A POLITENESS MAXIMS ANALYSIS ON THE DIALOGUE OF THE AMERICA’S PRESIDENTIAL CANDIDATES DEBATE

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JAKARTA
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LEGALIZATION

The thesis entitled “A Politeness Maxims Analysis on the Dialogue of the America’s Presidential Candidates Debate” has been defended before the Letters and Humanities Faculty’s Examination Committee on September 16th, 2009. The thesis has already been accepted as a partial fulfillment of the requirement for the degree of Strata 1 (S1) in English Letters Department.

Jakarta, September 16\textsuperscript{th}, 2009

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DECLARATION

I hereby declare that this submission is my own work and that, to the best of my knowledge and belief, it contains no material previously published or written by another person nor material which to a substantial extent has been accepted for the award of any other degree or diploma of the university or other institute of higher learning, except where due acknowledgment has been made in the text.

Jakarta, September 2009

Wahyu Robihun
ABSTRACT


The research is aimed to know the violations of maxims in the context of politeness principle based on the readably visible fact. The writer uses discourse analysis as method of the research in which he tries to describe violations of maxims in politeness principle. The unit of analysis of his research is the transcript of the dialogue of the America’s Presidential Candidates Debate. It is analyzed descriptively based on related theory of maxim by Leech. He uses himself as a main research instrument through reading, identifying and classifying the data which are needed from the text dialogue of America’s Presidential Candidates Debate.

This research explains about the violations of maxims related in politeness principle. The findings that the writer can get from the analysis are so many expressions which violated the maxims of politeness principle. One datum that violated tact maxim, five data that violated the approbation maxim, five data that violated the modesty maxim, six data that violated the agreement maxim. While the violations of Generosity and Sympathy maxims were not found in the dialogues.

From the violations of maxims, the writer can obtain about the form of implicature from each dialogue. So, the violations of maxims became supporter in the happening of impolite implicature on the dialogues. The writer concluded that a conversational implicature has an important role in creating politeness. But, generally the violations of maxims still occurred in many conversations. The violations of maxims may occur because of the desire of someone to give intention which implied in utterance, so the principles weren’t adhered.
ACKNOWLEDGMENT

First of all, the writer likes to express his sincere gratitude to God the Almighty who has given us various kinds of favors and blessings so that he can finish this research. Peace and salutation be upon our great prophet. The messenger of Allah Muhammad who had brought us from the darkness to the bright world. From stupidity to cleverness and from the primitive society to the era of civilization.

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Finally, the writer wishes he got the chance to further his study abroad. And he hopes this work would be useful. Particularly for himself and generally for everybody who is interested in it.

May the Greatest Allah SWT always bless and takes care us. Amin.

Jakarta, September 2009

The Writer
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CHAPTER 1
INTRODUCTION

A. Background of the Study

Language provides various ways of communication things. The range in language is so rich that there are myriad ways to say something but this does not mean that our choices are not deliberate. Language is very important in making and maintaining relationship and cooperation with other people. According to Kridalaksana as quoted by Kushartanti, “Language is an arbitrary sound symbol used by human being for cooperation, communication and identification of himself.”¹ From the explanation above, the basic functions of language in society are: (1) Means of communication (2) Means of cooperation (3) Means of identification of himself.²

Communication has roles to establish and maintaining social relationship. Communication seen as the joint responsibility of the speaker and hearer. Speaker is one who gives information or idea, while hearer is one who becomes target of speech from speaker. Communication success is achieved if the speaker chooses his word in such a way the hearer will, under the circumstances of utterance, recognize his communication intention.

According to Dell Hymes as quoted by Nadar, Hymes, an expert of sociolinguistic developed a valuable model to assist the identification of

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component interaction that is driven by his view that in order to speak language correctly, one needs not only to learn its vocabulary and grammar, but also the context in which words are used. Hymes constructs the acronym of SPEAKING, that is: S as Setting and Scene which refers to the time and place of speech. P is Participant, refers to speaker and hearer. E is Ends, as purposes, goals, and outcomes. A as an Act of Sequence, refers to form and order of the event. K as Key which refers to the clues that establish the “tone, manner, or spirit” of the speech act. I is Instrumentalities, refers to forms and styles of speech. N as Norms, which refers to the social rules governing the event and the participants’ actions and reaction. The last one is G as Genre that refers to the kind of speech act or event.3

The content and the manner in expressing language are tell – tale signs on how the participants situate themselves in relation to certain groups in society as well as to our addresses. As members of society, the participants are expected to do the common practice that applies to any member, which is being polite toward others.

Politeness is a universal element interaction. It is essential in communication and it exists in different culture, though it is realized manifested in different ways. In order to act politely, the participants need to understand social values of the society where they live. Generally speaking, politeness involves taking account of the feelings of others, as with linguistic politeness, it is

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the use of language to attend to face needs to maintain smooth interaction and good relationship.

Politeness cannot be discharged from Geoffrey Leech theory and concepts. Leech explained that the role of politeness is a very important. Politeness principle is needed to explain and also as a complement of cooperative principle because the cooperative principle cannot explain why people are so indirect in conveying what they mean. The examples where the politeness principle rescues the cooperative principle are the following:

A: “We all miss Bill and Agatha, won’t we?”

B: “Well, we’ll all miss Bill.”

When A ask B to confirm A’s opinion, B merely confirms part of it, and pointedly ignores the rest. From this we derive an implicature: Speaker is of the opinion that we will not all Miss Agatha.’ But on what grounds in this implicature arrived at? Not solely on the basis of the cooperative principle but because of politeness principle. The conclusion is that B could have been more informative, but only at the cost of being more impolite to a third party. That B therefore suppressed the desired information in order to uphold the Politeness Principle.

Everyday interaction serves both affective or social, and referential or informative function. Being linguistically polite involves speaking to people appropriately in the light of their relationship.

In American culture, politeness is a very important especially for politicians. The politicians have a special function. They are non ordinary citizen

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because they have power and ability. So, their behavior and language were learned by other people.

Politicians have to communicate fluently to various sides. They were expected able to communicate idea of them clearly. They have to give a good response and express their idea politely. In fact, in communicating the politeness still not obeyed. That is why, the writer is interested in the politeness and decided to do the study about it. To find out the violations of maxims in the context of politeness, the writer chooses The Dialogue of The America’s Presidential Candidates Debate.

B. Focus of the Study

To limit the research, the writer only focuses on violations of maxims in the context of politeness principles on The Dialogue of The America’s Presidential Candidates Debate. To analyze those expressions of politeness, the writer focuses on the Geoffrey Leech theory of politeness, particularly on politeness maxims. The writer will find some violations of maxims as many as possible on The Dialogue of The America’s Presidential Candidates Debate.

C. Research Questions

Based on the focus of the research above, the main questions are:

1. What types of violation of maxim in the context of politeness are conducted by Geoffrey Leech on The Dialogue of The America’s Presidential Candidates Debate?
2. What are the implicatur of those dialogues on The Dialogue of The America’s Presidential Candidates Debate?

D. Significance of the Study

By analyzing the violations of maxims on The Dialogue of The America’s Presidential Candidates Debate, the writer hopes that through this study the readers are able to understand deeply about politeness principles. Then, the readers can apply their knowledge and comprehension in the appropriate daily conversation. This research is also hoped to give some advantages for the reader who is interested in politeness and it has significance as an effort to study discourse analysis through pragmatic approach. Then, it can enrich the research of linguistics studies in this university, especially the English Letters Department, Letters and Humanities Faculty.

E. Research Methodology

1. Objective of the Study

Pursuant to research questions above, generally, this research aim to get data about violations of maxims in the context of politeness that happened on The Dialogue of The America’s Presidential Candidates Debate. Particularly, the writer has several objectives as follow:

1. To know what types of violation of maxim in the context of politeness on The Dialogue of The America’s Presidential Candidates Debate.
2. To know what the implicatur on those dialogues on The Dialogue of The America’s Presidential Candidates Debate.

2. Method of the Research

This research uses method of discourse analysis. According To Kramsch as quoted by Oktavianus, “Discourse are more than just language, they are ways of being in the world, or forms of life that integrates words, acts, values, beliefs, attitudes, and social identities”\(^5\). From discourse analysis, research will load data citations to give picture in telling report of the research.

3. Technique of Data Analysis

To get the aim of this research, the writer uses politeness principles as approach by following steps:

1. Using the politeness principle theory by Geoffrey Leech as indicator in data analysis.
2. Reading entire the dialogue on transcript.
3. Grouping the dialogue related to the politeness principle on transcript.
4. Marking the dialogue related to the politeness principle on transcript and then copied into paper and given by number.
5. Analyzing data.
6. Concluding the data analysis.

4. Instrument of the Research

In this qualitative research, the writer uses himself as main instrument to obtain required data variously, like reading, identifying, and grouping the

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dialogue and making it as data to analysis by using pragmatic approach and theory of Leech concerning the politeness principle as guidance.

5. Unit of Analysis

Unit analyses at this research are Presidential Candidates Debate McCain Obama Full Text Transcript. The first Presidential Candidates Debate McCain Obama on September 26, 2008 which was taken place in University of Mississippi. The second Presidential Candidates Debate McCain Obama on October 7, 2008 which was taken place in Belmont University, Nashville, Tennessee. The third Presidential Candidates Debate McCain Obama on October 15, 2008 which was taken place in Hofstra University, Hempstead, New York.
CHAPTER II
THEORETICAL FRAMEWORK

In this case the theories will be explained to be used to analyze some violations of maxims in the context of politeness. To reach the target, there are some matters which need to be studied theoretically, namely pragmatics, implicature, pragmatic principles and dialogue definition.

A. Defining Pragmatics

According to Yule, pragmatics is concerned with the study of meaning as communicated by a speaker and interpreted by a listener. He said there are four definition about pragmatics, i.e.: (1) the study of speaker meaning, (2) the study of contextual meaning, (3) the study of how more gets communicated that is said, and (4) the study of the expression of relative distance.6

According to Jacob L. Mey, “Pragmatics is the study of the condition of human language uses as these are determined by the context of society,”7 while according to Levinson, Pragmatics is the study of those relations between language and context that are grammatically, or encoded in the structure of a language.8

Leech expresses that pragmatics was henceforth on the linguistic map. Its colonization was only the last stage of a wave by wave expansion of linguistics

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from a narrow discipline dealing with the physical data of speech, to a broad
discipline taking in form, meaning, and context. Leech sees pragmatics as study of
linguistics having relevant with semantics. This relevant mentioned as
semanticism that is seeing pragmatics as part of semantics; pragmaticism, that is
seeing semantics as part of is pragmatics; and complementarism, or see semantics
and pragmatics as two studies which were equipping each other.\(^9\)

From some explanations, the writer can take a conclusion that pragmatics
is the study of language in communication of human and it has a relation between
context and language.

In study of pragmatics, Leech will be in favor of the study by means of
conversational principles of the kind illustrated by H.P. Grice’s Cooperative
Principle. Leech wants to introduce into pragmatics not only Cooperative
principle, but other principles, such as a Politeness Principle. The kind of
constraint on linguistic behavior exemplified by Grice’s Cooperative Principle
differs from the kind of normally rules in linguistics, like “principles” and
“maxim” usage, because according to Grice, maxim is manifestation of the
former. In Searle’s terminology, conversational principles and maxims are
regulative rather than constitutive. The rules of language normally count as an
integral part of the definition of that language, but maxims do not. Hence if one
tells a lie in English, one breaks one of Grice maxims (a maxim of quality), but
this doesn’t mean that one fails in any way to speak English language. So, the
maxims form a necessary part of the description of linguistic meaning, in Grice

terms, is made by means of pragmatic implications called Conversational Implicatures.\textsuperscript{10}

\textbf{B. Implicature}

Grice introduce the verb “implicate” and the related nouns “implicature” (cf. implying) and implicatum (cf. what is implied). The point of this maneuver is to avoid, on each occasion, to choose between this or that member of the family of verbs for which “implicate” is to do general duty. For example, that A and B are talking about a mutual friend C who is now working in a bank. A ask B how C is getting on in his job, and B replies, “oh quite well”, at this point A might well inquire what B was implying, what he was suggesting or even what he meant by saying that C had not yet been to prison. The answer might be one of such things as that C is the sort of person likely to yield to the temptation provided by his occupation that C’s colleagues are really very unpleasant and treacherous people, and so forth. It might, of course, be quite necessary for A to make such an inquiry of B, the answer to it being, in the context clear, in advance. It is clear that whatever B implied, suggested, meant, etc\textsuperscript{11}.

According to Mey, the word ‘implicature’ is derived from the verb ‘to imply’, as is its cognate “implication”. Originally, ‘to imply’ means ‘to fold something into something else’ (from the Latin verb \textit{plicare} ‘to fold’); hence, that which is implied is ‘folded in’, and has to be ‘unfolded’ in order to be understood.

\textsuperscript{10} \textit{Ibid.} pp.7-9.

A conversational implicature is, therefore, something which is implied in conversation, that is, something which is left implicit in actual language use.\textsuperscript{12}

It’s not different from Leech’s opinion: \textit{interpreting an utterance is ultimately a matter of guesswork, or (to use a more dignified term) hypothesis formation.} Guessing depend on context, including problems of conversational participant and background of speaker and hearer. Progressively in a context comprehended, gain strength guess base. Example, “\textit{It’s sometime in April}” it is the answer to the question “\textit{When’s Aunt Rose’s birthday?}” implication that “\textit{the only thing the speaker remembered about Auntie’s birthday was the month it occurred, and the speaker honestly didn’t know whether it was at the beginning, the middle or the end of the month}”.\textsuperscript{13}

From examples and explanations above, it can be comprehended that implicature is intention which consists in utterance and understanding about implicature is needed in pragmatics. According to Levinson implicature provides some explicit account of how it is possible to mean more than what is actually said.\textsuperscript{14}

\textbf{C. Pragmatic Principles}

The concept of principles is a familiar one in linguistics (as in other branches of science). Scientist often uses the word ‘principle’ as having to do with understanding. Principles cannot be only ‘elements of understanding but even ‘prerequisites to understanding’, going all the way from elementary knowledge to

high level, theoretical and metatheoretical speculation.\textsuperscript{15} In pragmatics, principles prefer to work; the next will examine some principles, namely the communicative principle, the cooperative principle and politeness principle.

1. The Communicative Principle

People talk with the intention to communicate something to somebody; this is the foundation of all linguistics behavior. This is called the \textit{Communicative Principle}, even though this principle is not mentioned in the pragmatic literature, it is nevertheless the hidden condition for all human pragmatic activity, and the silently agreed on promise of our investigation into such activity.\textsuperscript{16}

2. The Cooperative Principle

The philosopher H. P. Grice developed a cooperative principle which he considers, underlies successful verbal communication. That is, in normal circumstances, that these are the ground rules that we observe when speaking and interpreting utterances. The cooperative principle states: \textit{Make your contribution such as required, at the stage at which it occurs, by the accepted purpose of the talk exchange in which you are engaged}. On the assumption that some such general principle as this is acceptable, one may perhaps distinguish four categories under one of another of which will full certain more specific maxims and sub maxims, the following of which will, in general, yield results in accordance with the cooperative principle. Grice call these categories Quantity, Quality, Relation and Manner.\textsuperscript{17}

\textsuperscript{16} \textit{Ibid}, pp. 68-69.
(I) The maxim of quantity: give the right amount of information:

a. Make your contribution as informative as required.

b. Do not make your contribution more informative than required.18

For example:

[1] a. As you probably know, I am terrified of bugs.

   b. So, to cut a long story short, we grabbed out stuff and ran.19

(II) The maxim of quality: try to make your contribution one that is true:

a. Do not say what you believe to be false.

b. Do not say that for which you lack adequate evidence.20

For example:

[2] a. As far as I know, they’re married.

   b. He couldn’t live without her, I guess.21

(III) The maxim of relation: make your contribution relevant.22

For example:

[3] a. I don’t know if this is important, but some of the files are missing.

   b. Not to change the subject, but is this related to the budget?23

(IV) The maxim of manner: Be perspicuous, and specially:24

a. Avoid obscurity

b. Avoid ambiguity

c. Be brief

18 Ibid
d. Be orderly

For example:

[4] a. This may be a bit confused, but I remember being in a car.

   b. I’m not sure if this makes sense, but the car had no lights.\textsuperscript{25}

3. The Politeness Principles

Research on linguistic politeness has seen enormous in its development in line with the need to achieve an effective, cross cultural communication. In Oxford dictionary use, ‘politeness’ refers to show good manners and respect for the feelings of other\textsuperscript{26}. Politeness as a pragmatic notion refers to ways in which linguistic action is carried out, more specifically, ways in which in relational function in linguistic action is expressed.

Leech sees cultural rules are at work in expressions of politeness and he attempts to categorize some of the underlying intent behind these forms in more detail by articulating a set of rules or “politeness maxims” in polite dialogues. Leech’s view of politeness maxims is analogue to Grice maxim. In general Grice’s concept of the cooperative principle was supported, but it is necessary to give some explanations why the cooperative principle is needed, and why it is not sufficient as an explanation of the relation between sense and force. In brief we need the cooperative principle to help to account for the relation between sense and force; and this kind of explanation is particularly welcome where it solves puzzles which arise in a truth-based approach to semantics. However, the cooperative principle in itself cannot explain why people are often so indirect in

\textsuperscript{25} George Yule, (1996), \textit{Loc.cit.}

conveying what they mean; and what is the relation between sense and force when non declarative types of sentence are being considered. Because of that, Leech shall be more interested in a broader, socially and psychologically oriented application of pragmatic principles. This is where politeness becomes important.\(^{27}\)

The maxims of the politeness principle tend to go in pairs as follows:

(I) The Tact Maxim

The tact maxim is the most important kind of politeness in English speaking society. The Tact maxim applies to Searle’s directive and commissive which is only applicable in illocutionary functions classified as ‘impositive’, e.g. ordering, requesting, commanding, advising, recommending, etc., and ‘commisive’, e.g. promising, vowing, offering, etc. Tact maxim, according to Leech, involves minimizing the cost and maximizing the benefit speaker/hearer:\(^{28}\)

The tact maxim focuses more on the hearer/recipient.

The tact maxim criteria are:

a. Minimize cost to other

b. Maximize benefit to other

[1] You know, I really do think you ought to sell that car. It’s costing more and more money in repairs and it uses up far too much fuel.\(^ {29}\)

The tact maxim is adhered to by the speaker minimizing the cost to addressee by using two discourse markers, one to appeal to solidarity, \textit{you know}, and the other as a modifying hedge, \textit{really}, one attitudinal predicate, \textit{I do think}, and one modal verb, \textit{ought}. On the other hand, the speaker maximizes the benefit

\(^{28}\) \textit{Ibid.} p.107
to the addressee in the second part of the turn by indicating that s/he save a lot of time and money by selling the car.

[2] Can’t you shut up? (impolite)\(^{30}\)

The tact maxim is not adhered, which suggests extreme irritation with others behavior, so it is impolite.

(II) The Generosity Maxim

The generosity maxim involves minimizing the benefit and maximizing the cost to self. Generosity maxim only applicable in impositives and commissives.\(^{31}\) Generosity maxim focuses more on the speaker/sender.

The generosity maxim criteria are:

a. Minimize benefit to self

b. Maximize cost to self

For examples:

[3] You can land me your car (impolite)
[4] I can lend you my car
[5] You must come and have dinner with us
[6] We must come and have dinner with you (impolite)\(^{32}\)

The offer [4] and invitation [5] are presumed to be polite for two reasons: firstly, because they imply benefit to other, and secondly less crucially, because they imply cost to self. And in [3] and [6], the relation between self and other on both scales is reversed. Benefit to other but doesn’t imply any cost to self apart from the verbal effort to giving the advice itself.


\(^{32}\) *Ibid*
(III) The Approbation Maxim

The approbation maxim involves minimizing dispraise and maximizing praise to speaker/hearer. The approbation maxim is only applicable in illocutionary functions classified as ‘expressive’, e.g. thanking, congratulating, pardoning, blaming, praising, condoling, etc., and ‘assertives’ e.g. stating, boasting, complaining, claiming, reporting, etc.: \(^{33}\) Approbation maxim is closed to politeness strategy of avoiding disagreement.

The approbation maxim criteria are:

a. Minimize dispraise of other

b. Maximize praise of other

The examples \([7]\) and \([8]\) will serve to illustrate the illocutionary functions of thanking and complaining, in which the speaker maximizes praise of the addressee in \([7]\) and minimizes dispraise in \([8]\):

[7] Dear Aunt Mabel, I want to thank you so much for the Christmas present this year. It was so very thoughtful of you.

[8] I wonder if you could keep the noise from your Saturday parties down a bit. I’m finding it very hard to get enough sleep over the weekends.\(^{34}\)

[9] What an awful meal you cooked!\(^{35}\)

In \([9]\), \(A\) fall of the approbation maxim, because \(A\) say unpleasant things to others. So, it is impolite.

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(IV) The Modesty Maxim

The modesty maxim involves minimizing praise and maximizing praise of self. The modesty maxim is only applicable in expressives and assertives: modesty maxim is found in self deprecating expression.

The modesty maxim criteria are:

a. Minimize praise of self

b. Maximize dispraise of self

For examples:

[10] A: They were so kind to us

B: Yes, They were, weren’t they?

[11] A: You were so kind to us (impolite)

B: Yes, I was, wasn’t I?

As [10] shows, it is felicitous to agree with another’s commendation except when it is a commendation of on self. But [11] fault maxim of modesty, it is to commit the social transgression of boasting.

(V) The Agreement Maxim

The agreement maxim involves minimizing disagreement and maximizing agreement between self and other. The agreement maxim is only applicable in assertives: Agreement maxim seeks agreement and avoids disagreement.

The agreement maxim criteria are:

a. Minimize disagreement between self and other

b. Maximize agreement between self and other

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For examples:

[12] A: A referendum will satisfy everybody

   B: Yes, definitely

[13] A: It was an interesting exhibition, wasn’t it?

