said: "When George Bush came into office, our debt – national debt was around \$5 trillion. It's now over \$10 trillion." Actually, it was closer to \$6 trillion when Bush took office. On Jan. 22, 2001 (two days after Bush was sworn in) the debt stood at \$5.728 trillion. On Sept. 30, 2008, it was \$10.025 trillion.

- McCain said it again: "We've got to stop sending \$700 billion a year to countries that don't want us very – like us very much" (He actually used the figure three times in the debate.) He's talking about what we spend importing oil, and he's said the same thing at the last debate and numerous other times. At current oil prices, the correct figure is about \$493 billion. About a third of that goes to Canada, Mexico and the United Kingdom, which were still on the friendly side of the ledger last time we looked.

- Obama was right about the amount of earmarks, when he said they "account for about \$18 billion of our budget." According to the budget watchdog group, Taxpayers for Common Sense, earmarks totaled just \$18.3 billion in 2008. Citizens Against Government Waste came in with a slightly smaller number of \$17.2 billion, and the Office of Management and Budget smaller still at \$16.9 billion.

- McCain repeated an error he made in the last debate when he said, "In Lebanon, I stood up to President Reagan, my hero, and said, if we send Marines in there, how can we possibly beneficially affect this situation? And said we shouldn't. Unfortunately, almost 300 brave young Marines were killed." In fact, as we noted previously, McCain wasn't elected until three months after the Marines had been deployed. He did vote against the post-hoc War Powers Act authorization of the deployment; Reagan signed it into law in October 1983, 11 days before a suicide bomber set off a blast that killed 241 servicemembers in their barracks.

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