   B: No, it was very uninteresting

As [12] shows, it is agreement maxim because agreement was happened between self and other, in [13] partial disagreement happened so agreement maxim was fault but it is often preferable to complete disagreement.

(VI) The Sympathy Maxim

The sympathy maxim involves minimizing antipathy and maximizing sympathy between self and other. The sympathy maxim is only applicable in assertives: sympathy maxim can be found in polite speech acts as to congratulate, commiserate of express condolence.

The sympathy maxim criteria are:

a. Minimize antipathy between self and other

b. Maximize sympathy between self and other

For examples:

[14] I’m terrible sorry to hear about your cat

[15] I’m terrible sorry to hear that your car died (impolite)

Can be interpreted that [13] as a consolation, an expression of sympathy for misfortune, and it might be preferable to say, instead of [14].

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38 Ibid
39 Ibid. pp. 131-139
In Leech politeness model, each of the six interpersonal maxims has an associated set of scales which help establish the requisite degree of tact, generosity, approbation, modesty, agreement and sympathy. The following scales obtain:

- **Cost benefit scale**: representing the cost or benefit of an act to speaker and hearer.\(^{40}\)

  The cost or benefit scale made up of two distinct scales, cost/benefit to speaker and cost/benefit to hearer. In general, these two measures vary inversely, but it is possible for them to vary independently. For example, speaker may purpose a course of action which is, in speaker’s estimation, at a cost himself and beneficial to hearer. So, it is assumed polite. This is appropriately described as an offer.

  (16) Would you like to use my electric drill?

  In the other hand, the speaker may purpose a course of action which is beneficial himself will be assumed impolite,

  (17) I’d use an electric drill if I were you.

  This would be more appropriately described as a piece of advice.

- **Optionality scale**: Indicating the degree of choice permitted to speaker and / or hearer by a specific linguistic act.\(^{41}\)

  The optionality scale on which illocutions are ordered according to the amount of choice which speaker allows to hearer. For example:

  [18] You may go now, Smith

\(^{40}\) *Ibid* pp.123-126.

\(^{41}\) *Ibid*
The speaker is apparently being polite in offering the hearer the choice of doing something.

- **Indirectness scale**: Indicating the amount of inferencing required of the hearer in order to establish the intended speaker meaning.\(^{42}\)

  The indirectness scale on which, from speaker’s point of view, illocutions are ordered with respect to the length of the path connecting the illocutionary act to its illocutionary goal. The indirectness scale can also be formulated from hearer’s point of view, in terms of the length of the inferential path by which the force is derived from the sense.

  This scale subjects to rank of direct/indirect meaning in conversation. Direct meaning is polite, indirect meaning is impolite. For example:

  [19] Would you mind having another sandwich?

- **Authority scale**: representing the status relationship between speaker and hearer.\(^{43}\)

  This is an asymmetric measure, so that someone in authority may use a familiar form of address to someone who, in return, uses the respectful form. For example:

  [20] the Chief demanded that I lend him my phone.

- **Social distance scale**: Indicating the degree of familiarity between speaker and hearer.\(^{44}\)

\(^{42}\) *Ibid*  
\(^{43}\) *Ibid*  
\(^{44}\) *Ibid*
The overall degree of respectfulness, for a given speech situation, depends largely on relatively permanent factors of status, age, degree of intimacy, etc., but also, to some extent, on the temporary role of one person relative to another. For example:

[21] Get that essay to me by next week.

D. Defining Dialogue

Language is always an important element in conversation, and it is occasionally the dominant element. Dialogue instead is a kind of shorthand for speech, not an actual transcription. It is much shorter than real conversation, and quickly gets to the point. In good dialogue, unessential words are stripped away. Yet characters still sound like real people talking. Dialogue is a conversation between two or more people. Dialogue is also an exchange of opinions on a particular subject. In government or politics, Dialogue is a political discussion between representatives of two nation or group.45

In political discussion, dialogue can be interpreted as a debate. Debate is a formal discussion of an issue at a public meeting or in a parliament. In a debate two or more speakers express opposing views and then there is a vote on the issue.46

45 http://www.thefreedictionary.com/dialogue
CHAPTER III

RESEARCH FINDINGS

A. Data Description

This chapter will explain an analysis of the Dialogue of the America’s Presidential Candidates Debate with applying Politeness Principle theory by Geoffrey Leech as indicator in data analysis. The theory is used to know the violations of maxims of the analyzed transcript which is related to the politeness principle.

The data are collected from the America’s Presidential Candidates Debate Transcript. The First Presidential Candidates Debate Mccain Obama on September 26, 2008 which was taken place in University of Mississippi with Jim Lehrer as Moderator. The second Presidential Candidates Debate Mccain Obama on October 7, 2008 which was taken place in Belmont University, Nashville, Tennessee with Tom Brokow as Moderator. The third Presidential Candidates Debate Mccain Obama on October 15, 2008 which was taken place in Hofstra University, Hempstead, New York with Bob Schieffer as Moderator. The data are collected by following steps: firstly, reading entire the dialogue on transcript. Secondly, the writer makes a group and mark the dialogue that related to the politeness principle and then copied into paper and given by number. The data that the writer has obtained can be presented below:
Table 1

1. The list of the violations of maxims dialogues

<table>
<thead>
<tr>
<th>No</th>
<th>Data</th>
<th>Remark</th>
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<tbody>
<tr>
<td><strong>Data 1</strong></td>
<td>Obama: ... Now, we also have to recognize that this is a final verdict on eight year of failed economics policies promoted by George Bush, supported by senator McCain, a theory that basically says that we can shred regulations and consumer protections and give more and more to the most, and somehow prosperity will trickle down… (Transcript 1, p. 1)</td>
<td>In this case, this text violates of Approbation Maxim, because Obama gives statement that dispraise other.</td>
</tr>
<tr>
<td><strong>Data 2</strong></td>
<td>McCain: …As president of the United States, people are going to be held accountable in my administration. And I promise you that will happen… (Transcript 1, p. 2)</td>
<td>This text violates the Modesty Maxim, because McCain says about a commendation of himself.</td>
</tr>
<tr>
<td><strong>Data 3</strong></td>
<td>McCain: ...We Republicans came to power to change government, and government changed us. And the worst symptom on this disease is what my friend. Tom Coburn, calls earmarking as gateway drug, because it’s a gateway. It’s a gateway to out of control spending and corruption… (Transcript 1, p. 2)</td>
<td>Same as previous statement, this text violates the Modesty Maxim, because McCain says conceitedly about a commendation of on self.</td>
</tr>
<tr>
<td><strong>Data 4</strong></td>
<td>McCain: …..And so, again, look at the record, particularly the energy bill. But, again, Senator Obama has shifted on a number of occasions. He has voted in the United States Senate to increase taxes on people who make as low as $42.000 a year. Obama: That’s not true, John. That’s not true. McCain: And that’s just a fact. Again, you can look it up. Obama: Look, it’s just not true. And if we want to talk about oil company profits, under your tax plan, John –this is undeniable—oil companies would get an additional $4 billion in tax breaks. (Transcript 1, p. 4)</td>
<td>In this dialogue, there is disagreement statement, so this dialogue violates the Agreement Maxim.</td>
</tr>
</tbody>
</table>
| Data 5 | **McCain:** I'm afraid Senator Obama doesn't understand the difference between a tactic and a strategy. But the important -- I'd like to tell you, two Fourths of July ago I was in Baghdad. General Petraeus invited Senator Lindsey Graham and me to attend a ceremony where 688 brave young Americans, whose enlistment had expired, were reenlisting to stay and fight for Iraqi freedom and American freedom….

(Transcript 1, p. 6) |
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<tr>
<td><strong>In this case, this dialogue fouls of Approbation Maxim, because McCain says unpleasant things about other.</strong></td>
<td></td>
</tr>
</tbody>
</table>
| Data 6 | **McCain:** ...And this strategy, and this general, they are winning. Senator Obama refuses to acknowledge that we are winning in Iraq.  
**Obama:** That's not true.  
**McCain:** They just passed an electoral...  
**Obama:** That's not true.

(Transcript 1, p. 6) |
| **This dialogue violates the Agreement Maxim.** |
| Data 7 | **McCain:** No one from Arizona is against solar. And Senator Obama says he's for nuclear, but he's against reprocessing and he's against storing. So...  
**Obama:** That's just not true, John. John, I'm sorry, but that's not true.

(Transcript 1, p. 12) |
| **In this dialogue, Obama expresses disagreement to McCain’s statement. So, this dialogue violates the Agreement Maxim.** |
| Data 8 | **McCain:** ...I know how the do that, my friends. And it's my proposal, it's not Senator Obama's proposal, it's not President Bush's proposal. But I know how to get America working again, restore our economy and take care of working Americans. Thank you….

(Transcript 2, p. 2) |
| **This text violates Modesty Maxim, because McCain says conceitedly about a commendation of on self.** |
| Data 9 | **Obama:** Tom, can I respond to this briefly? Because...  
(Transcript 2, p. 6) |
| **In this case, this text violates Tact Maxim because Obama gives a cost to other.** |
| Data 10 | **McCain:** ...But they certainly are a little nervous when Senator Obama says, if you don't get the health care policy that I think you should have, then you're going to get fined. And, by the way, Senator Obama has never mentioned how much  

In McCain’s statement, he says unpleasant things about Obama’s statement. So, this statement violates Modesty Maxim.
| Data 11 | **Brokaw:** Senator, we want to move on now. If we'd come back to the hall here, we're going to shift gears here a little bit and we're going to go to foreign policy and international matters, if we can....

**McCain:** I don't believe that -- did we hear the size of the fine?

(Transcript 2, p. 9) | This dialogue violates Agreement Maxim. Because McCain maximizes disagreement with Brokaw statement. |
|---|---|
| Data 12 | **Obama:** ...That's going to change when I'm president, but we can't change it unless we fundamentally change Senator McCain's and George Bush's foreign policy. It has not worked for America...

(Transcript 2, p. 10) | In this case, this text violates of Approbation Maxim, because Obama says unpleasant things about other. |
| Data 13 | **McCain:** Senator Obama, your argument for standing up to the leadership of your party isn't very convincing.

(Transcript 3, p. 3) | This statement violates Modesty Maxim. |
| Data 14 | **McCain:** Well, again, while you were on the board of the Woods Foundation, you and Mr. Ayers, together, you sent $230,000 to ACORN. So -- and you launched your political campaign in Mr. Ayers' living room.

**Obama:** That's absolutely not true.

**McCain:** And the facts are facts and records are records.

**Obama:** And that's not the facts.

**McCain:** And it's not the fact -- it's not the fact that Senator Obama chooses to associate with a guy who in 2001 said that he wished he had have bombed more, and he had a long association with him. It's the fact that all the -- all of the details need to be known about Senator Obama's relationship with them and with ACORN and the American.

(Transcript 3, p. 5) | In this dialogue, Obama expresses disagreement to McCain’s statement. So, this dialogue violates Agreement Maxim. Despitefully, this dialogue violates Approbation Maxim because McCain dispraises other. |
| Data 15 | **Schieffer:** So that's your objective?

**Obama:** It is not and I didn't describe it...

**McCain:** No, you stated it.

**Obama:** I just... | This dialogue violates Agreement Maxim. Because Obama expresses disagreement to Schieffer’s statement. |
**B. Data Analysis**

In data analysis, the writer uses data from the America’s Presidential Candidates Debate Transcript. Firstly, he writes the text of dialogue and then explains the data what kinds the violation of maxim in the context of politeness and how the implicature on those dialogues which are being violated of maxim in the context of politeness. The reason in analysis, he uses Geoffrey Leech theory of maxim.

**Data 1**

Obama: ... Now, we also have to recognize that this is a final verdict on eight year of failed economics policies promoted by George Bush, supported by senator McCain, a theory that basically says that we can shred regulations and consumer protections and give more and more to the most, and somehow prosperity will trickle down…
(Transcript 1, p. 1)

In this case, Obama violates of Approbation Maxim, because he says unpleasant things about other, particularly about McCain. Obama gives statement that dispraise other, he says unpleasant things that McCain supports failed economic policies promoted by George Bush. Obama have a notion that Bush’s
and McCain’s economic policies didn’t give a solution to prosperity society. In this text, implicature appear at Obama’s statement “we also have to recognize that this is a final verdict on eight year of failed economics policies promoted by George Bush, supported by senator McCain”. This text implicates that Obama disappointed with the economic policies in America. The impolite implicature derives from saying unpleasant or dispraise to other.

**Data 2**

**McCain:** …As president of the United States, people are going to be held accountable in my administration. And I promise you that will happen…

(Transcript 1, p. 2)

This text shows that McCain violates the Modesty Maxim, because he says about a commendation of himself. In Leech Theory, modesty maxim is minimizing praise of self and maximizing dispraise of self. McCain says that he promise to held accountable in his administration. It’s clear that Mccain shows his generosity to be quite normal and indeed. Implicatur in this text appear at “And I promise you that will happen…” This text implicates that McCain too giving a promise when he becomes a President. The impolite implicature derives from McCain’s statement which maybe as a boasting.

**Data 3**

**McCain:** …We Republicans came to power to change government, and government changed us. And the worst symptom on this disease is what my friend. Tom Coburn, calls earmarking as gateway drug, because it’s a gateway. It’s a gateway to out of control spending and corruption…

(Transcript 1, p. 2)

Same as previous statement, that McCain’s statement violates the Modesty Maxim, because he says conceitedly about a commendation of on self. McCain as
Republicans says that he came to power to change government. It shows that McCain and Republic Party show their generosity to be quite normal and indeed. Implicature in this text appear at “We Republicans came to power to change government” This text implicates that McCain and Republic Party too giving a confidence statement and it’s appear as a boasting statement as impolite implicature.

Data 4

McCain: …And so, again, look at the record, particularly the energy bill. But, again, Senator Obama has shifted on a number of occasions. He has voted in the United States Senate to increase taxes on people who make as low as $42,000 a year.
Obama: That’s not true, John. That’s not true.
McCain: And that’s just a fact. Again, you can look it up.
Obama: Look, it’s just not true. And if we want to talk about oil company profits, under your tax plan, John –this is undeniable—oil companies would get an additional $4 billion in tax breaks.
(Transcript 1, p. 4)

This dialogue is assertives sentence that the speaker commits to the truth of the expressed proposition. In this dialogue, there is disagreement statement, it appears at Obama’s statement that he maximizes disagreement with McCain’s statement about energy bill, so based on Leech theory, Obama violates the Agreement Maxim. Obama says that McCain’s statement is not true. Implicature appear at “That’s not true, John. That’s not true.” This text implicate that Obama disagree about McCain statement.

Data 5

McCain: I’m afraid Senator Obama doesn’t understand the difference between a tactic and a strategy. But the important -- I’d like to tell you, two Fourths of July ago I was in Baghdad. General Petraeus invited Senator Lindsey Graham and me to attend a ceremony
where 688 brave young Americans, whose enlistment had expired, were reenlisting to stay and fight for Iraqi freedom and American freedom.… (Transcript 1, p. 7)

In this case, McCain fouls of Approbation Maxim, because he says unpleasant things about other, particularly about Obama. In this dialogue, McCain maximizes dispraise of other, he says unpleasant things that Obama doesn’t understand about tactic and strategy. In this text implicature appear at McCain statement “I’m afraid Senator Obama doesn't understand the difference between a tactic and a strategy”. This text implicates that McCain expresses Obama’s weakness in tactic and strategy. The impolite implicature derives from saying unpleasant or dispraise to other.

**Data 6**

**McCain:** ...And this strategy, and this general, they are winning. Senator Obama refuses to acknowledge that we are winning in Iraq.

**Obama:** That's not true.

**McCain:** They just passed an electoral...

**Obama:** That's not true.

(Transcript 1, p. 7)

This dialogue is assertives sentence also, in this dialogue, Obama expresses disagreement to McCain’s statement. He maximizes disagreement with McCain’s statement about the strategy and acknowledgment of Obama in Iraq. So from this disagreement, Obama violates the Agreement Maxim. Obama says that McCain’s statement is not true. Implicature appear at “That’s not true” This text implicate that Obama disagree about McCain’s statement. The impolite implicature derives from the unlikelihood that Obama will agree with McCain statement.
Data 7

McCain: No one from Arizona is against solar. And Senator Obama says he's for nuclear, but he's against reprocessing and he's against storing. So...

Obama: That's just not true, John. John, I'm sorry, but that's not true.

(Transcript 1, p. 12)

In this dialogue, Obama expresses disagreement to McCain’s statement that Obama against reprocessing and storing solar. Obama maximizes disagreement with McCain’s statement. So, from this disagreement also, Obama violates the Agreement Maxim. Obama says that McCain’s statement is not true. Implicature appear at “That’s just not true, John. John, I’m sorry, but that’s not true” This text implicates that Obama disagree about McCain’s statement. The impolite implicature derives from the unlikelihood that Obama will agree with McCain’s statement.

Data 8

McCain: …I know how the do that, my friends. And it's my proposal, it's not Senator Obama's proposal, it's not President Bush's proposal. But I know how to get America working again, restore our economy and take care of working Americans. Thank you….

(Transcript 2, p. 2)

This text above violates Modesty Maxim, because McCain says conceitedly about a commendation of on self. McCain says that he knows more than other about a job and economy. It shows that McCain shows his generosity to be quite normal and indeed. Implicatur in this text appear at “I know how the do that, my friends”. This text implicate that McCain too giving a confidence statement and it’s appear as a boasting statement as impolite implicature.
Data 9

Obama: Tom, can I respond to this briefly? Because…
(Transcript 2, p. 6)

In this case, this dialogue is commisives illocution; it is speech act which is used speaker to express something that will do. In this dialogue, Obama uses requesting illocution and indirect illocution, basically indirect illocution tend to be more polite because they increase the degree of optionality. But, in this dialogue, indirect illocution seems impolite. In this sentence, briefly give suggestion that Obama won’t respond questioner clearly and completely. So, in this case Obama violates Tact Maxim because he gives a cost to other. Implicature in this dialogue appear at “can I respond to this briefly”. It implicates that Obama won’t answer clearly, and impolite implicature derives from briefly word.

Data 10

McCain: …But they certainly are a little nervous when Senator Obama says, if you don't get the health care policy that I think you should have, then you're going to get fined. And, by the way, Senator Obama has never mentioned how much that fine might be. Perhaps we might find that out tonight…
(Transcript 2, p. 9)

In McCain’s statement above, his statement violates Modesty Maxim, because he says unpleasant things about Obama’s statement. McCain says that he will find out about how much Americans get the health care which isn’t said by Obama. It shows that McCain’s generosity to be quite normal and indeed. Implicature in this text appear at “.Perhaps we might find that out tonight”. This text implicates that McCain too giving a confidence statement and unpleasant things to Obama. And it’s also appear as a boasting statement as impolite implicature.
Data 11

Brokaw: Senator, we want to move on now. If we'd come back to the hall here, we're going to shift gears here a little bit and we're going to go to foreign policy and international matters, if we can....

McCain: I don't believe that -- did we hear the size of the fine?
(Transcript 2, p. 9)

In dialogue above, McCain expresses disagreement to Brokaw statement that Americans are going to foreign policy and international matters. McCain maximizes disagreement with Brokaw statement. So, McCain violates Agreement Maxim. Implicature appear at “I don't believe that” This text implicate that McCain disagree about Brokaw statement. The impolite implicature derives from the unlikelihood that McCain will agree with Brokaw statement.

Data 12

Obama: ...That's going to change when I'm president, but we can't change it unless we fundamentally change Senator McCain's and George Bush's foreign policy. It has not worked for America…
(Transcript 2, p. 10)

In this case, Obama violates of Approbation Maxim, because he says unpleasant things about other, particularly about McCain. Obama gives statement that dispraise other, he says unpleasant thing that McCain’s and George Bush’s foreign policy has not worked for America. And Obama too praise of self. In this text implicature appear at Obama says “That's going to change when I'm President”. This text implicates that Obama praise himself that he is going to change America. The impolite implicature derives from saying unpleasant or dispraise to other.
Data 13

McCain: Senator Obama, your argument for standing up to the leadership of your party isn't very convincing. (Transcript 3, p. 3)

In this statement above, McCain violates Modesty Maxim again, because he says unpleasant things to other, in this case Obama. McCain says that he isn’t sure that Obama is the best leader from his party. It shows that McCain’s generosity to be quite normal and indeed. And dispraise other. Implicature in this text appear at “your argument for standing up to the leadership of your party isn't very convincing”. This text implicates that McCain says unpleasant things to Obama.

Data 14

McCain: Well, again, while you were on the board of the Woods Foundation, you and Mr. Ayers, together, you sent $230,000 to ACORN. So -- and you launched your political campaign in Mr. Ayers' living room.

Obama: That's absolutely not true.

McCain: And the facts are facts and records are records.

Obama: And that's not the facts.

McCain: And it's not the fact -- it's not the fact that Senator Obama chooses to associate with a guy who in 2001 said that he wished he had have bombed more, and he had a long association with him. It's the fact that all the -- all of the details need to be known about Senator Obama's relationship with them and with ACORN and the American. (Transcript 3, p. 5)

In this dialogue, Obama expresses disagreement to McCain’s statement that Obama sent some money to ACCORN and his political campaign. Obama maximizes disagreement with McCain’s statement. So from this disagreement also, Obama violates Agreement Maxim. Obama says that McCain’s statement is absolutely not true. Implicature appear at “That's absolutely not true” This text implicates that Obama disagree about McCain’s statement. The impolite
implicature derives from the unlikelihood that Obama will agree with McCain’s statement. Despitefully, in this dialogue, McCain violates Approbation Maxim because he dispraises other. He says that Obama sent some money to his campaign from Woods Foundation. Implicature appear at “It's the fact that all the -- all of the details need to be known about Senator Obama's relationship with them and with ACCORN and the American”. It implicate that McCain have a notion that Obama do abuse of money.

Data 15

Schieffer: So that's your objective?
Obama: It is not and I didn't describe it...
McCain: No, you stated it.
Obama: I just...
McCain: Excuse me.
Obama: I just described what my plan is. And I'm happy to talk to you, Joe, too, if you're out there. Here's your fine -- zero. You won't pay a fine, because...
McCain: Zero?
Obama: Zero, because as I said in our last debate and I'll repeat, John, I exempt small businesses from the requirement for large businesses that can afford to provide health care to their employees, but are not doing it.
(Transcript 3, p. 7)

In this dialogue, there are two violations; firstly, Obama violates Agreement Maxim. He expresses disagreement to Schieffer’s statement. Obama maximizes disagreement with Schieffer’s statement. Obama says that he didn’t describe about something. Implicature appear at “It is not and I didn't describe it...” This text implicates that Obama disagree about Schieffer’s statement. Secondly, in this dialogue, McCain violates Approbation Maxim because he dispraises other. He denied about Obama’s statement. Implicature appear at “No, you stated it”. It implicates McCain have a notion that Obama do it.
From analyzing the data, the writer obtained the research findings that politeness is a universal in interpersonal communication and best expressed as the practical application of good manners or etiquette. The finding results in this analysis are many expressions which violated the maxims of politeness principle. In this case, the violations of maxim happened on the tact maxim, the approbation maxim, the modesty maxim, and the agreement maxim. While the violations of Generosity and Sympathy maxims were not found in the dialogues.

The violation of tact maxim happened when the speaker maximizes benefit to self and gives a cost to other. There is one datum that violated tact maxim, this matter happened on Obama’s statement when he used requesting illocution and gave more cost to McCain.

The violations of Approbation maxim happened when the speaker maximizes dispraise to other. The violations happened on some dialogues, there are five data that violated the approbation maxim.

The violations of modesty maxim happened in the dialogues also, this matter caused by the speaker who maximizes praise of self. In this analysis, there are five data that violated the modesty maxim.

And then the violations of agreement maxim happened in the dialogues, there are six data that violated the agreement maxim. They happened by the speaker who maximizes disagreement between self and other. So, the writer concluded that in America’s Presidential Candidates Debate the violations of agreement maxim more than others.
From violating the maxims, the writer can obtain about the form of implicature from each dialogue. So, the violations of maxim became supporter in the happening of impolite implicature on the dialogues.
A. Conclusions

In communicating the role of politeness principle is very required and needed to explain the cooperative principle. Communication itself is a process by information or message exchanged between individuals to have influence both of them.

Communications can be better if the speaker in its conversation try to relevant what said with the situation in conversation. To be the conversation by speaker and hearer easy to be understood, there are methods which must be adhered. In this case, politeness principle was known as the method to reach the target of which is wanted in communicating. So, in communicating speaker and hearer have to respect politeness principles. In fact, in communicating the politeness principles still not obeyed.

The findings can be concluded that a conversational implicature has an important role in creating politeness; it makes a good relationship each other. But, generally the violations of maxims related to the politeness principles still occurred in many conversations. The violations of maxims may occur because of the desire of someone to give intention which implied in utterance, so the principles weren’t adhered.
B. Suggestions

The writer suggests for understanding the definition of implicature and politeness principle. They are the most important elements to make easier to analyze the violation of maxim in the context of politeness principle and hope the reader will be easier to know the message.

The research uses Transcript of Presidential Candidates Debate McCain Obama dialogue as the unit analysis. This research can be more developed for further researches, the writer hopes can analysis the politeness principles based on other theories. And the writer hopes that for further researches, the coverage can be more expanded and better as unit analysis in order to have an extra comprehensive research in analyzing the politeness principle theory.
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WEBSITES:


http://www.thefreedictionary.com/dialogue
REFERENCES


WEBSITES :


Debate Transcript

October 7, 2008

The Second McCain-Obama Presidential Debate

SENS. MCCAIN AND OBAMA PARTICIPATE IN A PRESIDENTIAL CANDIDATES DEBATE, BELMONT UNIVERSITY, NASHVILLE, TENNESSEE

SPEAKERS:

U.S. SENATOR JOHN MCCAIN (AZ)
REPUBLICAN PRESIDENTIAL NOMINEE

U. S. SENATOR BARACK OBAMA (IL)
DEMOCRATIC PRESIDENTIAL NOMINEE

TOM BROKAW, MODERATOR

[*] BROKAW: Good evening from Belmont University in Nashville, Tennessee. I'm Tom Brokaw of NBC News. And welcome to this second presidential debate, sponsored by the Commission on Presidential Debates.

Tonight's debate is the only one with a town hall format. The Gallup Organization chose 80 uncommitted voters from the Nashville area to be here with us tonight. And earlier today, each of them gave me a copy of their question for the candidates.

From all of these questions -- and from tens of thousands submitted online -- I have selected a long list of excellent questions on domestic and foreign policy.

Neither the commission nor the candidates have seen the questions. And although we won't be able to get to all of them tonight, we should have a wide-ranging discussion one month before the election.

Each candidate will have two minutes to respond to a common question, and there will be a one-minute follow-up. The audience here in the hall has agreed to be polite, and attentive, no cheering or outbursts. Those of you at home, of course, are not so constrained.

The only exception in the hall is right now, as it is my privilege to introduce the candidates, Senator Barack Obama of Illinois and Senator John McCain of Arizona.

Gentlemen?

(APPLAUSE)

Gentlemen, we want to get underway immediately, if we can. Since you last met at Ole Miss 12 days ago, the world has changed a great deal, and not for the better. We still don't know where the bottom is at this time.

As you might expect, many of the questions that we have from here in the hall tonight and from online have to do with the American economy and, in fact, with global economic conditions.

I understand that you flipped a coin.

And, Senator Obama, you will begin tonight. And we're going to have our first question from over here in Section A from Alan Schaefer (ph).

Alan (ph)?

QUESTION: With the economy on the downturn and retired and older citizens and workers losing their incomes, what's the fastest, most positive solution to bail these people out of the economic ruin?

OBAMA: Well, Alan (ph), thank you very much for the question. I want to first, obviously, thank Belmont University, Tom, thank you, and to all of you who are participating tonight and those of you who sent e-mail questions in.

I think everybody knows now we are in the worst financial crisis since the Great Depression. And a lot of you I think are worried about your jobs, your pensions, your retirement accounts, your ability to send your child or your grandchild to college.

And I believe this is a final verdict on the failed economic policies of the last eight years, strongly promoted by President Bush and supported by Senator McCain, that essentially said that we should strip away regulations, consumer protections, let the market run wild, and prosperity would rain down on all of us.

It hasn't worked out that way. And so now we've got to take some decisive action.

OBAMA: Now, step one was a rescue package that was passed last week. We've got to make sure that works properly. And that means strong oversight, making sure that investors, taxpayers are getting their money back and treated as investors.

It means that we are cracking down on CEOs and making sure that they're not getting bonuses or golden parachutes as a consequence of this package. And, in fact, we just found out that AIG, a company that got a bailout, just a week after they got help went on a $400,000 junket.

And I'll tell you what, the Treasury should demand that money back and those executives should be fired. But that's only step one. The middle-class need a rescue package. And that means tax cuts for the middle-class.

It means help for homeowners so that they can stay in their homes. It means that we are helping state and local governments set up road projects and bridge projects that keep people in their jobs.

And then long-term we've got to fix our health care system, we've got to fix our energy system that is putting such an enormous burden on us.

MCCAIN: Well, thank you, Tom. Thank you, Belmont University. And Senator Obama, it's good to be with you at a town hall meeting.

And, Alan (ph), thank you for your question. You go to the heart of America's worries tonight. Americans are angry, they're upset, and they're a little fearful. It's our job to fix the problem.

Now, I have a plan to fix this problem and it has got to do with energy independence. We've got to stop sending $700 billion a year to countries that don't want us very -- like us very much. We have to keep Americans' taxes low. All Americans' taxes low. Let's not raise taxes on anybody today.

We obviously have to stop this spending spree that's going on in Washington. Do you know that we've laid a $10 trillion debt on these young Americans who are here with us tonight, $500 billion of it we
owe to China? We've got to have a package of reforms and it has got to lead to reform prosperity and peace in the world. And I think that this problem has become so severe, as you know, that we're going to have to do something about home values.

You know that home values of retirees continues to decline and people are no longer able to afford their mortgage payments. As president of the United States, Alan, 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.

Is it expensive? Yes. But we all know, my friends, until we stabilize home values in America, we're never going to start turning around and creating jobs and fixing our economy. And we've got to give some trust and confidence back to America.

I know how the do that, my friends. And it's my proposal, it's not Senator Obama's proposal, it's not President Bush's proposal. But I know how to get America working again, restore our economy and take care of working Americans. Thank you.

BROKAW: Senator, we have one minute for a discussion here. Obviously the powers of the treasury secretary have been greatly expanded. The most powerful officer in the cabinet now. Hank Paulson says he won't stay on. Who do you have in mind to appoint to that very important post?

Senator McCain?

MCCAIN: Not you, Tom.

(LAUGHTER)

BROKAW: No, with good reason.

MCCAIN: You know, that's a tough question and there's a lot of qualified Americans. But I think the first criteria, Tom, would have to be somebody who immediately Americans identify with, immediately say, we can trust that individual.

A supporter of Senator Obama's is Warren Buffett. He has already weighed in and helped stabilize some of the difficulties in the markets and with companies and corporations, institutions today.

I like Meg Whitman, she knows what it's like to be out there in the marketplace. She knows how to create jobs. Meg Whitman was CEO of a company that started with 12 people and is now 1.3 million people in America make their living off eBay. Maybe somebody here has done a little business with them.

But the point is it's going to have to be somebody who inspires trust and confidence. Because the problem in America today to a large extent, Tom, is that we don't have trust and confidence in our institutions because of the corruption on Wall Street and the greed and excess and the cronynism in Washington, D.C.

BROKAW: All right. Senator McCain -- Senator Obama, who do you have in mind for treasury secretary?

OBAMA: Well, Warren would be a pretty good choice -- Warren Buffett, and I'm pleased to have his support. But there are other folks out there. The key is making sure that the next treasury secretary understands that it's not enough just to help those at the top.

Prosperity is not just going to trickle down. We've got to help the middle class.

OBAMA: And we've -- you know, Senator McCain and I have some fundamental disagreements on the economy, starting with Senator McCain's statement earlier that he thought the fundamentals of the economy were sound.

Part of the problem here is that for many of you, wages and incomes have flat-lined. For many of you, it is getting harder and harder to save, harder and harder to retire.

And that's why, for example, on tax policy, what I want to do is provide a middle class tax cut to 95 percent of working Americans, those who are working two jobs, people who are not spending enough time with their kids, because they are struggling to make ends meet.

Senator McCain is right that we've got to stabilize housing prices. But underlying that is loss of jobs and loss of income. That's something that the next treasury secretary is going to have to work on.

BROKAW: Senator Obama, thank you very much.

May I remind both of you, if I can, that we're operating under rules that you signed off on and when we have a discussion, it really is to be confined within about a minute or so.

We're going to go now, Senator McCain, to the next question from you from the hall here, and it comes from Oliver Clark (ph), who is over here in section F.

Oliver?

QUESTION: Well, Senators, through this economic crisis, most of the people that I know have had a difficult time. And through this bailout package, I was wondering what it is that's going to actually help those people out.

MCCAIN: Well, thank you, Oliver, and that's an excellent question, because as you just described it, bailout, when I believe that it's rescue, because -- because of the greed and excess in Washington and Wall Street, Main Street was paying a very heavy price, and we know that.

I left my campaign and suspended it to go back to Washington to make sure that there were additional protections for the taxpayer in the form of good oversight, in the form of taxpayers being the first to be paid back when our economy recovers -- and it will recover -- and a number of other measures.

But you know, one of the real catalysts, really the match that lit this fire was Fannie Mae and Freddie Mac. I'll bet you, you may never even have heard of them before this crisis.

But you know, they're the ones that, with the encouragement of Senator 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.

And you know, there were some of us that stood up two years ago and said we've got to enact legislation to fix this. We've got to stop this greed and excess.

Meanwhile, the Democrats in the Senate and some -- and some members of Congress defended what Fannie and Freddie Mac were doing. They resisted any change.

Meanwhile, they were getting all kinds of money in campaign contributions. Senator Obama was the second highest recipient of Fannie Mae and Freddie Mae money in history -- in history.

So this rescue package means that we will stabilize markets, we will shore up these institutions. But it's not enough. That's why we're going to have to go out into the housing market and we're going to have to buy up these bad loans and we're going to have to stabilize home values, and that way, Americans, like Alan, can realize the American dream and stay in their home.

But Fannie and Freddie were the catalysts, the match that started this forest fire. There were some of us -- there were some of us that stood up against it. There were others who took a hike.
BROKAW: Senator Obama?

OBAMA: Well, Oliver, first, let me tell you what's in the rescue package for you. Right now, the credit markets are frozen up and what that means, as a practical matter, is that small businesses and some large businesses just can't get loans.

If they can't get a loan, that means that they can't make payroll. If they can't make payroll, then they may end up having to shut their doors and lay people off.

And if you imagine just one company trying to deal with that, now imagine a million companies all across the country.

So it could end up having an adverse effect on everybody, and that's why we had to take action. But we shouldn't have been there in the first place.

Now, I've got to correct a little bit of Senator 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. Senator McCain, as recently as March, bragged about the fact that he is a deregulator. On the other hand, two years ago, I said that we've got a sub-prime lending crisis that has to be dealt with.

I wrote to Secretary Paulson, I wrote to Federal Reserve Chairman Bernanke, and told them this is something we have to deal with, and nobody did anything about it.

A year ago, I went to Wall Street and said we've got to reregulate, and nothing happened.

OBAMA: And Senator McCain during that period said that we should keep on deregulating because that's how the free enterprise system works.

Now, with respect to Fannie Mae, what Senator McCain didn't mention is the fact that this bill that he talked about wasn't his own bill. He jumped on it a year after it had been introduced and it never got passed.

And I never promoted Fannie Mae. In fact, Senator McCain's campaign chairman's firm was a lobbyist on behalf of Fannie Mae, not me.

So -- but, look, you're not interested in hearing politicians pointing fingers. What you're interested in is trying to figure out, how is this going to impact you?

This is not the end of the process; this is the beginning of the process. And that's why it's going to be so important for us to work with homeowners to make sure that they can stay in their homes.

The secretary already has the power to do that in the rescue package, but it hasn't been exercised yet. And the next president has to make sure that the next Treasury secretary is thinking about how to strengthen you as a home buyer, you as a homeowner, and not simply make sure that they can stay in their homes.

The problem is we still have an archaic, 20th-century regulatory system for 21st-century financial markets. We're going to have to coordinate with other countries to make sure that whatever actions we take work.

BROKAW: Time for a discussion. I'm going to begin with you. Are you saying to Mr. Clark (ph) and to the other members of the American television audience that the American economy is going to get much worse before it gets better and they ought to be prepared for that?

OBAMA: No, I am confident about the American economy. But we are going to have to have some leadership from Washington that not only sets out much better regulations for the financial system.

But most importantly, we're going to have to help ordinary families be able to stay in their homes, make sure that they can pay their bills, deal with critical issues like health care and energy, and we're going to have to change the culture in Washington so that lobbyists and special interests aren't driving the process and your voices aren't being drowned out.

BROKAW: Senator McCain, in all candor, do you think the economy is going to get worse before it gets better?

MCCAIN: I think it depends on what we do. I think if we act effectively, if we stabilize the housing market -- which I believe we can, if we go out and buy up these bad loans, so that people can have a new mortgage at the new value of their home -- I think if we get rid of the cronyism and special interest influence in Washington so we can act more effectively.

My friend, I'd like you to see the letter that a group of senators and I wrote warning exactly of this crisis. Senator Obama's name was not on that letter.

The point is -- the point is that we can fix our economy. Americans' workers are the best in the world. They're the fundamental aspect of America's economy.

They're the most innovative. They're the best -- they're most -- have best -- we're the best exporters. We're the best importers. They're most effective. They are the best workers in the world.

And we've got to give them a chance. They've got -- we've got to give them a chance to do their best again. And they are the innocent bystanders here in what is the biggest financial crisis and challenge of our time. We can do it.

BROKAW: Thank you, Senator McCain.

OBAMA: We're going to continue over in Section F, as it turns out.

Senator Obama, this is a question from you from Theresa Finch (ph).

Theresa (ph)?

QUESTION: How can we trust either of you with our money when both parties got -- got us into this global economic crisis?

OBAMA: Well, look, I understand your frustration and your cynicism, because while you've been carrying out your responsibilities -- most of the people here, you've got a family budget. If less money is coming in, you end up making cuts. Maybe you don't go out to dinner as much. Maybe you put off buying a new car.

That's not what happens in Washington. And you're right. There is a lot of blame to go around.

But I think it's important just to remember a little bit of history. When George Bush came into office, we had surpluses. And now we have half-a-trillion-dollar deficit annually.

When George Bush came into office, our debt -- national debt -- was around $5 trillion. It's now over $10 trillion. We've almost doubled it. And so while it's true that nobody's completely innocent here, we have had over the last eight years the biggest increases in deficit spending and national debt in our history. And Senator McCain voted for four out of five of those George Bush budgets.

So here's what I would do. I'm going to spend some money on the key issues that we've got to work on

OBAMA: You know, you may have seen your health care premiums go up. We've got to reform health care to help you and your budget.
We've got to invest in college affordability. So we're going to have to make some investments, but we've also got to make spending cuts. And what I've proposed, you'll hear Senator McCain say, well, he's proposing a whole bunch of new spending, but actually I'm cutting more than I'm spending so that it will be a net spending cut.

The key is whether or not we've got priorities that are working for you as opposed to those who have been dictatoring the policy in Washington lately, and that's mostly lobbyists and special interests. We've got to put an end to that.

BROKAW: Senator McCain?

MCCAIN: Well, Theresa (ph), thank you. And I can see why you feel that cynicism and mistrust, because the system in Washington is broken. And I have been a consistent reformer.

I have advocated and taken on the special interests, whether they be the big money people by reaching across the aisle and working with Senator Feingold on campaign finance reform, whether it being a variety of other issues, working with Senator Lieberman on trying to address climate change.

I have a clear record of bipartisanship. The situation today cries out for bipartisanship. Senator Obama has never taken on his leaders of his party on a single issue. And we need to reform.

And so let's look at our records as well as our rhetoric. That's really part of your mistrust here. And now I suggest that maybe you go to some of these organizations that are the watchdogs of what we do, like the Citizens Against Government Waste or the National Taxpayers Union or these other organizations that watch us all the time.

I don't expect you to watch every vote. And you know what you'll find? This is the most liberal big-spending record in the United States Senate. I have fought against excessive spending and outrages. I have fought to reduce the earmarks and eliminate them. Do you know that Senator Obama has voted for -- is proposing $860 billion of new spending now? New spending. Do you know that he voted for every increase in spending that I saw come across the floor of the United States Senate while we were working to eliminate these pork barrel earmarks?

He voted for nearly a billion dollars in pork barrel earmark projects, including, by the way, $3 million for an overhead projector at a planetarium in Chicago, Illinois. My friends, do we need to spend that kind of money?

I think you have to look at my record and you have to look at his. Then you have to look at our proposals for our economy, not $860 billion in new spending, but for the kinds of reforms that keep people in their jobs, get middle-income Americans working again, and getting our economy moving again.

You're going to be examining our proposals tonight and in the future, and energy independence is a way to do that, is one of them. And drilling offshore and nuclear power are two vital elements of that. And I've been supporting those and I know how to fix this economy, and eliminate our dependence on foreign oil, and stop sending $700 billion a year overseas.

BROKAW: We've run out of time. We have this one-minute discussion period going on here.

There are new economic realities out there that everyone in this hall and across this country understands that there are going to have to be some choices made. Health policies, energy policies, and entitlement reform, what are going to be your priorities in what order? Which of those will be your highest priority your first year in office and which will follow in sequence?

Senator McCain?

MCCAIN: The three priorities were health...

BROKAW: The three -- health care, energy, and entitlement reform: Social Security and Medicare. In what order would you put them in terms of priorities?

MCCAIN: I think you can work on all three at once, Tom. I think it's very important that reform our entitlement programs.

My friends, we are not going to be able to provide the same benefit for present-day workers that we are going -- that present-day retirees have today. We're going to have to sit down across the table, Republican and Democrat, as we did in 1983 between Ronald Reagan and Tip O'Neill.

I know how to do that. I have a clear record of reaching across the aisle, whether it be Joe Lieberman or Russ Feingold or Ted Kennedy or others. That's my clear record.

We can work on nuclear power plants. Build a whole bunch of them, create millions of new jobs. We have to have all of the above, alternative fuels, wind, tide, solar, natural gas, clean coal technology. All of these things we can do as Americans and we can take on this mission and we can overcome it.

MCCAIN: My friends, some of this $700 billion ends up in the hands of terrorist organizations.

As far as health care is concerned, obviously, everyone is struggling to make sure that they can afford their premiums and that they can have affordable and available health care. That's the next issue.

But we can do them all at once. There's no -- and we have to do them all at once. All three you mentioned are compelling national security requirements.

BROKAW: I'm trying to play by the rules that you all established. One minute for discussion.

Senator Obama, if you would give us your list of priorities, there are some real questions about whether everything can be done at once.

OBAMA: We're going to have to prioritize, just like a family has to prioritize. Now, I've listed the things that I think have to be at the top of the list.

Energy we have to deal with today, because you're paying $3.80 here in Nashville for gasoline, and it could go up. And it's a strain on your family budget, but it's also bad for our national security, because countries like Russia and Venezuela and, you know, in some cases, countries like Iran, are benefiting from higher oil prices.

So we've got to deal with that right away. That's why I've called for an investment of $15 billion a year over 10 years. Our goal should be, in 10 year's time, we are free of dependence on Middle Eastern oil.

And we can do it. Now, when JFK said we're going to the Moon in 10 years, nobody was sure how to do it, but we understood that, if the American people make a decision to do something, it gets done. So that would be priority number one.

Health care is priority number two, because that broken health care system is had not only for families, but it's making our businesses less competitive.

And, number three, we've got to deal with education so that our young people are competitive in a global economy.
But just one point I want to make, Tom. Senator McCain mentioned looking at our records. We do need to look at our records.

Senator McCain likes to talk about earmarks a lot. And that's important. I want to go line by line through every item in the federal budget and eliminate programs that don't work and make sure that those that do work, work better and cheaper.

But understand this: We also have to look at where some of our tax revenues are going. So when Senator McCain proposes a $300 billion tax cut, a continuation not only of the Bush tax cuts, but an additional $200 billion that he's going to give to big corporations, including big oil companies, $4 billion worth, that's money out of the system.

And so we've got to prioritize both our spending side and our tax policies to make sure that they're working for you. That's what I'm going to do as president of the United States.

BROKAW: All right, gentlemen, I want to just remind you one more time about time. We're going to have a larger deficit than the federal government does if we don't get this under control here before too long.

(LAUGHTER)

Senator McCain, for you, we have our first question from the Internet tonight. A child of the Depression, 78-year-old Fiora (ph) from Chicago.

Since World War II, we have never been asked to sacrifice anything to help our country, except the blood of our heroic men and women. As president, what sacrifices -- sacrifices will you ask every American to make to help restore the American dream and to get out of the economic morass that we're now in?

MCCAIN: Well, Fiora (ph), I'm going to ask the American people to understand that there are some programs that we may have to eliminate.

I first proposed a long time ago that we would have to examine every agency and every bureaucracy of government. And we're going to have to eliminate those that aren't working.

I know a lot of them that aren't working. One of them is in defense spending, because 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.

I believe that we have to eliminate the earmarks. And sometimes those projects, not -- not the overhead projector that Senator Obama asked for, but some of them that are really good projects, will have -- will have to be eliminated, as well.

And they'll have to undergo the same scrutiny that all projects should in competition with others.

So we're going to have to tell the American people that spending is going to have to be cut in America. And I recommend a spending freeze that -- except for defense, Veterans Affairs, and some other vital programs, we'll just have to have across-the-board freeze.

And some of those programs may not grow as much as we would like for them to, but we can establish priorities with full transparency, with full knowledge of the American people, and full consultation, not done behind closed doors and shoving earmarks in the middle of the night into programs that we don't even -- sometimes we don't even know about until months later.

And, by the way, I want to go back a second.

MCCAIN: Look, we can attack health care and energy at the same time. We're not -- we're not -- we're not rifle shots here. We are
I've got some news, Senator Obama, the news is bad. So let's not raise anybody's taxes, my friends, and make it very clear to you I am not in favor of tax cuts for the wealthy. I want to use a scalpel so that people who need help are getting help and those of us, like myself and Senator McCain, who don't need help, aren't getting it.

That's how we make sure that everybody is willing to make a few sacrifices.

But he wants to raise taxes. My friends, the last president to raise taxes during tough economic times was Herbert Hoover, and he practiced protectionism as well, which I'm sure we'll get to at some point.

You know, last year up to this time, we've lost 700,000 jobs in America. The only bright spot is that over 300,000 jobs have been created by small businesses. Senator Obama's secret that you don't know is that his tax increases will increase taxes on 50 percent of small business revenue.

Small businesses across America will have to cut jobs and will have their taxes increase and won't be able to hire because of Senator Obama's tax policies. You know, he said some time ago, he said he would forgo his tax increases if the economy was bad.

But I think it's important to understand, we're not going to solve Social Security and Medicare unless we understand the rest of our tax policies. And you know, Senator McCain, I think the "Straight Talk Express" lost a wheel on that one.

So let's be clear about my tax plan and Senator McCain's, because we're not going to be able to deal with entitlements unless we understand the revenues coming in. I want to provide a tax cut for 95 percent of Americans, 95 percent.

If you make less than a quarter of a million dollars a year, you will not see a single dime of your taxes go up. If you make $200,000 a year or less, your taxes will go down.

Now, Senator McCain talks about small businesses. Only a few percent of small businesses make more than $250,000 a year. So the vast majority of small businesses would get a tax cut under my plan.

And we provide a 50 percent tax credit so that they can buy health insurance for their workers, because there are an awful lot of small businesses that meet across America that want to do right by their workers but they just can't afford it. Some small business owners, a lot of them, can't even afford health insurance for themselves.

Now, in contrast, Senator McCain wants to give a $300 billion tax cut, $200 billion of it to the largest corporations and a hundred thousand of it -- a hundred billion of it going to people like CEOs on Wall Street. He wants to give average Fortune 500 CEO an additional $700,000 in tax cuts. That is not fair. And it doesn't work.
BROKAW: Senator McCain, two years for a reform of entitlement programs?

MCCAIN: Sure. Hey, I'll answer the question. Look -- look, it's not that hard to fix Social Security, Tom. It's just...

BROKAW: And Medicare.

MCCAIN: ... tough decisions. I want to get to Medicare in a second.

Social Security is not that tough. We know what the problems are, my friends, and we know what the fixes are. We've got to sit down together across the table. It's been done before.

I saw it done with our -- our wonderful Ronald Reagan, a conservative from California, and the liberal Democrat Tip O'Neill from Massachusetts. That's what we need more of, and that's what I've done in Washington.

Senator Obama has never taken on his party leaders on a single major issue. I've taken them on. I'm not too popular sometimes with my own party, much less his.

So Medicare, it's going to be a little tougher. It's going to be a little tougher because we're talking about very complex and difficult issues.

My friends, what we have to do with Medicare is have a commission, have the smartest people in America come together, come up with recommendations, and then, like the base-closing commission idea we had, then we should have Congress vote up or down.

Let's not let them fool with it anymore. There's too much special interests and too many lobbyists working there. So let's have -- and let's have the American people say, "Fix it for us." Now, just back on this -- on this tax, you know, again, it's back to our first question here about rhetoric and record. Senator Obama has voted 94 times to either increase your taxes or against tax cuts. That's his record.

When he ran for the United States Senate from Illinois, he said he would have a middle-income tax cut. You know he came to the Senate and never once proposed legislation to do that?

So let's look at our record. I've fought higher taxes. I have fought to reform government.

Let's look at our records, my friends, and then listen to my vision for the future of America. And we'll get our economy going again. And our best days are ahead of us.

BROKAW: Senator McCain, thank you very much. I'm going to stick by my part of the pact and not ask a follow-up here.

The next question does come from the hall for Senator McCain. It comes from Section C over here, and it's from Ingrid Jackson (ph).

Ingrid (ph)?

QUESTION: Senator McCain, I want to know, we saw that Congress moved pretty fast in the face of an economic crisis. I want to know what you would do within the first two years to make sure that Congress moves fast as far as environmental issues, like climate change and green jobs?

MCCAIN: Well, thank you. Look, we are in tough economic times; we all know that. And let's keep -- never forget the struggle that Americans are in today.

But when we can -- when we have an issue that we may hand our children and our grandchildren a damaged planet, I have disagreed strongly with the Bush administration on this issue. I traveled all over the world looking at the effects of greenhouse gas emissions, Joe Lieberman and I.

And I introduced the first legislation, and we forced votes on it. That's the good news, my friends. The bad news is we lost. But we kept the debate going, and we kept this issue to -- to posing to Americans the danger that climate change opposes.

Now, how -- what's -- what's the best way of fixing it? Nuclear power. Senator Obama says that it has to be safe or disposable or something like that.

Look, I -- I was on Navy ships that had nuclear power plants. Nuclear power is safe, and it's clean, and it creates hundreds of thousands of jobs.

And -- and I know that we can reprocess the spent nuclear fuel. The Japanese, the British, the French do it. And we can do it, too. Senator Obama has opposed that. We can move forward, and clean up our climate, and develop green technologies, and alternate -- alternative energies for -- for hybrid, for hydrogen, for battery-powered cars, so that we can clean up our environment and at the same time get our economy going by creating millions of jobs.

We can do that, we as Americans, because we're the best innovators, we're the best producers, and 95 percent of the people who are our market live outside of the United States of America.

BROKAW: Senator Obama?

OBAMA: This is one of the biggest challenges of our times.

OBAMA: And it is absolutely critical that we understand this is not just a challenge, it's an opportunity, because if we create a new energy economy, we can create five million new jobs, easily, here in the United States.

It can be an engine that drives us into the future the same way the computer was the engine for economic growth over the last couple of decades.

And we can do it; but we're going to have to make an investment. 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.

And that's why we've got to make some investments and I've called for investments in solar, wind, geothermal. Contrary to what Senator McCain keeps on saying, I favor nuclear power as one component of our overall energy mix.

But this is another example where I think it is important to look at the record. Senator McCain and I actually agree on something. He said a while back that the big problem with energy is that for 30 years, politicians in Washington haven't done anything.

What Senator McCain doesn't mention is he's been there 26 of them. And during that time, he voted 23 times against alternative fuels, 23 times.

So it's easy to talk about this stuff during a campaign, but it's important for us to understand that it requires a sustained effort from the next president.

One last point I want to make on energy. Senator McCain talks a lot about drilling, and that's important, but we have three percent of the world's oil reserves and we use 25 percent of the world's oil.

So what that means is that we can't simply drill our way out of the problem. And we're not going to be able to deal with the climate crisis if our only solution is to use more fossil fuels that create global warming.

We're going to have to come up with alternatives, and that means that the United States government is working with the private sector to
fund the kind of innovation that we can then export to countries like China that also need energy and are setting up one coal power plant a week.

We've got to make sure that we're giving them the energy that they need or helping them to create the energy that they need.

BROKAW: Gentlemen, you may not have noticed, but we have lights around here. They have red and green and yellow and they are to signal...

OBAMA: I'm just trying to keep up with John.

MCCAIN: Tom, wave like that and I'll look at you.

BROKAW: All right, Senator.

Here's a follow-up to that, one-minute discussion. It's a simple question.

MCCAIN: Sure.

BROKAW: Should we fund a Manhattan-like project that develops a nuclear bomb to deal with global energy and alternative energy or should we fund 100,000 garages across America, the kind of industry and innovation that developed Silicon Valley?

MCCAIN: I think pure research and development investment on the part of the United States government is certainly appropriate. I think once it gets into productive stages, that we ought to, obviously, turn it over to the private sector.

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. I have fought time after time against these pork barrel -- these bills that come to the floor and they have all kinds of goodies and all kinds of things in them for everybody and they buy off the votes.

I vote against them, my friends, I vote against them. But the point is, also, on oil drilling, oil drilling offshore now is vital so that we can bridge the gap. We can bridge the gap between imported oil, which is a national security issue, as well as any other, and it will reduce the price of a barrel of oil, because when people know there's a greater supply, then the cost of that will go down.

That's fundamental economics. We've got to drill offshore, my friends, and we've got to do it now, and we can do it.

And as far as nuclear power is concerned, again, look at the record. Senator Obama has approved storage and reprocessing of spent nuclear fuel.

And I'll stop, Tom, and you didn't even wave. Thanks.

BROKAW: Thank you very much, Senator.

Next question for you, Senator Obama, and it comes from the E section over here and it's from Lindsey Trellow (ph).

Lindsey?

QUESTION: Senator, selling health care coverage in America as the marketable commodity has become a very profitable industry.

Do you believe health care should be treated as a commodity?

OBAMA: Well, you know, as I travel around the country, this is one of the single most frequently asked issues that I get is the issue of health care. It is breaking family budgets. I can't tell you how many people I meet who don't have health insurance.

If you've got health insurance, most of you have seen your premiums double over the last eight years. And your co-payments and deductibles have gone up 30 percent just in the last year alone. If you're a small business, it's a crushing burden.

So one of the things that I have said from the start of this campaign is that we have a moral commitment as well as an economic imperative to do something about the health care crisis that so many families are facing.

So here's what I would do. If you've got health care already, and probably the majority of you do, then you can keep your plan if you are satisfied with it. You can keep your choice of doctor. We're going to work with your employer to lower the cost of your premiums by up to $2,500 a year.

And we're going to do it by investing in prevention. We're going to do it by making sure that we use information technology so that medical records are actually on computers instead of you filling forms out in triplicate when you go to the hospital. That will reduce medical errors and reduce costs.

If you don't have health insurance, you're going to be able to buy the same kind of insurance that Senator McCain and I enjoy as federal employees. Because there's a huge pool, we can drop the costs. And nobody will be excluded for pre-existing conditions, which is a huge problem.

Now, Senator McCain has a different kind of approach. He says that he's going to give you a $5,000 tax credit. What he doesn't tell you is that he is going to tax your employer-based health care benefits for the first time ever.

So what one hand giveth, the other hand taketh away. He would also strip away the ability of states to provide some of the regulations on insurance companies to make sure you're not excluded for pre-existing conditions or your mammograms are covered or your maternity is covered. And that is fundamentally the wrong way to go.

In fact, just today business organizations like the United States Chamber of Commerce, which generally are pretty supportive of Republicans, said that this would lead to the unraveling of the employer-based health care system.

That, I don't think, is the kind of change that we need. We've got to have somebody who is fighting for patients and making sure that you get decent, affordable health care. And that's something that I'm committed to doing as president.

BROKAW: Senator McCain?

MCCAIN: Well, thank you for the question. You really identified one of the really major challenges that America faces. Co-payments go up, costs go up, skyrocketing costs, which make people less and less able to afford health insurance in America.

And we need to do all of the things that are necessary to make it more efficient. Let's put health records online, that will reduce medical errors, as they call them. Let's have community health centers. Let's have walk-in clinics. Let's do a lot of things to impose efficiencies.

But what is at stake here in this health care issue is the fundamental difference between myself and Senator Obama. As you notice, he starts talking about government. He starts saying, government will do this and government will do that, and then government will, and he'll impose mandates.

If you're a small business person and you don't insure your employees, Senator Obama will fine you. Will fine you. That's
remarkable. If you're a parent and you're struggling to get health insurance for your children, Senator Obama will fine you.

I want to give every American a $5,000 refundable tax credit. They can take it anywhere, across state lines. Why not? Don't we go across state lines when we purchase other things in America? Of course it's OK to go across state lines because in Arizona they may offer a better plan that suits you best than it does here in Tennessee.

And if you do the math, those people who have employer-based health benefits, if you put the tax on it and you have what's left over and you add $5,000 that you're going to get as a refundable tax credit, do the math, 95 percent of the American people will have increased funds to go out and buy the insurance of their choice and to shop around and to get -- all of those people will be covered except for those who have these gold-plated Cadillac kinds of policies.

You know, like hair transplants, I might need one of those myself. But the point is that we have got to give people choice in America and not mandate things on them and give them the ability. Every parent I know would acquire health insurance for their children if they could.

Obviously small business people want to give their employees health insurance. Of course they all want to do that. We've got to give them the wherewithal to do it. We can do it by giving them, as a start, a $5,000 refundable tax credit to go around and get the health insurance policy of their choice.

BROKAW: Quick discussion. Is health care in America a privilege, a right, or a responsibility?

Senator McCain?

MCCAIN: I think it's a responsibility, in this respect, in that we should have available and affordable health care to every American citizen, to every family member. And with the plan that -- that I have, that will do that.

But government mandates I -- I'm always a little nervous about. But it is certainly my responsibility. It is certainly small-business people and others, and they understand that responsibility. American citizens understand that. Employers understand that.

But they certainly are a little nervous when Senator Obama says, if you don't get the health care policy that I think you should have, then you're going to get fined. And, by the way, Senator Obama has never mentioned how much that fine might be. Perhaps we might find that out tonight.

OBAMA: Well, why don't -- why don't -- let's talk about this, Tom, because there was just a lot of stuff out there.

BROKAW: Privilege, right or responsibility. Let's start with that.

OBAMA: Well, I think it should be a right for every American. In a country as wealthy as ours, for us to have people who are going bankrupt because they can't pay their medical bills -- for my mother to die of cancer at the age of 53 and have to spend the last months of her life in the hospital room arguing with insurance companies because they're saying that this may be a pre-existing condition and they don't have to pay her treatment, there's something fundamentally wrong about that.

So let me -- let me just talk about this fundamental difference. And, Tom, I know that we're under time constraints, but Senator McCain through a lot of stuff out there.

Number one, let me just repeat, if you've got a health care plan that you like, you can keep it. All I'm going to do is help you to lower the premiums on it. You'll still have choice of doctor. There's no mandate involved.

Small businesses are not going to have a mandate. What we're going to give you is a 50 percent tax credit to help provide health care for those that you need.

Now, it's true that I say that you are going to have to make sure that your child has health care, because children are relatively cheap to insure and we don't want them going to the emergency room for treatable illnesses like asthma.

And when Senator McCain says that he wants to provide children health care, what he doesn't mention is he voted against the expansion of the Children's Health Insurance Program that is responsible for making sure that so many children who didn't have previously health insurance have it now.

Now, the final point I'll make on this whole issue of government intrusion and mandates -- it is absolutely true that I think it is important for government to crack down on insurance companies that are cheating their customers, that don't give you the fine print, so you end up thinking that you're paying for something and, when you finally get sick and you need it, you're not getting it.

And the reason that it's a problem to go shopping state by state, you know what insurance companies will do? They will find a state -- maybe Arizona, maybe another state -- where there are no requirements for you to get cancer screenings, where there are no requirements for you to have to get pre-existing conditions, and they will all set up shop there.

That's how in banking it works. Everybody goes to Delaware, because they've got very -- pretty loose laws when it comes to things like credit cards.

And in that situation, what happens is, is that the protections you have, the consumer protections that you need, you're not going to have available to you.

That is a fundamental difference that I have with Senator McCain. He believes in deregulation in every circumstance. That's what we've been going through for the last eight years. It hasn't worked, and we need fundamental change.

BROKAW: Senator, we want to move on now. If we'd come back to the hall here, we're going to shift gears here a little bit and we're going to go to foreign policy and international matters, if we can...

MCCAIN: I don't believe that -- did we hear the size of the fine?

BROKAW: Phil Elliott (ph) is over here in this section, and Phil Elliott (ph) has a question for Senator McCain.

Phil?

QUESTION: Yes. Senator McCain, how will all the recent economic stress affect our nation's ability to act as a peacemaker in the world?

MCCAIN: Well, I thank you for that question, because there's no doubt that history shows us that nations that are strong militarily over time have to have a strong economy, as well. And that is one of the challenges that America faces.

But having said that, America -- and we'll hear a lot of criticism. I've heard a lot of criticism about America, and our national security policy, and all that, and much of that criticism is justified.

But the fact is, America is the greatest force for good in the history of the world. My friends, we have gone to all four corners of the Earth and shed American blood in defense, usually, of somebody else's freedom and our own.

MCCAIN: So we are peacemakers and we're peacekeepers. But the challenge is to know when the United States of America can beneficially effect the outcome of a crisis, when to go in and when
and experience and the judgment, the judgment to know when our national security is not only at risk, but where the United States of America can make a difference in preventing genocide, in preventing the spread of terrorism, in doing the things that the United States has done, not always well, but we've done because we're a nation of good.

And I am convinced that my record, going back to my opposition from sending the Marines to Lebanon, to supporting our efforts in Kosovo and Bosnia and the first Gulf War, and my judgment, I think, is something that I'm -- a record that I'm willing to stand on.

Senator Obama was wrong about Iraq and the surge. He was wrong about Russia when they committed aggression against Georgia. And in his short career, he does not understand our national security challenges.

We don't have time for on-the-job training, my friends.

BROKAW: Senator Obama, the economic constraints on the U.S. military action around the world.

OBAMA: Well, you know, Senator McCain, in the last debate and today, again, suggested that I don't understand. It's true. There are some things I don't understand.

I don't understand how we ended up invading a country that had nothing to do with 9/11, while Obama Bin Laden and Al Qaeda are setting up base camps and safe havens to train terrorists to attack us.

That was Senator McCain's judgment and it was the wrong judgment.

When Senator McCain was cheerleading the president to go into Iraq, he suggested it was going to be quick and easy, we'd be greeted as liberators.

That was the wrong judgment, and it's been costly to us. So one of the difficulties with Iraq is that it has put an enormous strain, first of all, on our troops, obviously, and they have performed heroically and honorably and we owe them an extraordinary debt of gratitude.

But it's also put an enormous strain on our budget. We've spent, so far, close to $700 billion and if we continue on the path that we're on, as Senator McCain is suggesting, it's going to go well over $1 trillion.

We're spending $10 billion a month in Iraq at a time when the Iraqis have a $79 billion surplus, $79 billion.

And we need that $10 billion a month here in the United States to put people back to work, to do all these wonderful things that Senator McCain suggested we should be doing, but has not yet explained how he would pay for.

Now, Senator McCain and I do agree, this is the greatest nation on earth. We are a force of good in the world. But there has never been a nation in the history of the world that saw its economy decline and maintained its military superiority.

And the strains that have been placed on our alliances around the world and the respect that's been diminished over the last eight years has constrained us being able to act on something like the genocide in Darfur, because we don't have the resources or the allies to do everything that we should be doing.

That's going to change when I'm president, but we can't change it unless we fundamentally change Senator McCain's and George Bush's foreign policy. It has not worked for America.

BROKAW: Senator Obama, let me ask you if -- let's see if we can establish tonight the Obama doctrine and the McCain doctrine for the use of United States combat forces in situations where there's a humanitarian crisis, but it does not affect our national security.

Take the Congo, where 4.5 million people have died since 1998, or take Rwanda in the earlier dreadful days, or Somalia.

What is the Obama doctrine for use of force that the United States would send when we don't have national security issues at stake?

OBAMA: Well, we may not always have national security issues at stake, but we have moral issues at stake.

If we could have intervened effectively in the Holocaust, who among us would say that we had a moral obligation not to go in?

If we could've stopped Rwanda, surely, if we had the ability, that would be something that we would have to strongly consider and act.

So when genocide is happening, when ethnic cleansing is happening somewhere around the world and we stand idly by, that diminishes us.

OBAMA: And so I do believe that we have to consider it as part of our interests, our national interests, in intervening where possible.

But understand that there's a lot of cruelty around the world. We're not going to be able to be everywhere all the time. That's why it's so important for us to be able to work in concert with our allies.

Let's take the example of Darfur just for a moment. Right now there's a peacekeeping force that has been set up and we have African Union troops in Darfur to stop a genocide that has killed hundreds of thousands of people.

We could be providing logistical support, setting up a no-fly zone at relatively little cost to us, but we can only do it if we can help mobilize the international community and lead. And that's what I intend to do when I'm president.

BROKAW: Senator McCain, the McCain Doctrine, if you will.

MCCAIN: Well, let me just follow up, my friends. If we had done what Senator Obama wanted done in Iraq, and that was set a date for withdrawal, which General Petraeus, our chief -- chairman of our Joint Chiefs of Staff said would be a very dangerous course to take for America, then we would have had a wider war, we would have been back, Iranian influence would have increased, Al Qaeda would have re-established a base.

There was a lot at stake there, my friends. And I can tell you right now that Senator Obama would have brought our troops home in defeat. I'll bring them home with victory and with honor and that is a fundamental difference.

The United States of America, Tom, is the greatest force for good, as I said. And we must do whatever we can to prevent genocide, whatever we can to prevent these terrible calamities that we have said never again.

But it also has to be tempered with our ability to beneficially affect the situation. That requires a cool hand at the tiller. This requires a person who understands what our -- the limits of our capability are.

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 peacekeepers and we ended up having to withdraw in humiliation.

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.
So you have to temper your decisions with the ability to beneficially affect the situation and realize you're sending America's most precious asset, American blood, into harm's way. And, again, I know those situations.

I've been in them all my life. And I can tell you right now the security of your young men and women who are serving in the military are my first priority right after our nation's security.

And I may have to make those tough decisions. But I won't take them lightly. And I understand that we have to say never again to a Holocaust and never again to Rwanda. But we had also better be darn sure we don't leave and make the situation worse, thereby exacerbating our reputation and our ability to address crises in other parts of the world.

BROKAW: Senator McCain, thank you very much.

Next question for Senator Obama, it comes from the F section and is from Katie Hamm (ph). Katie?

QUESTION: Should the United States respect Pakistani sovereignty and not pursue al Qaeda terrorists who maintain bases there, or should we ignore their borders and pursue our enemies like we did in Cambodia during the Vietnam War?

OBAMA: Katie, it's a terrific question and we have a difficult situation in Pakistan. I believe that part of the reason we have a difficult situation is because we made a bad judgment going into Iraq in the first place when we hadn't finished the job of hunting down bin Laden and crushing al Qaeda.

So what happened was we got distracted, we diverted resources, and ultimately bin Laden escaped, set up base camps in the mountains of Pakistan in the northwest provinces there.

They are now raiding our troops in Afghanistan, destabilizing the situation. They're stronger now than at any time since 2001. And that's why I think it's so important for us to reverse course, because that's the central front on terrorism.

They are plotting to kill Americans right now. As Secretary Gates, the defense secretary, said, the war against terrorism began in that region and that's where it will end. So part of the reason I think it's so important for us to end the war in Iraq is to be able to get more troops into Afghanistan, put more pressure on the Afghan government to do what it needs to do, eliminate some of the drug trafficking that's funding terrorism.

But I do believe that we have to change our policies with Pakistan. We can't coddle, as we did, a dictator, give him billions of dollars and then he's making peace treaties with the Taliban and militants.

OBAMA: What I've said is we're going to encourage democracy in Pakistan, expand our nonmilitary aid to Pakistan so that they have more of a stake in working with us, but insisting that they go after these militants.

And if we have Osama bin Laden in our sights and the Pakistani government is unable or unwilling to take them out, then I think that we have to act and we will take them out. We will kill bin Laden; we will crush Al Qaeda. That has to be our biggest national security priority.

BROKAW: Senator McCain?

MCAIN: Well, Katie (ph), thank you.

You know, my hero is a guy named Teddy Roosevelt. Teddy Roosevelt used to say walk softly -- talk softly, but carry a big stick. Senator Obama likes to talk loudly.

In fact, he said he wants to announce that he's going to attack Pakistan. Remarkable.

You know, if you are a country and you're trying to gain the support of another country, then you want to do everything you can that they would act in a cooperative fashion.

When you announce that you're going to launch an attack into another country, it's pretty obvious that you have the effect that it had in Pakistan: It turns public opinion against us.

Now, let me just go back with you very briefly. We dove the Russians out with -- the Afghan freedom fighters drove the Russians out of Afghanistan, and then we made a most serious mistake. We washed our hands of Afghanistan. The Taliban came back in, Al Qida, we then had the situation that required us to conduct the Afghan war.

Now, our relations with Pakistan are critical, because the border areas are being used as safe havens by the Talibain and Al Qaida and other extremist organizations, and we have to get their support.

Now, General Petraeus had a strategy, the same strategy -- very, very different, because of the conditions and the situation -- but the same fundamental strategy that succeeded in Iraq. And that is to get the support of the people.

We need to help the Pakistani government go into Waziristan, where I visited, a very rough country, and -- and get the support of the people, and get them to work with us and turn against the cruel Talibain and others.

And by working and coordinating our efforts together, not threatening to attack them, but working with them, and where necessary use force, but talk softly, but carry a big stick.

OBAMA: Tom, just a...

BROKAW: Senator McCain...

OBAMA: ... just a quick follow-up on this. I think...

MCAIN: If we're going to have follow-ups, then I will want follow-ups, as well.

BROKAW: No, I know. So but I think we get at it...

MCAIN: It'd be fine with me. It'd be fine with me.

BROKAW: ... if I can, with this question.

OBAMA: Then let's have one.

BROKAW: All right, let's have a follow-up.

MCAIN: It'd be fine with me.

OBAMA: Just -- just -- just a quick follow-up, because I think -- I think this is important.

BROKAW: I'm just the hired help here, so, I mean...

(LAUGHTER)

OBAMA: You're doing a great job, Tom.

Look, I -- I want to be very clear about what I said. Nobody called for the invasion of Pakistan. Senator McCain continues to repeat this.
said what we need is an acceptable dictator.

Now, Senator McCain suggests that somehow, you know, I'm green behind the ears and, you know, I'm just spouting off, and he's somber and responsible.

MCCAIN: Thank you very much.

OBAMA: Senator McCain, this is the guy who sang, "Bomb, bomb, bomb Iran," who called for the annihilation of North Korea. That I don't think is an example of "speaking softly."

This is the person who, after we had -- we hadn't even finished Afghanistan, where he said, "Next up, Baghdad."

So I agree that we have to speak responsibly and we have to act responsibly. And the reason Pakistan -- the popular opinion of America had diminished in Pakistan was because we were supporting a dictator, Musharraf, who had given him $10 billion over seven years, and he had suspended civil liberties. We were not promoting democracy.

This is the kind of policies that ultimately end up undermining our ability to fight the war on terrorism, and it will change when I'm president.

MCCAIN: And, Tom, if -- if we're going to go back and forth, I then - - I'd like to have equal time to go -- to respond to...

BROKAW: ... last word here, and then we have to move on.

MCCAIN: ... to -- to -- to...

BROKAW: Not true. Not true. I have, obviously, supported those efforts that the United States had to go in militarily and I have opposed that I didn't think so.

I understand what it's like to send young American's in harm's way. I say -- I was joking with a veteran -- I hate to even go into this. I was joking with an old veteran friend, who joked with me, about Iran.

But the point is that I know how to handle these crises. And Senator Obama, by saying that he would attack Pakistan, look at the context of his words. I'll get Osama bin Laden, my friends. I'll get him: I know how to get him.

I'll get him no matter what and I know how to do it. But I'm not going to telegraph my punches, which is what Senator Obama did. And I'm going to act responsibly, as I have acted responsibly throughout my military career and throughout my career in the United States Senate.

And we have fundamental disagreements about the use of military power and how you do it, and you just saw it in response to previous questions.

BROKAW: Can I get a quick response from the two of you about developments in Afghanistan this week? The senior British military commander, who is now leading there for a second tour, and their senior diplomatic presence there, Sherard Cowper-Coles, who is well known as an expert in the area, both have said that we're failing in Afghanistan.

The commander said we cannot win there. We've got to get it down to a low level insurgency, let the Afghans take it over. Cowper-Coles said what we need is an acceptable dictator.

If either of you becomes president, as one of you will, how do you reorganize Afghanistan's strategy or do you? Briefly, if you can.

OBAMA: I'll be very brief. We are going to have to make the Iraqi government start taking more responsibility, withdraw our troops in a responsible way over time, because we're going to have to put some additional troops in Afghanistan.

General McKiernan, the commander in Afghanistan right now, is desperate for more help, because our bases and outposts are now targets for more aggressive Afghan -- Taliban offenses. We're also going to have to work with the Karzai government, and when I met with President Karzai, I was very clear that, "You are going to have to do better by your people in order for us to gain the popular support that's necessary."

I don't think he has to be a dictator. And we want a democracy in Afghanistan. But we have to have a government that is responsive to the Afghan people, and, frankly, it's just not responsive right now.

BROKAW: Senator McCain, briefly.

MCCAIN: General Petraeus has just taken over a position of responsibility, where he has the command and will really set the tone for the strategy and tactics that are used.

And I've had conversations with him. It is the same overall strategy. Of course, we have to do some things tactically, some of which Senator Obama is correct on.

We have to double the size of the Afghan army. We have to have a streamlined NATO command structure. We have to do a lot of things. We have to work much more closely with the Pakistanis.

But most importantly, we have to have the same strategy, which Senator Obama said wouldn't work, couldn't work, still fails to admit that he was wrong about Iraq.

He still will not admit that he was wrong about the strategy of the surge in Iraq, and that's the same kind of strategy of go out and secure and hold and allow people to live normal lives.

And once they feel secure, then they lead normal, social, economic, political lives, the same thing that's happening in Iraq today.

So I have confidence that General Petraeus, working with the Pakistanis, working with the Afghans, doing the same job that he did in Iraq, will again. We will succeed and we will bring our troops home with honor and victory and not in defeat.

BROKAW: Senator McCain, this question is for you from the Internet. It's from Alden (ph) in Hewitt, Texas.

How can we apply pressure to Russia for humanitarian issues in an effective manner without starting another Cold War?

MCCAIN: First of all, as I say, I don't think that -- we're not going to have another Cold War with Russia.

But have no doubt that Russia's behavior is certainly outside the norms of behavior that we would expect for nations which are very wealthy, as Russia has become, because of their petro dollars.

Now, long ago, I warned about Vladimir Putin. I said I looked into his eyes and saw three letters, a K, a G and a B. He has surrounded himself with former KGB apparatchiks. He has gradually repressed most of the liberties that we would expect for nations to observe, and he has exhibited most aggressive behavior, obviously, in Georgia.

I said before, watch Ukraine. Ukraine, right now, is in the sights of Vladimir Putin, those that want to reassemble the old Soviet Union.
Russia in hopes that that will modify and eventually change their behavior. Now, the G-8 is one of those, but there are many others.

And so, of course we want to bring international pressures to bear on Russia in hopes that that will modify and eventually change their behavior. Now, the G-8 is one of those, but there are many others.

But the Russians must understand that these kinds of actions and activities are not acceptable and hopefully we will use the leverage, economic, diplomatic and others united with our allies, with our allies and friends in Europe who are equally disturbed as we are about their recent behaviors.

BROKAW: Senator Obama.

MCCAIN: It will not be a re-ignition of the Cold War, but Russia is a challenge.

BROKAW: Senator Obama? We're winding down, so if we can keep track of the time.

OBAMA: Well, the resurgence of Russia is one of the central issues that we're going to have to deal with in the next presidency. And for the most part I agree with Senator McCain on many of the steps that have to be taken.

But we can't just provide moral support. We've got to provide moral support to the Poles and Estonia and Latvia and all of the nations that were former Soviet satellites. But we've also got to provide them with financial and concrete assistance to help rebuild their economies. Georgia in particular is now on the brink of enormous economic challenges. And some say that's what Putin intended in the first place.

The other thing we have to do, though, is we've got to see around the corners. We've got to anticipate some of these problems ahead of time. You know, back in April, I put out a statement saying that the situation in Georgia was unsustainable because you had Russian peacekeepers in these territories that were under dispute.

And you knew that if the Russians themselves were trying to obtain some of these territories or push back against Georgia, that that was not a stable situation. So part of the job of the next commander-in-chief, in keeping all of you safe, is making sure that we can see some of the 21st Century challenges and anticipate them before they happen.

We haven't been doing enough of that. We tend to be reactive. That's what we've been doing over the last eight years and that has actually made us more safe. That's part of what happened in Afghanistan, where we rushed into Iraq and Senator McCain and President Bush suggested that it wasn't that important to catch bin Laden right now and that we could muddle through, and that has cost us dearly.

We've got to be much more strategic if we're going to be able to deal with all of the challenges that we face out there.

And one last point I want to make about Russia. Energy is going to be key in dealing with Russia. If we can reduce our energy consumption, that reduces the amount of petro dollars that they have to make mischief around the world. That will strengthen us and weaken them when it comes to issues like Georgia.

BROKAW: This requires only a yes or a no. Ronald Reagan famously said that the Soviet Union was the evil empire. Do you think that Russia under Vladimir Putin is an evil empire?

OBAMA: I think they've engaged in an evil behavior and I think that it is important that we understand they're not the old Soviet Union but they still have nationalist impulses that I think are very dangerous.

BROKAW: Senator McCain?

MCCAIN: Maybe.

(LAUGHTER)

BROKAW: Maybe.

MCCAIN: Depends on how we respond to Russia and it depends on a lot of things. If I say yes, then that means that we're reigniting the old Cold War. If I say no, it ignores their behavior.

Obviously energy is going to be a big, big factor. And Georgia and Ukraine are both major gateways of energy into Europe. And that's one of the reasons why it's in our interest.

But the Russians, I think we can deal with them but they've got to understand that they're facing a very firm and determined United States of America that will defend our interests and that of other countries in the world.

BROKAW: All right. We're going to try to get in two more questions, if we can. So we have to move along. Over in section A, Terry Chary (ph) -- do I have that right, Terry? QUESTION: Senator, as a retired Navy chief, my thoughts are often with those who serve our country. I know both candidates, both of you, expressed support for Israel.

QUESTION: If, despite your best diplomatic efforts, Iran attacks Israel, would you be willing to commit U.S. troops in support and defense of Israel? Or would you wait on approval from the U.N. Security Council?

MCCAIN: Well, thank you, Terry (ph). And thank you for your service to the country.

I want to say, everything I ever learned about leadership I learned from a chief petty officer. And I thank you, and I thank you, my friend. Thanks for serving.

Let -- let -- let me say that we obviously would not wait for the United Nations Security Council. I think the realities are that both Russia and China would probably pose significant obstacles.

And our challenge right now is the Iranians continue on the path to acquiring nuclear weapons, and it's a great threat. It's not just a threat -- threat to the state of Israel. It's a threat to the stability of the entire Middle East.

If Iran acquires nuclear weapons, all the other countries will acquire them, too. The tensions will be ratcheted up.

What would you do if you were the Israelis and the president of a country says that they are -- they are determined to wipe you off the map, calls your country a stinking corpse?

Now, Senator Obama without precondition wants to sit down and negotiate with them, without preconditions. That's what he stated, again, a matter of record.

I want to make sure that the Iranians are put enough -- that we put enough pressure on the Iranians by joining with our allies, imposing significant, tough sanctions to modify their behavior. And I think we can do that.

I think, joining with our allies and friends in a league of democracies, that we can effectively abridge their behavior, and hopefully they would abandon this quest that they are on for nuclear weapons.
We cannot allow Iran to get a nuclear weapon. It would be a game-changer in the region. Not only would it threaten Israel, our strongest ally in the region and one of our strongest allies in the world, but it would also create a possibility of nuclear weapons falling into the hands of terrorists.

And so it’s unacceptable. And I will do everything that’s required to prevent it.

And we will never take military options off the table. And it is important that we don’t provide veto power to the United Nations or anyone else in acting in our interests.

It’s important, though, for us to use all the tools at our disposal to prevent the scenario where we’ve got to make those kinds of choices.

And that’s why I have consistently said that, if we can work more effectively with other countries diplomatically to tighten sanctions on Iran, if we can reduce our energy consumption through alternative energy, so that Iran has less money, if we can impose the kinds of sanctions that, say, for example, Iran right now imports gasoline, even though it’s an oil-producer, because its oil infrastructure has broken down, if we can prevent them from importing the gasoline that they need and the refined petroleum products, that starts changing their cost-benefit analysis. That starts putting the squeeze on them.

Now, it is true, though, that I believe that we should have direct talks - - not just with our friends, but also with our enemies -- to deliver a tough, direct message to Iran. If you don’t change your behavior, then there will be dire consequences.

If you do change your behavior, then it is possible for you to re-join the community of nations.

Now, it may not work. But one of the things we’ve learned is, is that when we take that approach, whether it’s in North Korea or in Iran, then we have a better chance at better outcomes.

When President Bush decided we’re not going to talk to Iran, we’re not going to talk to North Korea, you know what happened? Iran went from zero centrifuges to develop nuclear weapons to 4,000. North Korea quadrupled its nuclear capability.

We’ve got to try to have talks, understanding that we’re not taking military options off the table.

BROKAW: All right, gentlemen, we’ve come to the last question.

And you’ll both be interested to know this comes from the Internet and it’s from a state that you’re strongly contesting, both of you. It’s from Peggy (ph) in Amherst, New Hampshire. And it has a certain Zen-like quality, I’ll give you a fair warning.

She says, “What don’t you know and how will you learn it?”

(LAUGHTER)

SENSOR: My wife, Michelle, is there and she could give you a much longer list than I do. And most of the time, I learn it by asking her.

But, look, the nature of the challenges that we’re going to face are immense and one of the things that we know about the presidency is that it’s never the challenges that you expect. It’s the challenges that you don’t that end up consuming most of your time.

But here’s what I do know. I know that I wouldn’t be standing here if it weren’t for the fact that this country gave me opportunity. I came from very modest means. I had a single mom and my grandparents raised me and it was because of the help of scholarships and my grandmother scrimping on things that she might have wanted to purchase and my mom, at one point, getting food stamps in order for us to put food on the table.

Despite all that, I was able to go to the best schools on earth and I was able to succeed in a way that I could not have succeeded anywhere else in this country.

The same is true for Michelle and I’m sure the same is true for a lot of you.

And the question in this election is: are we going to pass on that same American dream to the next generation? Over the last eight years, we’ve seen that dream diminish.

Wages and incomes have gone down. People have lost their health care or are going bankrupt because they get sick. We’ve got young people who have got the grades and the will and the drive to go to college, but they just don’t have the money.

And we can’t expect that if we do the same things that we’ve been doing over the last eight years, that somehow we are going to have a different outcome.

We need fundamental change. That’s what’s at stake in this election. That’s the reason I decided to run for president, and I’m hopeful that all of you are prepared to continue this extraordinary journey that we call America.

But we’re going to have to have the courage and the sacrifice, the nerve to move in a new direction.

Thank you. BROKAW: Senator McCain, you get the last word.

Senator Obama had the opening. You’re last up.

MCCAIN: Well, thank you, Tom. And I think what I don’t know is what all of us don’t know, and that’s what’s going to happen both here at home and abroad.

The challenges that we face are unprecedented. Americans are hurting tonight in a way they have not in our generation.

There are challenges around the world that are new and different and there will be different -- we will be talking about countries sometime in the future that we hardly know where they are on the map, some Americans.

So what I don’t know is what the unexpected will be. But I have spent my whole life serving this country. I grew up in a family where my father was gone most of the time because he was at sea and doing our country’s business. My mother basically raised our family.

I know what it’s like in dark times. I know what it’s like to have to fight to keep one’s hope going through difficult times. I know what it’s like to rely on others for support and courage and love in tough times.

I know what it’s like to have your comrades reach out to you and your neighbors and your fellow citizens and pick you up and put you back in the fight.

That’s what America’s all about. I believe in this country. I believe in its future. I believe in its greatness. It’s been my great honor to serve it for many, many years.
And I'm asking the American people to give me another opportunity and I'll rest on my record, but I'll also tell you, when times are tough, we need a steady hand at the tiller and the great honor of my life was to always put my country first.

Thank you, Tom.

BROKAW: Thank you very much, Senator McCain.

That concludes tonight's debate from here in Nashville. We want to thank our hosts here at Belmont University in Nashville and the Commission on Presidential Debates. And you're in my way of my script there, if you will move.

(APPLAUSE)

In addition to everything else, there is one more presidential debate on Wednesday, October 15, at Hofstra University in New York, moderated by my friend, Bob Schieffer of "CBS News."

Thank you, Senator McCain. Thank you, Senator Obama. Good night, everyone, from Nashville.

END

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LEHRER: Good evening from the Ford Center for the Performing Arts at the University of Mississippi in Oxford. I'm Jim Lehrer of the NewsHour on PBS, and I welcome you to the first of the 2008 presidential debates between the Republican nominee, Senator John McCain of Arizona, and the Democratic nominee, Senator Barack Obama of Illinois.

The Commission on Presidential Debates is the sponsor of this event and the three other presidential and vice presidential debates coming in October.

Tonight's will primarily be about foreign policy and national security, which, by definition, includes the global financial crisis. It will be divided roughly into nine-minute segments.

Direct exchanges between the candidates and moderator follow-ups are permitted after each candidate has two minutes to answer the lead question in an order determined by a coin toss.

The specific subjects and questions were chosen by me. They have not been shared or cleared with anyone.

The audience here in the hall has promised to remain silent, no cheers, no applause, no noise of any kind, except right now, as we welcome Senators Obama and McCain.

(APPLAUSE)

Let me begin with something General Eisenhower said in his 1952 presidential campaign. Quote, "We must achieve both security and solvency. In fact, the foundation of military strength is economic strength," end quote.

With that in mind, the first lead question.

Gentlemen, at this very moment tonight, where do you stand on the financial recovery plan?

First response to you, Senator Obama. You have two minutes.

OBAMA: Well, thank you very much, Jim, and thanks to the commission and the University of Mississippi, Ole Miss, for hosting us tonight. I can't think of a more important time for us to talk about the future of the country.

You know, we are at a defining moment in our history. Our nation is involved in two wars, and we are going through the worst financial crisis since the Great Depression.

And although we've heard a lot about Wall Street, those of you on Main Street I think have been struggling for a while, and you recognize that this could have an impact on all sectors of the economy.

And you're wondering, how's it going to affect me? How's it going to affect my job? How's it going to affect my house? How's it going to affect my retirement savings or my ability to send my children to college?

So we have to move swiftly, and we have to move wisely. And I've put forward a series of proposals that make sure that we protect taxpayers as we engage in this important rescue effort.

Number one, we've got to make sure that we've got oversight over this whole process; $700 billion, potentially, is a lot of money.

Number two, we've got to make sure that taxpayers, when they are putting their money at risk, have the possibility of getting that money back and gains, if the market -- and when the market returns.

Number three, we've got to make sure that none of that money is going to pad CEO bank accounts or to promote golden parachutes.

And, number four, we've got to make sure that we're helping homeowners, because the root problem here has to do with the foreclosures that are taking place all across the country.

Now, we also have to recognize that this is a final verdict on eight years of failed economic policies promoted by George Bush, supported by Senator McCain, a theory that basically says that we can shred regulations and consumer protections and give more and more to the most, and somehow prosperity will trickle down.

It hasn't worked. And I think that the fundamentals of the economy have to be measured by whether or not the middle class is getting a fair shake. That's why I'm running for president, and that's what I hope we're going to be talking about tonight.

LEHRER: Senator McCain, two minutes.

MCCAIN: Well, thank you, Jim. And thanks to everybody.

And I do have a sad note tonight. Senator Kennedy is in the hospital. He's a dear and beloved friend to all of us. Our thoughts and prayers go out to the lion of the Senate.

I also want to thank the University of Mississippi for hosting us tonight.

And, Jim, I -- I've been not feeling too great about a lot of things lately. So have a lot of Americans who are facing challenges.

But I'm feeling a little better tonight, and I'll tell you why.

Because as we're here tonight in this debate, we are seeing, for the first time in a long time, Republicans and Democrats together, sitting down, trying to work out a solution to this fiscal crisis that we're in.

And have no doubt about the magnitude of this crisis. And we're not talking about failure of institutions on Wall Street. We're talking about failures on Main Street, and people who will lose their jobs, and their credits, and their homes, if we don't fix the greatest fiscal crisis, probably in -- certainly in our time, and I've been around a little while.

But the point is -- the point is, we have finally seen Republicans and Democrats sitting down and negotiating together and coming up with a package.

This package has transparency in it. It has to have accountability and oversight. It has to have options for loans to failing businesses, rather than the government taking over those loans. We have to -- it has to have a package with a number of other essential elements to it.

And, yes, I went back to Washington, and I met with my Republicans in the House of Representatives. And they weren't part of the negotiations, and I understand that. And it was the House Republicans that decided that they would be part of the solution to this problem.

But I want to emphasize one point to all Americans tonight. This isn't the beginning of the end of this crisis. This is the end of the beginning, if we come out with a package that will keep these institutions stable.

And we've got a lot of work to do. And we've got to create jobs. And one of the areas, of course, is to eliminate our dependence on foreign oil.

LEHRER: All right, let's go back to my question. How do you all stand on the recovery plan? And talk to each other about it. We've got five minutes. We can negotiate a deal right here.

But, I mean, are you -- do you favor this plan, Senator Obama,
and you, Senator McCain? Do you -- are you in favor of this plan?

OBAMA: We haven't seen the language yet. And I do think that there's constructive work being done out there. So, for the viewers who are watching, I am optimistic about the capacity of us to come together with a plan.

The question, I think, that we have to ask ourselves is, how did we get into this situation in the first place?

Two years ago, I warned that, because of the subprime lending mess, because of the lax regulation, that we were potentially going to have a problem and tried to stop some of the abuses in mortgages that were taking place at the time.

Last year, I wrote to the secretary of the Treasury to make sure that he understood the magnitude of this problem and to call on him to bring all the stakeholders together to try to deal with it.

So -- so the question, I think, that we've got to ask ourselves is, yes, we've got to solve this problem short term. And we are going to have to intervene; there's no doubt about that.

But we're also going to have to look at, how is it that we shredded so many regulations? We did not set up a 21st-century regulatory framework to deal with these problems. And that in part has to do with an economic philosophy that says that regulation is always bad.

LEHRER: Are you going to vote for the plan, Senator McCain?

MCCAIN: I -- I hope so. And I...

LEHRER: As a United States senator...

MCCAIN: Sure.

LEHRER: ... you're going to vote for the plan?

MCCAIN: Sure. But -- but let me -- let me point out, I also warned about Fannie Mae and Freddie Mac and warned about corporate greed and excess, and CEO pay, and all that. A lot of us saw this train wreck coming.

But there's also the issue of responsibility. You've mentioned President Dwight David Eisenhower. President Eisenhower, on the night before the Normandy invasion, went into his room, and he wrote out two letters.

One of them was a letter congratulating the great members of the military and allies that had conducted and succeeded in the greatest invasion in history, still to this day, and forever.

And he wrote out another letter, and that was a letter of resignation from the United States Army for the failure of the landings at Normandy.

And somehow we've lost that accountability. I've been heavily criticized because I called for the resignation of the chairman of the Securities and Exchange Commission. We've got to start also holding people accountable, and we've got to reward people who succeed.

But somehow in Washington today -- and I'm afraid on Wall Street -- greed is rewarded, excess is rewarded, and corruption -- or certainly failure to carry out our responsibility is rewarded.

As president of the United States, people are going to be held accountable in my administration. And I promise you that that will happen.

LEHRER: Do you have something directly to say, Senator Obama, to Senator McCain about what he just said?

OBAMA: Well, I think Senator McCain's absolutely right that we need more responsibility, but we need it not just when there's a crisis. I mean, we've had years in which the reigning economic ideology has been what's good for Wall Street, but not what's good for Main Street.

And there are folks out there who've been struggling before this crisis took place. And that's why it's so important, as we solve this short-term problem, that we look at some of the underlying issues that have led to wages and incomes for ordinary Americans to go down, the -- a health care system that is broken, energy policies that are not working, because, you know, 10 days ago, John said that the fundamentals of the economy are sound.

LEHRER: Say it directly to him.

OBAMA: I do not think that they are.

LEHRER: Say it directly to him.

OBAMA: Well, the -- John, 10 days ago, you said that the fundamentals of the economy are sound. And...

MCCAIN: Are you afraid I couldn't hear him?

(LAUGHTER)

LEHRER: I'm just determined to get you all to talk to each other. I'm going to try.

OBAMA: The -- and I just fundamentally disagree. And unless we are holding ourselves accountable day in, day out, not just when there's a crisis for folks who have power and influence and can hire lobbyists, but for the nurse, the teacher, the police officer, who, frankly, at the end of each month, they've got a little financial crisis going on.

They're having to take out extra debt just to make their mortgage payments. We haven't been paying attention to them. And if you look at our tax policies, it's a classic example.

LEHRER: So, Senator McCain, do you agree with what Senator Obama just said? And, if you don't, tell him what you disagree with.

MCCAIN: No, I -- look, we've got to fix the system. We've got fundamental problems in the system. And Main Street is paying a penalty for the excesses and greed in Washington, D.C., and in the Wall Street.

So there's no doubt that we have a long way to go. And, obviously, stricter interpretation and consolidation of the various regulatory agencies that weren't doing their job, that has brought on this crisis.

But I have a fundamental belief in the goodness and strength of the American worker. And the American worker is the most productive, the most innovative. America is still the greatest producer, exporter and importer.

But we've got to get through these times, but I have a fundamental belief in the United States of America. And I still believe, under the right leadership, our best days are ahead of us.

LEHRER: All right, let's go to the next lead question, which is essentially following up on this same subject.

And you get two minutes to begin with, Senator McCain. And using your word "fundamental," are there fundamental differences between your approach and Senator Obama's approach to what you would do as president to lead this country out of the financial crisis?

MCCAIN: Well, the first thing we have to do is get spending under control in Washington. It's completely out of control. It's gone -- we have now presided over the largest increase in the size of government since the Great Society.

We Republicans came to power to change government, and government changed us. And the -- the worst symptom on this disease is what my friend, Tom Coburn, calls earmarking as a gateway drug, because it's a gateway. It's a gateway to out-of-control spending and corruption.
And we have former members of Congress now residing in federal prison because of the evils of this earmarking and pork-barrel spending.

You know, we spent $3 million to study the DNA of bears in Montana. I don't know if that was a criminal issue or a paternal issue, but the fact is that it was $3 million of our taxpayers' money. And it has got to be brought under control.

As president of the United States, I want to assure you, I've got a pen. This one's kind of old. I've got a pen, and I'm going to veto every single spending bill that comes across my desk. I will make them famous. You will know their names.

Now, Senator Obama, you wanted to know one of the differences. He has asked for $932 million of earmark pork-barrel spending, nearly a million dollars for every day that he's been in the United States Senate.

I suggest that people go up on the Web site of Citizens Against Government Waste, and they'll look at those projects.

That kind of thing is not the way to rein in runaway spending in Washington, D.C. That's one of the fundamental differences that Senator Obama and I have.

LEHNER: Senator Obama, two minutes.

OBAMA: Well, Senator McCain is absolutely right that the earmarks process has been abused, which is why I suspended any requests for my home state, whether it was for senior centers or what have you, until we cleaned it up.

And he's also right that oftentimes lobbyists and special interests are the ones that are introducing these kinds of requests, although that wasn't the case with me.

But let's be clear: Earmarks account for $18 billion in last year's budget. Senator McCain is proposing -- and this is a fundamental difference between us -- $300 billion in tax cuts to some of the wealthiest corporations and individuals in the country, $300 billion.

Now, $18 billion is important; $300 billion is really important. And in his tax plan, you would have CEOs of Fortune 500 companies getting an average of $700,000 in reduced taxes, while leaving 100 million Americans out.

So my attitude is, we've got to grow the economy from the bottom up. What I've called for is a tax cut for 95 percent of working families, 95 percent.

And that means that the ordinary American out there who's collecting a paycheck every day, they've got a little extra money to be able to buy a computer for their kid, to fill up on this gas that is killing them.

And over time, that, I think, is going to be a better recipe for economic growth than the -- the policies of President Bush that John McCain wants to -- wants to follow.

LEHNER: Senator McCain?

MCCAIN: Well, again, I don't mean to go back and forth, but he...

(CROSSTALK)

LEHNER: No, that's fine.

MCCAIN: Senator Obama suspended those requests for pork-barrel projects after he was running for president of the United States. He didn't happen to see that light during the first three years as a member of the United States Senate, $932 million in requests.

May be to Senator Obama it's not a lot of money. But the point is that -- you see, I hear this all the time. "It's only $18 billion."

Do you know that it's tripled in the last five years? Do you know that it's gone completely out of control to the point where it corrupts people? It corrupts people.

That's why we have, as I said, people under federal indictment and charges. It's a system that's got to be cleaned up.

I have fought against it my career. I have fought against it. I was called the sheriff, by the -- one of the senior members of the Appropriations Committee. I didn't win Miss Congeniality in the United States Senate.

Now, Senator Obama didn't mention that, along with his tax cuts, he is also proposing some $800 billion in new spending on new programs.

Now, that's a fundamental difference between myself and Senator Obama. I want to cut spending. I want to keep taxes low. The worst thing we could do in this economic climate is to raise people's taxes.

OBAMA: I -- I don't know where John is getting his figures. Let's just be clear.

What I do is I close corporate loopholes, stop providing tax cuts to corporations that are shipping jobs overseas so that we're giving tax breaks to companies that are investing here in the United States. I make sure that we have a health care system that allows for everyone to have basic coverage.

I think those are pretty important priorities. And I pay for every dime of it.

But let's go back to the original point. John, nobody is denying that $18 billion is important. And, absolutely, we need earmark reform. And when I'm president, I will go line by line to make sure that we are not spending money unwisely.

But the fact is that eliminating earmarks alone is not a recipe for how we're going to get the middle class back on track.

OBAMA: And when you look at your tax policies that are directed primarily at those who are doing well, and you are neglecting people who are really struggling right now, I think that is a continuation of the last eight years, and we can't afford another four.

LEHNER: Respond directly to him about that, to Senator Obama about that, about the -- he's made it twice now, about your tax -- your policies about tax cuts.

MCCAIN: Well -- well, let me give you an example of what Senator Obama finds objectionable, the business tax.

Right now, the United States of American business pays the second-highest business taxes in the world, 35 percent. Ireland pays 11 percent.

Now, if you're a business person, and you can locate any place in the world, then, obviously, if you go to the country where it's 11 percent tax versus 35 percent, you're going to be able to create jobs, increase your business, make more investment, et cetera.

I want to cut that business tax. I want to cut it so that businesses will remain in -- in the United States of America and create jobs.

But, again, I want to return. It's a lot more than $18 billion in pork-barrel spending. I can tell you, it's rife. It's throughout.

The United States Senate will take up a continuing resolution tomorrow or the next day, sometime next week, with $2,000 -- 2,000 -- look at them, my friends. Look at them. You'll be appalled.

And Senator Obama is a recent convert, after requesting $932 million worth of pork-barrel spending projects.

So the point is, I want people to have tax cuts. I want every family to have a $5,000 refundable tax credit so they can go out and purchase their own health care. I want to double the dividend from $3,300 to $7,000 for every dependent child in America.

I know that the worst thing we could possibly do is to raise taxes on anybody, and a lot of people might be interested in Senator Obama's definition of "rich."

LEHNER: Senator Obama, you have a question for Senator McCain
And what that means, then, is that there are people out there who businesses pay effectively one of the lowest tax rates in the world.

Now, John mentioned the fact that business taxes on paper are high in this country, and he's absolutely right. Here's the problem: There are so many loopholes that have been written into the tax code, oftentimes with support of Senator McCain, that we actually see our businesses pay effectively one of the lowest tax rates in the world.

And what that means, then, is that there are people out there who are working every day, who are not getting a tax cut, and you want to give them more.

It's not like you want to close the loopholes. You just want to add an additional tax cut over the loopholes. And that's a problem.

Just one last point I want to make, since Senator McCain talked about providing a $5,000 health credit. Now, what he doesn't tell you is that he intends to, for the first time in history, tax health benefits.

So you may end up getting a $5,000 tax credit. Here's the only problem: Your employer now has to pay taxes on the health care that you're getting from your employer. And if you end up losing your health care from your employer, you've got to go out on the open market and try to buy it.

It is not a good deal for the American people. But it's an example of this notion that the market can always solve everything and that the less regulation we have, the better off we're going to be.

MCCAIN: Well, you know, let me just...

MCCAIN: I know we have to, but this is a classic example of walking the walk and talking the talk.

We had an energy bill before the United States Senate. It was festooned with Christmas tree ornaments. It had all kinds of breaks for the oil companies, I mean, billions of dollars worth. I voted against it; Senator Obama voted for it.

OBAMA: John, you want to give oil companies another $4 billion.

MCCAIN: You've got to look at our record. You've got to look at our records. That's the important thing.

Who fought against wasteful and earmark spending? Who has been the person who has tried to keep spending under control? Who's the person who has believed that the best thing for America is -- is to have a tax system that is fundamentally fair? And I've fought to simplify it, and I have proposals to simplify it.

Let's give every American a choice: two tax brackets, generous dividends, and, two -- and let Americans choose whether they want the -- the existing tax code or they want a new tax code.

And so, again, look at the record, particularly the energy bill. But, again, Senator Obama has shifted on a number of occasions. He has voted in the United States Senate to increase taxes on people who make as low as $42,000 a year.

OBAMA: That's not true, John. That's not true.

MCCAIN: And that's just a fact. Again, you can look it up.

OBAMA: Look, it's just not true. And if we want to talk about oil company profits, under your tax plan, John -- this is undeniable -- oil companies would get an additional $4 billion in tax breaks.

Now, look, we all would love to lower taxes on everybody. But here's the problem: If we are giving them to oil companies, then that means that there are those who are not going to be getting them. And...

MCCAIN: With all due respect, you already gave them to the oil companies.

OBAMA: No, but, John, the fact of the matter is, is that I was opposed to those tax breaks, tried to strip them out. We've got an emergency bill on the Senate floor right now that contains some good stuff, some stuff you want, including drilling off-shore, but you're opposed to it because it would strip away those tax breaks that have gone to oil companies.

LEHRER: All right. All right. From speaking of that both of you want, another lead question, and it has to do with the rescue -- the financial rescue thing that we started -- started asking about.

And what -- and the first answer is to you, Senator Obama. As president, as a result of whatever financial rescue plan comes about and the billion, $700 billion, whatever it is it's going to cost, what are you going to have to give up, in terms of the priorities that you would bring as president of the United States, as a result of having to pay for the financial rescue plan?

OBAMA: Well, there are a range of things that are probably going to have to be delayed. We don't yet know what our tax revenues are going to be. The economy is slowing down, so it's hard to anticipate right now what the budget is going to look like next year.

But there's no doubt that we're not going to be able to do everything that I think needs to be done. There are some things that I think have to be done. We have to have energy independence, so I've put forward a plan to make sure that, in 10 years' time, we have freed ourselves from dependence on Middle Eastern oil by increasing production at home, but most importantly by starting to invest in alternative energy, solar, wind, biodiesel, making sure that we're developing the fuel-efficient cars of the future right here in the United States, in Ohio and Michigan, instead of Japan and South Korea.

We have to fix our health care system, which is putting an enormous burden on families. Just -- a report just came out that the average deductible went up 30 percent on American families.

They are getting crushed, and many of them are going bankrupt as a consequence of health care. I'm meeting folks all over the country. We have to do that now, because it will actually make our businesses and our families better off.

The third thing we have to do is we've got to make sure that we're competing in education. We've got to invest in science and technology. China had a space launch and a space walk. We've got to make sure that our children are keeping pace in math and in science.

And one of the things I think we have to do is make sure that college is affordable for every young person in America.

And I also think that we're going to have to rebuild our infrastructure, which is falling behind, our roads, our bridges, but also broadband lines that reach into rural communities.

Also, making sure that we have a new electricity grid to get the alternative energy to population centers that are using them.

So there are some -- some things that we've got to do structurally to make sure that we can compete in this global economy. We can't shortchange those things. We've got to eliminate programs that don't work, and we've got to make sure that the programs that we do have are more efficient and cost less.

LEHRER: Are you -- what priorities would you adjust, as president, Senator McCain, because of the -- because of the financial bailout cost?

MCCAIN: Look, we, no matter what, we've got to cut spending. We have -- as I said, we've let government get completely out of control.

Senator Obama has the most liberal voting record in the United States Senate. It's hard to reach across the aisle from that far to the left.
The point -- the point is -- the point is, we need to examine every agency of government.

First of all, by the way, I'd eliminate ethanol subsidies. I oppose ethanol subsidies.

I think that we have to return -- particularly in defense spending, which is the largest part of our appropriations -- we have to do away with cost-plus contracts. We now have defense systems that the costs are completely out of control.

We tried to build a little ship called the Littoral Combat Ship that was supposed to cost $140 million, ended up costing $400 million, and we still haven't done it.

So we need to have fixed-cost contracts. We need very badly to understand that defense spending is very important and vital, particularly in the new challenges we face in the world, but we have to get a lot of the cost overruns under control.

I know how to do that.

MCCAIN: I saved the taxpayers $6.8 billion by fighting a contract that was negotiated between Boeing and DOD that was completely wrong. And we fixed it and we killed it and the people ended up in federal prison so I know how to do this because I've been involved these issues for many, many years. But I think that we have to examine every agency of government and find out those that are doing their job and keep them and find out those that aren't and eliminate them and we'll have to scrub every agency of government.

LEHRER: But if I hear the two of you correctly neither one of you is suggesting any major changes in what you want to do as president as a result of the financial bailout? Is that what you're saying?

OBAMA: No. As I said before, Jim, there are going to be things that end up having to be ...

LEHRER: Like what?

OBAMA: ... deferred and delayed. Well, look, I want to make sure that we are investing in energy in order to free ourselves from the dependence on foreign oil. That is a big project. That is a multi-year project.

LEHRER: Not willing to give that up?

OBAMA: Not willing to give up the need to do it but there may be individual components that we can't do. But John is right we have to make cuts. We right now give $15 billion every year as subsidies to private insurers under the Medicare system. Doesn't work any better through the private insurers. They just skim off $15 billion. That was a give away and part of the reason is because lobbyists are able to shape how Medicare works.

They did it on the Medicaid prescription drug bill and we have to change the culture. Tom -- or John mentioned me being wildly liberal. Mostly that's just me opposing George Bush's wrong headed policies since I've been in Congress but I think it is that it is also conservative to recognize I work with Tom Coburn, the most conservative, one of the most conservative Republicans who John already mentioned to set up what we call a Google for government saying we'll list every dollar of federal spending to make sure that the taxpayer can take a look and see who, in fact, is promoting some of these spending projects that John's been railing about.

LEHRER: What I'm trying to get at is this. Excuse me if I may, senator. Trying to get at that you all -- one of you is going to be the president of the United States come January. At the -- in the middle of a huge financial crisis that is yet to be resolved. And what I'm trying to get at is how this is going to affect you not in very specific -- small ways but in major ways and the approach to take as to the presidency.

MCCAIN: How about a spending freeze on everything but defense, veteran affairs and entitlement programs.

LEHRER: Spending freeze?

MCCAIN: I think we ought to seriously consider with the exceptions the caring of veterans national defense and several other vital issues.

LEHRER: Would you go for that?

OBAMA: The problem with a spending freeze is you're using a hatchet where you need a scalpel. There are some programs that are very important that are under funded. I went to increase early childhood education and the notion that we should freeze that when there may be, for example, this Medicare subsidy doesn't make sense.

Let me tell you another place to look for some savings. We are currently spending $10 billion a month in Iraq when they have a $79 billion surplus. It seems to me that if we're going to be strong at home as well as strong abroad, that we have to look at bringing that war to a close.

MCCAIN: Look, we are sending $700 billion a year overseas to countries that don't like us very much. Some of that money ends up in the hands of terrorist organizations. We have to have wind, tide, solar, natural gas, fuel cars and all that but we also have to have offshore drilling and we also have to have nuclear power.

Senator Obama opposes both storing and reprocessing of spent nuclear fuel. You can't get there from here and the fact is that we can create 700,000 jobs by building constructing 45 new nuclear power plants by the year 2030. Nuclear power is not only important as far as eliminating our dependence on foreign oil but it's also responsibility as far as climate change is concerned and the issue I have been involved in for many, many years and I'm proud of the work of the work that I've done there along with President Clinton.

LEHRER: Before we go to another lead question. Let me figure out a way to ask the same question in a slightly different way here. Are you -- are you willing to acknowledge both of you that this financial crisis is going to affect the way you rule the country as president of the United States beyond the kinds of things that you have already -- I mean, is it a major move? Is it going to have a major affect?

OBAMA: There's no doubt it will affect our budgets. There is no doubt about it. Not only -- Even if we get all $700 billion back, let's assume the markets recover, we're holding assets long enough that eventually taxpayers get it back and that happened during the Great Depression when Roosevelt purchased a whole bunch of homes, over time, home values went back up and in fact government made a profit. If we're lucky and do it right, that could potentially happen but in the short term there's an outlay and we may not see that money for a while.

And because of the economy's slowing down, I think we can also expect less tax revenue so there's no doubt that as president I'm going to have to make some tough decision.

The only point I want to make is this, that in order to make the tough decisions we have to know what our values are and who we're fighting for and our priorities and if we are spending $500 billion on tax cuts for people who don't need them and weren't even asking for them, and we are leaving out health care which is crushing on people all across the country, then I think we have made a bad decision and I want to make sure we're not shortchanging our long term priorities.

MCCAIN: Well, I want to make sure we're not handing the health care system over to the federal government which is basically what would ultimately happen with Senator Obama's health care plan. I want the families to make decisions between themselves and their doctors. Not the federal government. Look. We have to obviously cut spending. I have fought to cut spending. Senator Obama has $800 billion in new spending programs. I would suggest he start by canceling some of those new spending program that he has.
We can't I think adjust spending around to take care of the very much needed programs, including taking care of our veterans but I also want to say again a healthy economy with low taxes would not raising anyone's taxes is probably the best recipe for eventually having our economy recover.

And spending restraint has got to be a vital part of that. And the reason, one of the major reasons why we're in the difficulties we are in today is because spending got out of control. We owe China $500 billion. And spending, I know, can be brought under control because I have fought against excessive spending my entire career. And I got plans to reduce and eliminate unnecessary and wasteful spending and if there's anybody here who thinks there aren't agencies of government where spending can be cut and their budgets slashed they have not spent a lot of time in Washington.

OBAMA: I just want to make this point, Jim, John, it's been your president who you said you agreed with 90 percent of the time who presided over this increase in spending. This orgy of spending and enormous deficits you voted for almost all of his budgets. So to stand here and after eight years and say that you're going to lead on controlling spending and, you know, balancing our tax cuts so that they help middle class families when over the last eight years that hasn't happened I think just is, you know, kind of hard to swallow.

LEHRER: Quick response to Senator Obama.

MCCAIN: It's well-known that I have not been elected Miss Congeniality in the United States Senate nor with the administration. I have opposed the president on spending, on climate change, on torture of prisoner, on - on Guantanamo Bay. On a – on the way that the Iraq War was conducted. I have a long record and the American people know me very well and that is independent and a maverick of the Senate and I'm happy to say that I've got a partner that's a good maverick along with me now.

LEHRER: All right. Let's go another subject. Lead question, two minutes to you, senator McCain. Much has been said about the lessons of Vietnam. What do you see as the lessons of Iraq?

MCCAIN: I think the lessons of Iraq are very clear that you cannot have a failed strategy that will then cause you to nearly lose a conflict. Our initial military success, we went in to Baghdad and everybody celebrated. And then the war was very badly mishandled. I went to Iraq in 2003 and came back and said, we've got to change this strategy. This strategy requires additional troops, it requires a fundamental change in strategy and I fought for it. And finally, we came up with a great general and a strategy that has succeeded.

This strategy has succeeded. And we are winning in Iraq. And we will come home with victory and with honor. And that withdrawal is the result of every counterinsurgency that succeeds.

MCCAIN: And I want to tell you that now that we will succeed and our troops will come home, and not in defeat, that we will see a stable ally in the region and a fledging democracy.

The consequences of defeat would have been increased Iranian influence. It would have been increase in sectarian violence. It would have been a wider war, which the United States of America might have had to come back.

So there was a lot at stake there. And thanks to this great general, David Petraeus, and the troops who serve under him, they have succeeded. And we are winning in Iraq, and we will come home. And we will come home as we have when we have won other wars and not in defeat.

LEHRER: Two minutes, how you see the lessons of Iraq, Senator Obama.

OBAMA: Well, this is an area where Senator McCain and I have a fundamental difference because I think the first question is whether we should have gone into the war in the first place.

Now six years ago, I stood up and opposed this war at a time when it was politically risky to do so because I said that not only did we not know how much it was going to cost, what our exit strategy might be, how it would affect our relationships around the world, and whether our intelligence was sound, but also because we hadn't finished the job in Afghanistan.

We hadn't caught bin Laden. We hadn't put al Qaeda to rest, and as a consequence, I thought that it was going to be a distraction. Now Senator McCain and President Bush had a very different judgment.

And I wish I had been wrong for the sake of the country and they had been right, but that's not the case. We've spent over $600 billion so far, soon to be $1 trillion. We have lost over 4,000 lives. We have seen 30,000 wounded, and most importantly, from a strategic national security perspective, al Qaeda is resurgent, stronger now than at any time since 2001.

We took our eye off the ball. And not to mention that we are still spending $10 billion a month, when they have a $79 billion surplus, at a time when we are in great distress here at home, and we just talked about the fact that our budget is way overstretched and we are borrowing money from overseas to try to finance just some of the basic functions of our government.

So I think the lesson to be drawn is that we should never hesitate to use military force, and I will not, as president, in order to keep the American people safe. But we have to use our military wisely. And we did not use our military wisely in Iraq.

LEHRER: Do you agree with that, the lesson of Iraq?

MCCAIN: The next president of the United States is not going to have to address the issue as to whether we went into Iraq or not. The next president of the United States is going to have to decide how we leave, when we leave, and what we leave behind. That's the decision of the next president of the United States.

Senator Obama said the surge could not work, said it would increase sectarian violence, said it was doomed to failure. Recently on a television program, he said it exceed our wildest expectations.

But yet, after conceding that, he still says that he would oppose the surge if he had to decide that again today. Incredibly, incredibly Senator Obama didn't go to Iraq for 900 days and never asked for a meeting with General Petraeus.

LEHRER: Well, let's go at some of these things...

MCCAIN: Senator Obama is the chairperson of a committee that oversees NATO that's in Afghanistan. To this day, he has never had a hearing.

LEHRER: What about that point?

MCCAIN: I mean, it's remarkable.

LEHRER: All right. What about that point?

OBAMA: Which point? He raised a whole bunch of them.

LEHRER: I know, OK, let's go to the latter point and we'll back up. The point about your not having been...

OBAMA: Look, I'm very proud of my vice presidential selection, Joe Biden, who is the chairman of the Senate Foreign Relations Committee, and as he explains, and as John well knows, the issues of Afghanistan, the issues of Iraq, critical issues like that, don't go through my subcommittee because they're done as a committee as a whole.

But that's Senate inside baseball. But let's get back to the core issue here. Senator McCain is absolutely right that the violence has been reduced as a consequence of the extraordinary sacrifice of our troops and our military families.

They have done a brilliant job, and General Petraeus has done a brilliant job. But understand, that was a tactic designed to contain the damage of the previous four years of mismanagement of this war.

And so John likes -- John, you like to pretend like the war...
started in 2007. You talk about the surge. The war started in 2003, and at the time when the war started, you said it was going to be quick and easy. You said we knew where the weapons of mass destruction were. You were wrong.

You said that we were going to be greeted as liberators. You were wrong. You said that there was no history of violence between Shia and Sunni. And you were wrong. And so my question is...

(CROSSTALK)

LEHRER: Senator Obama...

OBAMA: ... of judgment, of whether or not -- of whether or not -- if the question is who is best-equipped as the next president to make good decisions about how we use our military, how we make sure that we are prepared and ready for the next conflict, then I think we can take a look at our judgment.

LEHRER: I have got a lot on the plate here...

MCCAIN: I'm afraid Senator Obama doesn't understand the difference between a tactic and a strategy. But the important -- I'd like to tell you, two Fourths of July ago I was in Baghdad. General Petraeus invited Senator Lindsey Graham and me to attend a ceremony where 688 brave young Americans, whose enlistment had expired, were reenlisting to stay and fight for Iraqi freedom and American freedom.

I was honored to be there. I was honored to speak to those troops. And you know, afterwards, we spent a lot of time with them. And you know what they said to us? They said, let us win. They said, let us win. We don't want our kids coming back here.

And this strategy, and this general, they are winning. Senator Obama refuses to acknowledge that we are winning in Iraq.

OBAMA: That's not true.

MCCAIN: They just passed an electoral...

OBAMA: That's not true.

MCCAIN: An election law just in the last few days. There is social, economic progress, and a strategy, a strategy of going into an area, clearing and holding, and the people of the country then become allied with you. They inform on the bad guys. And peace comes to the country, and prosperity.

That's what's happening in Iraq, and it wasn't a tactic.

LEHRER: Let me see...

OBAMA: Jim, Jim, this is a big...

MCCAIN: It was a stratagem. And that same strategy will be employed in Afghanistan by this great general. And Senator Obama, who after promising not to vote to cut off funds for the troops, did the incredible thing of voting to cut off the funds for the troops in Iraq and Afghanistan.

OBAMA: Jim, there are a whole bunch of things we have got to answer. First of all, let's talk about this troop funding issue because John always brings this up. Senator McCain cut -- Senator McCain opposed funding for troops in legislation that had a timetable, because he didn't believe in a timetable.

I opposed funding a mission that had no timetable, and was opened-ended, giving a blank check to George Bush. We had a difference on the timetable. We didn't have a difference on whether or not we were going to be funding troops.

We had a legitimate difference, and I absolutely understand the difference between tactics and strategy. And the strategic question that the president has to ask is not whether or not we are employing a particular approach in the country once we have made the decision to be there.

The question is, was this wise? We have seen Afghanistan worsen, deteriorate. We need more troops there. We need more resources there. Senator McCain, in the rush to go into Iraq, said, you know what? We've been successful in Afghanistan. There is nobody who can pose a threat to us there.

This is a time when bin Laden was still out, and now they've reconstituted themselves. Secretary of Defense Robert Gates himself acknowledges the war on terrorism started in Afghanistan and it needs to end there.

But we can't do it if we are not willing to give Iraq back its country. Now, what I've said is we should end this war responsibly. We should do it in phases. But in 16 months we should be able to reduce our combat troops, put -- provide some relief to military families and our troops and bolster our efforts in Afghanistan so that we can capture and kill bin Laden and crush al Qaeda.

And right now, the commanders in Afghanistan, as well as Admiral Mullen, have acknowledged that we don't have enough troops to deal with Afghanistan because we still have more troops in Iraq than we did before the surge.

MCCAIN: Admiral Mullen suggests that Senator Obama's plan is dangerous for America.

OBAMA: That's not the case.

MCCAIN: That's what...

OBAMA: What he said was a precipitous...

MCCAIN: That's what Admiral Mullen said.

OBAMA: ... withdrawal would be dangerous. He did not say that. That's not true.

MCCAIN: And also General Petraeus said the same thing. Osama bin Laden and General Petraeus have one thing in common that I know of, they both said that Iraq is the central battleground.

Now General Petraeus has praised the successes, but he said those successes are fragile and if we set a specific date for withdrawal -- and by the way, Senator Obama's original plan, they would have been out last spring before the surge ever had a chance to succeed.

And I'm -- I'm -- understand why Senator Obama was surprised and said that the surge succeeded beyond his wildest expectations.

MCCAIN: It didn't exceed beyond mine, because I know that that's a strategy that has worked and can succeed. But if we snatch defeat from the jaws of victory and adopt Senator Obama's plan, then we will have a wider war and it will make things more complicated throughout the region, including in Afghanistan.

LEHRER: Afghanistan, lead -- a new -- a new lead question. Now, having resolved Iraq, we'll move to Afghanistan.

(LAUGHTER)

And it goes to you, Senator Obama, and it's a -- it picks up on a point that's already been made. Do you think more troops -- more U.S. troops should be sent to Afghanistan, how many, and when?

OBAMA: Yes, I think we need more troops. I've been saying that for over a year now.

And I think that we have to do it as quickly as possible, because it's been acknowledged by the commanders on the ground the situation is getting worse, not better.

We had the highest fatalities among U.S. troops this past year than at any time since 2002. And we are seeing a major offensive taking place -- Al Qaida and Taliban crossing the border and attacking our troops in a brazen fashion. They are feeling emboldened.
And we cannot separate Afghanistan from Iraq, because what our commanders have said is we don't have the troops right now to deal with Afghanistan.

So I would send two to three additional brigades to Afghanistan. Now, keep in mind that we have four times the number of troops in Iraq, where nobody had anything to do with 9/11 before we went in, where, in fact, there was no Al Qaeda before we went in, but we have times more troops there than we do in Afghanistan.

And that is a strategic mistake, because every intelligence agency will acknowledge that Al Qaeda is the greatest threat against the United States and that Secretary of Defense Gates acknowledged the central front -- that the place where we have to deal with these folks is going to be in Afghanistan and in Pakistan.

So here's what we have to do comprehensively, though. It's not just more troops.

We have to pressure the Afghan government to make certain that they are actually working for their people. And I've said this to President Karzai.

Number two, we've got to deal with a growing poppy trade that has exploded over the last several years.

Number three, we've got to deal with Pakistan, because Al Qaeda and the Taliban have safe havens in Pakistan, across the border in the northwest regions, and although, you know, under George Bush, with the support of Senator McCain, we've been giving them $10 billion over the last seven years, they have not done what needs to be done to get rid of those safe havens.

And until we do, Americans here at home are not going to be safe.

LEHRER: Afghanistan, Senator McCain?

MCCAIN: First of all, I won't repeat the mistake that I regret enormously, and that is, after we were able to help the Afghan freedom fighters and drive the Russians out of Afghanistan, we basically washed our hands of the region.

And the result over time was the Taliban, Al Qaeda, and a lot of the difficulties we are facing today. So we can't ignore those lessons of history.

Now, on this issue of aiding Pakistan, if you're going to aim a gun at somebody, George Shultz, our great secretary of state, told me once, you'd better be prepared to pull the trigger.

I'm not prepared at this time to cut off aid to Pakistan. So I'm not prepared to threaten it, as Senator Obama apparently wants to do, as he has said that he would announce military strikes into Pakistan.

We've got to get the support of the people of -- of Pakistan. He said that he would launch military strikes into Pakistan.

Now, you don't do that. You don't say that out loud. If you have to do things, you have to do things, and you work with the Pakistani government.

Now, the new president of Pakistan, Kardari (sic), has got his hands full. And this area on the border has not been governed since the days of Alexander the Great.

I've been to Waziristan. I can see how tough that terrain is. It's ruled by a handful of tribes.

And, yes, Senator Obama calls for more troops, but what he doesn't understand, it's got to be a new strategy, the same strategy that he condemned in Iraq. It's going to have to be employed in Afghanistan.

And we're going to have to help the Pakistanis go into these areas and obtain the allegiance of the people. And it's going to be tough. They've intermarried with Al Qaeda and the Taliban. And it's going to be tough. But we have to get the cooperation of the people in those areas.

And the Pakistanis are going to have to understand that that bombing in the Marriott Hotel in Islamabad was a signal from the terrorists that they don't want that government to cooperate with us in combating the Taliban and jihadist elements.

So we've got a lot of work to do in Afghanistan. But I'm confident, now that General Petraeus is in the new position of command, that we will employ a strategy which not only means additional troops -- and, by the way, there have been 20,000 additional troops, from 32,000 to 53,000, and there needs to be more.

So it's not just the addition of troops that matters. It's a strategy that will succeed. And Pakistan is a very important element in this. And I know how to work with him. And I guarantee you I would not publicly state that I'm going to attack them.

OBAMA: Nobody talked about attacking Pakistan. Here's what I said.

And if John wants to disagree with this, he can let me know, that, if the United States has Al Qaeda, bin Laden, top-level lieutenants in our sights, and Pakistan is unable or unwilling to act, then we should take them out.

Now, I think that's the right strategy; I think that's the right policy.

And, John, I -- you're absolutely right that presidents have to be prudent in what they say. But, you know, coming from you, who, you know, in the past has threatened extinction for North Korea and, you know, sung songs about bombing Iran, I don't know, you know, how credible that is. I think this is the right strategy.

Now, Senator McCain is also right that it's difficult. This is not an easy situation. You've got cross-border attacks against U.S. troops.

And we've got a choice. We could allow our troops to just be on the defensive and absorb those blows again and again and again, if Pakistan is unwilling to cooperate, or we have to start making some decisions.

And the problem, John, with the strategy that's been pursued was that, for 10 years, we coddled Musharraf, we alienated the Pakistani population, because we were anti-democratic. We had a 20th-century mindset that basically said, "Well, you know, he may be a dictator, but he's our dictator."

And as a consequence, we lost legitimacy in Pakistan. We spent $10 billion. And in the meantime, they weren't going after Al Qaeda, and they are more powerful now than at any time since we began the war in Afghanistan.

That's going to change when I'm president of the United States.

MCCAIN: I -- I don't think that Senator Obama understands that there was a failed state in Pakistan when Musharraf came to power. Everybody who was around then, and had been there, and knew about it knew that it was a failed state.

But let me tell you, you know, this business about bombing Iran and all that, let me tell you my record.

Back in 1983, when I was a brand-new United States congressman, the one -- the person I admired the most and still admire the most, Ronald Reagan, wanted to send Marines into Lebanon.

And I saw that, and I saw the situation, and I stood up, and I voted against that, because I was afraid that they couldn't make peace in a place where 300 or 400 or several hundred Marines would make a difference. Tragically, I was right: Nearly 300 Marines lost their lives in the bombing of the barracks.

And then we had Somalia -- then we had the first Gulf War. I supported -- I supported that.

I supported us going into Bosnia, when a number of my own party and colleagues was against that operation in Bosnia. That was the right thing to do, to stop genocide and to preserve what was necessary
inside of Europe.

I supported what we did in Kosovo. I supported it because ethnic cleansing and genocide was taking place there.

And I have a record -- and Somalia, I opposed that we should turn -- turn the force in Somalia from a peacekeeping force into a peacemaking force, which they were not capable of.

So I have a record. I have a record of being involved in these national security issues, which involve the highest responsibility and the toughest decisions that any president can make, and that is to send our young men and women into harm's way.

And I'll tell you, I had a town hall meeting in Wolfeboro, New Hampshire, and a woman stood up and she said, "Senator McCain, I want you to do me the honor of wearing a bracelet with my son's name on it."

He was 22 years old and he was killed in combat outside of Baghdad, Matthew Stanley, before Christmas last year. This was last August, a year ago. And I said, "I will -- I will wear his bracelet with honor."

And this was August, a year ago. And then she said, "But, Senator McCain, I want you to do everything -- promise me one thing, that you'll do everything in your power to make sure that my son's death was not in vain."

That means that that mission succeeds, just like those young people who re-enlisted in Baghdad, just like the mother I met at the airport the other day whose son was killed. And they all say to me that we don't want defeat.

MCCAIN: A war that I was in, where we had an Army, that it wasn't through any fault of their own, but they were defeated. And I know how hard it is for that -- for an Army and a military to recover from that. And it did and we will win this one and we won't come home in defeat and dishonor and probably have to go back if we fail.

And the point that I originally make that we took our eye off Afghanistan, we took our eye off the folks who perpetrated 9/11, they are still sending out videotapes and Senator McCain, nobody is talking about defeat in Iraq, but I have to say we are having enormous problems in Afghanistan because of that decision.

And it is not true you have consistently been concerned about what happened in Afghanistan. At one point, while you were focused on Iraq, you said well, we can "muddle through" Afghanistan. You don't muddle through the central front on terror and you don't muddle through going after bin Laden. You don't muddle through stamping out the Taliban.

I think that is something we have to take seriously. And when I'm president, I will.

LEHRER: New ... 

MCCAIN: You might think that with that kind of concern that Senator Obama would have gone to Afghanistan, particularly given his responsibilities as a subcommittee chairman. By the way, when I'm subcommittee chairman, we take up the issues under my subcommittee.

But the important thing is -- the important thing is I visited Afghanistan and I traveled to Waziristan and I traveled to these places and I know what our security requirements are. I know what our needs are. So the point is that we will prevail in Afghanistan, but we need the new strategy and we need it to succeed. But the important thing is, if we suffer defeat in Iraq, which General Petraeus predicts we will, if we adopted Senator Obama's set date for withdrawal, then that will have a calamitous effect in Afghanistan and American national security interests in the region. Senator Obama doesn't seem to understand there is a connected between the two.

LEHRER: I have some good news and bad news for the two of you. You all are even on time, which is remarkable, considering we've been going at it ...

OBAMA: A testimony to you, Jim.

LEHRER: I don't know about that. But the bad news is all my little five minute things have run over, so, anyhow, we'll adjust as we get there. But the amount of time is even.

New lead question. And it goes two minutes to you, Senator McCain, what is your reading on the threat to Iran right now to the security of the United States?

MCCAIN: My reading of the threat from Iran is that if Iran acquires nuclear weapons, it is an existential threat to the State of Israel and to other countries in the region because the other countries in the region will feel compelling requirement to acquire nuclear weapons as well.

Now we cannot a second Holocaust. Let's just make that very clear. What I have proposed for a long time, and I've had conversation with foreign leaders about forming a league of democracies, let's be clear and let's have some straight talk. The Russians are preventing significant action in the United Nations Security Council.

I have proposed a league of democracies, a group of people - a group of countries that share common interests, common values, common ideals, they also control a lot of the world's economic power. We could impose significant meaningful, painful sanctions on the Iranians that I think could have a beneficial effect.

The Iranians have a lousy government, so therefore their economy is lousy, even though they have significant oil revenues. So I am convinced that together, we can, with the French, with the British, with the Germans and other countries, democracies around the world, we can affect Iranian behavior.

But have no doubt, but have no doubt that the Iranians continue on the path to the acquisition of a nuclear weapon as we speak tonight. And it is a threat not only in this region but around the world.

What I'd also like to point out the Iranians are putting the most lethal IEDs into Iraq which are killing young Americans, there are special groups in Iran coming into Iraq and are being trained in Iran. There is the Republican Guard in Iran, which Senator Kyl had an amendment in order to declare them a sponsor of terror. Senator Obama said that would be provocative.

So this is a serious threat. This is a serious threat to security in the world, and I believe we can act and we can act with our friends and allies and reduce that threat as quickly as possible, but have no doubt about the ultimate result of them acquiring nuclear weapons.

LEHRER: Two minutes on Iran, Senator Obama.

OBAMA: Well, let me just correct something very quickly. I believe the Republican Guard of Iran is a terrorist organization.
I've consistently said so. What Senator McCain refers to is a measure in the Senate that would try to broaden the mandate inside of Iraq. To deal with Iran.

And ironically, the single thing that has strengthened Iran over the last several years has been the war in Iraq. Iraq was Iran's mortal enemy. That was cleared away. And what we've seen over the last several years is Iran's influence grow. They have funded Hezbollah, they have funded Hamas, they have gone from zero centrifuges to 4,000 centrifuges to develop a nuclear weapon.

So obviously, our policy over the last eight years has not worked. Senator McCain is absolutely right, we cannot tolerate a nuclear Iran. It would be a game changer. Not only would it threaten Israel, a country that is our stalwart ally, but it would also create an environment in which you could set off an arms race in this Middle East.

Now here's what we need to do. We do need tougher sanctions. I do not agree with Senator McCain that we're going to be able to execute the kind of sanctions we need without some cooperation with some countries like Russia and China that are, I think Senator McCain would agree, not democracies, but have extensive trade with Iran but potentially have an interest in making sure Iran doesn't have a nuclear weapon.

But we are also going to have to, I believe, engage in tough direct diplomacy with Iran and this is a major difference I have with Senator McCain, this notion by not talking to people we are punishing them has not worked. It has not worked in Iran, it has not worked in North Korea. In each instance, our efforts of isolation have actually accelerated their efforts to get nuclear weapons. That will change when I'm president of the United States.

LEHRER: Senator, what about talking?

MCCAIN: Senator Obama twice said in debates he would sit down with Ahmadinejad, Chavez and Raul Castro without precondition. Without precondition. Here is Ahmadinedene (ph), Ahmadinejad, who is, Ahmadinejad, who is now in New York, talking about the extermination of the State of Israel, of wiping Israel off the map, and we're going to sit down, without precondition, across the table, to legitimize and give a propaganda platform to a person that is espousing the extermination of the state of Israel, and therefore then giving them more credence in the world arena and therefore saying, they've probably been doing the right thing, because you will sit down across the table from them and that will legitimize their illegal behavior.

The point is that throughout history, whether it be Ronald Reagan, who wouldn't sit down with Brezhnev, Andropov or Chernenko until Gorbachev was ready with glasnost and perestroika.

Or whether it be Nixon's trip to China, which was preceded by Henry Kissinger, many times before he went. Look, I'll sit down with anybody, but there's got to be pre-conditions. Those pre-conditions would apply that we wouldn't legitimize with a face to face meeting, a person like Ahmadinejad. Now, Senator Obama said, without preconditions.

OBAMA: So let's talk about this. First of all, Ahmadinejad is not the most powerful person in Iran. So he may not be the right person to talk to. But I reserve the right, as president of the United States to meet with anybody at a time and place of my choosing if I think it's going to keep America safe.

And I'm glad that Senator McCain brought up the history, the bipartisan history of us engaging in direct diplomacy.

OBAMA: Senator McCain mentioned Henry Kissinger, who's one of his advisers, who, along with five recent secretaries of state, just said that we should meet with Iran -- guess what -- without precondition. This is one of your own advisers.

Now, understand what this means "without preconditions." It doesn't mean that you invite them over for tea one day. What it means is that we don't do what we've been doing, which is to say, "Until you agree to do exactly what we say, we won't have direct contacts with you."

There's a difference between preconditions and preparation. Of course we've got to do preparations, starting with low-level diplomatic talks, and it may not work, because Iran is a rogue regime.

But I will point out that I was called naive when I suggested that we need to look at exploring contacts with Iran. And you know what? President Bush recently sent a senior ambassador, Bill Burns, to participate in talks with the Europeans around the issue of nuclear weapons.

Again, it may not work, but if it doesn't work, then we have strengthened our ability to form alliances to impose the tough sanctions that Senator McCain just mentioned.

And when we haven't done it, as in North Korea -- let me just take one more example -- in North Korea, we cut off talks. They're a member of the axis of evil. We can't deal with them.

And you know what happened? They went -- they quadrupled their nuclear capacity. They tested a nuke. They tested missiles. They pulled out of the nonproliferation agreement. And they sent nuclear secrets, potentially, to countries like Syria.

When we re-engaged -- because, again, the Bush administration reversed course on this -- then we have at least made some progress, although right now, because of the problems in North Korea, we are seeing it on shaky ground.

And -- and I just -- so I just have to make this general point that the Bush administration, some of Senator McCain's own advisers all think this is important, and Senator McCain appears resistant.

He even said the other day that he would not meet potentially with the prime minister of Spain, because he -- you know, he wasn't sure whether they were aligned with us. I mean, Spain? Spain is a NATO ally.

MCCAIN: Of course.

OBAMA: If we can't meet with our friends, I don't know how we're going to lead the world in terms of dealing with critical issues like terrorism.

MCCAIN: I'm not going to set the White House visitors schedule before I'm president of the United States. I don't even have a seal yet.

Look, Dr. Kissinger did not say that he would approve of face-to-face meetings between the president of the United States and the president -- and Ahmadinejad. He did not say that.

OBAMA: Of course not.

MCCAIN: He said that there could be secretary-level and lower level meetings. I've always encouraged them. The Iranians have met with Ambassador Crocker in Baghdad.

What Senator Obama doesn't seem to understand that if without precondition you sit down across the table from someone who has called Israel a "stinking corpse," and wants to destroy that country and wipe it off the map, you legitimize those comments.

This is dangerous. It isn't just naive; it's dangerous. And so we just have a fundamental difference of opinion.

As far as North Korea is concerned, our secretary of state, Madeleine Albright, went to North Korea. By the way, North Korea, most repressive and brutal regime probably on Earth. The average South Korean is three inches taller than the average North Korean, a huge galag.

We don't know what the status of the dear leader's health is today, but we know this, that the North Koreans have broken every agreement that they've entered into.

And we ought to go back to a little bit of Ronald Reagan's "trust, but verify," and certainly not sit down across the table from -- without precondition, as Senator Obama said he did twice, I mean, it's just dangerous.
OBAMA: Look, I mean, Senator McCain keeps on using this example that suddenly the president would just meet with somebody without doing any preparation, without having low-level talks. Nobody's been talking about that, and Senator McCain knows it. This is a mischaracterization of my position.

When we talk about preconditions -- and Henry Kissinger did say we should have contacts without preconditions -- the idea is that we do not expect to solve every problem before we initiate talks.

And, you know, the Bush administration has come to recognize that it hasn't worked, this notion that we are simply silent when it comes to our enemies. And the notion that we would sit with Ahmadinejad and not say anything while he's spewing his nonsense and his vile comments is ridiculous. Nobody is even talking about that.

MCCAIN: So let me get this right. We sit down with Ahmadinejad, and he says, "We're going to wipe Israel off the face of the Earth," and we say, "No, you're not"? Oh, please.

OBAMA: No, let me tell...

(CROSSTALK)

MCCAIN: By the way, my friend, Dr. Kissinger, who's been my friend for 35 years, would be interested to hear this conversation and Senator Obama's depiction of his -- of his positions on the issue. I've known him for 35 years.

OBAMA: We will take a look.

MCCAIN: And I guarantee you he would not -- he would not say that presidential top level.

OBAMA: Nobody's talking about that.

MCCAIN: Of course he encourages and other people encourage contacts, and negotiations, and all other things. We do that all the time.

LEHRER: We're going to go to a new...

(CROSSTALK)

MCCAIN: And Senator Obama is parsing words when he says precondition means preparation.

OBAMA: I am not parsing words.

MCCAIN: He's parsing words, my friends.

OBAMA: I'm using the same words that your advisers use.

Please, go ahead.

LEHRER: New lead question.

Russia, goes to you, two minutes, Senator Obama. How do you see the relationship with Russia? Do you see them as a competitor? Do you see them as an enemy? Do you see them as a potential partner?

OBAMA: Well, I think that, given what's happened over the last several weeks and months, our entire Russian approach has to be evaluated, because a resurgent and very aggressive Russia is a threat to the peace and stability of the region.

Their actions in Georgia were unacceptable. They were unwarranted. And at this point, it is absolutely critical for the next president to make clear that we have to follow through on our six-party -- or the six-point cease-fire. They have to remove themselves from South Ossetia and Abkhazia.

It is absolutely important that we have a unified alliance and that we explain to the Russians that you cannot be a 21st-century superpower, or power, and act like a 20th-century dictatorship.

And we also have to affirm all the fledgling democracies in that region, you know, the Estonians, the Lithuanians, the Latvians, the Poles, the Czechs, that we are, in fact, going to be supportive and in solidarity with them in their efforts. They are members of NATO.

And to countries like Georgia and the Ukraine, I think we have to insist that they are free to join NATO if they meet the requirements, and they should have a membership action plan immediately to start bringing them in.

Now, we also can't return to a Cold War posture with respect to Russia. It's important that we recognize there are going to be some areas of common interest. One is nuclear proliferation.

They have not only 15,000 nuclear warheads, but they've got enough to make another 40,000, and some of those loose nukes could fall into the hands of Al Qaida.

This is an area where I've led on in the Senate, working with a Republican ranking member of the Senate Foreign Relations Committee, Dick Lugar, to deal with the proliferation of loose nuclear weapons. That's an area where we're going to have to work with Russia.

But we have to have a president who is clear that you don't deal with Russia based on staring into his eyes and seeing his soul. You deal with Russia based on, what are you -- what are the national security interests of the United States of America?

And we have to recognize that the way they've been behaving lately demands a sharp response from the international community and our allies.

LEHRER: Two minutes on Russia, Senator McCain.

MCCAIN: Well, I was interested in Senator Obama's reaction to the Russian aggression against Georgia. His first statement was, "Both sides ought to show restraint."

Again, a little bit of naivete there. He doesn't understand that Russia committed serious aggression against Georgia. And Russia has now become a nation fueled by petro-dollars that is basically a KGB apparatchik-run government.

I looked into Mr. Putin's eyes, and I saw three letters, a "K," a "G," and a "B." And their aggression in Georgia is not acceptable behavior.

I don't believe we're going to go back to the Cold War. I am sure that that will not happen. But I do believe that we need to bolster our friends and allies. And that wasn't just about a problem between Georgia and Russia. It had everything to do with energy. There's a pipeline that runs from the Caspian through Georgia through Turkey. And, of course, we know that the Russians control other sources of energy into Europe, which they have used from time to time.

It's not accidental that the presidents of Latvia, Estonia, Lithuania, Poland, and Ukraine flew to Georgia, flew to Tbilisi, where I have spent significant amount of time with a great young president, Misha Saakashvili.

MCCAIN: And they showed solidarity with them, but, also, they are very concerned about the Russian threats to regain their status of the old Russian to regain their status of the old Russian empire.

Now, I think the Russians ought to understand that we will support -- we, the United States -- will support the inclusion of Georgia and Ukraine in the natural process, inclusion into NATO.

We also ought to make it very clear that the Russians are in violation of their cease-fire agreement. They have stationed additional troops in Abkhazia and South Ossetia.

By the way, I went there once, and we went inside and drove in, and there was a huge poster. And this is -- this is Georgian territory. And there was a huge poster of Vladimir Putin, and it said, "Vladimir Putin, our president."

It was very clear, the Russian intentions towards Georgia. They were just waiting to seize the opportunity.
So, this is a very difficult situation. We want to work with the Russians. But we also have every right to expect the Russians to behave in a fashion and keeping with a -- with a -- with a country who respects international boundaries and the norms of international behavior.

And watch Ukraine. This whole thing has got a lot to do with Ukraine, Crimea, the base of the Russian fleet in Sevastopol. And the breakdown of the political process in Ukraine between Tymoshenko and Yushchenko is a very serious problem.

So watch Ukraine, and let's make sure that we -- that the Ukrainians understand that we are their friend and ally.

LEHRER: You see any -- do you have a major difference with what he just said?

OBAMA: No, actually, I think Senator McCain and I agree for the most part on these issues. Obviously, I disagree with this notion that somehow we did not forcefully object to Russians going into Georgia.

I immediately said that this was illegal and objectionable. And, absolutely, I wanted a cessation of the violence, because it put an enormous strain on Georgia, and that's why I was the first to say that we have to rebuild the Georgian economy and called for a billion dollars that has now gone in to help them rebuild.

Because part of Russia's intentions here was to weaken the economy to the point where President Saakashvili was so weakened that he might be replaced by somebody that Putin favored more.

Two points I think are important to think about when it comes to Russia.

Number one is we have to have foresight and anticipate some of these problems. So back in April, I warned the administration that you had Russian peacekeepers in Georgian territory. That made no sense whatsoever.

And what we needed to do was replace them with international peacekeepers and a special envoy to resolve the crisis before it boiled over.

That wasn't done. But had it been done, it's possible we could have avoided the issue.

The second point I want to make is -- is the issue of energy. Russia is in part resurgent and Putin is feeling powerful because of petro-dollars, as Senator McCain mentioned.

That means that we, as one of the biggest consumers of oil -- 25 percent of the world's oil -- have to have an energy strategy not just to deal with Russia, but to deal with many of the rogue states we've talked about, Iran, Venezuela.

And that means, yes, increasing domestic production and off-shore drilling, but we only have 3 percent of the world's oil supplies and we use 25 percent of the world's oil. So we can't simply drill our way out of the problem.

What we're going to have to do is to approach it through alternative energy, like solar, and wind, and biodiesel, and, yes, nuclear energy, clean-coal technology. And, you know, I've got a plan for us to make a significant investment over the next 10 years to do that.

And I have to say, Senator McCain and I, I think agree on the importance of energy, but Senator McCain mentioned earlier the importance of looking at a record.

Over 26 years, Senator McCain voted 23 times against alternative energy, like solar, and wind, and biodiesel.

And so we -- we -- we've got to walk the walk and not just talk the talk when it comes to energy independence, because this is probably going to be just as vital for our economy and the pain that people are feeling at the pump -- and, you know, winter's coming and home heating oil -- as it is our national security and the issue of climate change that's so important.

LEHRER: We've got time for one more lead question segment. We're way out of...

(CROSSTALK)

LEHRER: Quick response and then...

(CROSSTALK)

MCCAIN: No one from Arizona is against solar. And Senator Obama says he's for nuclear, but he's against reprocessing and he's against storing. So...

OBAMA: That's just not true, John. John, I'm sorry, but that's not true.

MCCAIN: ... it's hard to get there from here. And off-shore drilling is also something that is very important and it is a bridge.

And we know that, if we drill off-shore and exploit a lot of these reserves, it will help, at temporarily, relieve our energy requirements. And it will have, I think, an important effect on the price of a barrel of oil.

OBAMA: I just have to respond very quickly, just to correct -- just to correct the record.

MCCAIN: So I want to say that, with the Nunn-Lugar thing...

LEHRER: Excuse me, Senator.

OBAMA: John?

MCCAIN: ... I supported Nunn-Lugar buck in the early 1990s when a lot of my colleagues didn't. That was the key legislation at the time and put us on the road to eliminating this issue of nuclear waste and the nuclear fuel that has to be taken care of.

OBAMA: I -- I just have to correct the record here. I have never said that I object to nuclear waste. What I've said is that we have to store it safely.

And, Senator McCain, he says -- he talks about Arizona.

LEHRER: All right.

OBAMA: I've got to make this point, Jim.

LEHRER: OK.

OBAMA: He objects...

LEHRER: Excuse me, Senator.

MCCAIN: So I want to say that, with the Nunn-Lugar thing...

OBAMA: He -- he -- he objects...

(CROSSTALK)

LEHRER: One at a time, please.

OBAMA: He objected...

LEHRER: One at a time.

MCCAIN: No one can be opposed to alternate energy.

OBAMA: All right, fair enough. Let's move on. You've got one more energy -- you've got one more question.

LEHRER: This is the last -- last lead question. You have two minutes each. And the question is this, beginning with you, Senator McCain.

What do you think the likelihood is that there would be another 9/11-type attack on the continental United States?

MCCAIN: I think it's much less than it was the day after 9/11. I think it -- that we have a safer nation, but we are a long way from safe.

And I want to tell you that one of the things I'm most proud of, among others, because I have worked across the aisle. I have a long record on that, on a long series of reforms.
But after 9/11, Senator Joe Lieberman and I decided that we needed a commission, and that was a commission to investigate 9/11, and find out what happened, and fix it.

And we were -- we were opposed by the administration, another area where I differed with this administration. And we were stymied until the families of 9/11 came, and they descended on Washington, and we got that legislation passed.

And there were a series of recommendations, as I recall, more than 40. And I'm happy to say that we've gotten written into law most of those reforms recommended by that commission. I'm proud of that work, again, bipartisan, reaching across the aisle, working together, Democrat and Republican alike.

So we have a long way to go in our intelligence services. We have to do a better job in human intelligence. And we've got to -- to make sure that we have people who are trained interrogators so that we don't ever torture a prisoner ever again.

We have to make sure that our technological and intelligence capabilities are better. We have to work more closely with our allies. I know our allies, and I can work much more closely with them.

But I can tell you that I think America is safer today than it was on 9/11. But that doesn't mean that we don't have a long way to go.

And I'd like to remind you, also, as a result of those recommendations, we've probably had the largest reorganization of government since we established the Defense Department. And I think that those men and women in those agencies are doing a great job.

But we still have a long way to go before we can declare America safe, and that means doing a better job along our borders, as well.

LEHRER: Two minutes, Senator Obama.

OBAMA: Well, first of all, I think that we are safer in some ways. Obviously, we've poured billions of dollars into airport security. We have done some work in terms of securing potential targets, but we still have a long way to go.

We've got to make sure that we're hardening our chemical sites. We haven't done enough in terms of transit; we haven't done enough in terms of ports.

And the biggest threat that we face right now is not a nuclear missile coming over the skies. It's in a suitcase.

This is why the issue of nuclear proliferation is so important. It is the -- the biggest threat to the United States is a terrorist getting their hands on nuclear weapons.

And we -- we are spending billions of dollars on missile defense. And I actually believe that we need missile defense, because of Iran and North Korea and the potential for them to obtain or to launch nuclear weapons, but I also believe that, when we are only spending a few hundred million dollars on nuclear proliferation, then we're making a mistake.

The other thing that we have to focus on, though, is Al Qaida. They are now operating in 60 countries. We can't simply be focused on Iraq. We have to go to the root cause, and that is in Afghanistan and Pakistan. That's going to be critical. We are going to need more cooperation with our allies.

And one last point I want to make. It is important for us to understand that the way we are perceived in the world is going to make a difference, in terms of our capacity to get cooperation and root out terrorism.

And one of the things that I intend to do as president is to restore America's standing in the world. We are less respected now than we were eight years ago or even four years ago.

OBAMA: And this is the greatest country on Earth. But because of some of the mistakes that have been made -- and I give Senator McCain great credit on the torture issue, for having identified that as something that undermines our long-term security -- because of those things, we, I think, are going to have a lot of work to do in the next administration to restore that sense that America is that shining beacon on a hill.

LEHRER: Do you agree there's much to be done in a new administration to restore...

(CROSSTALK)

MCCAIN: But in the case of missile defense, Senator Obama said it had to be, quote, “proven.” That wasn't proven when Ronald Reagan said we would do SDI, which is missile defense. And it was major -- a major factor in bringing about the end of the Cold War.

We seem to come full circle again. Senator Obama still doesn't quite understand -- or doesn't get it -- that if we fail in Iraq, it encourages Al Qaida. They would establish a base in Iraq.

The consequences of defeat, which would result from his plan of withdrawal and according to date certain, regardless of conditions, according to our military leaders, according to every expert, would lead to defeat -- possible defeat, loss of all the fragile sacrifice that we've made of American blood and treasure, which grieves us all.

All of that would be lost if we followed Senator Obama's plan to have specific dates with withdrawal, regardless of conditions on the ground.

And General Petraeus says we have had great success, but it's very fragile. And we can't do what Senator Obama wants to do.

That is the central issue of our time. And I think Americans will judge very seriously as to whether that's the right path or the wrong path and who should be the next president of the United States.

LEHRER: You see the same connections that Senator McCain does?

OBAMA: Oh, there's no doubt. Look, over the last eight years, this administration, along with Senator McCain, have been solely focused on Iraq. That has been their priority. That has been where all our resources have gone.

In the meantime, bin Laden is still out there. He is not captured. He is not killed. Al Qaida is resurgent.

In the meantime, we've got challenges, for example, with China, where we are borrowing billions of dollars. They now hold a trillion dollars' worth of our debt. And they are active in countries like -- in regions like Latin America, and Asia, and Africa. They are -- the conspicuousness of their presence is only matched by our absence, because we've been focused on Iraq.

We have weakened our capacity to project power around the world because we have viewed everything through this single lens, not to mention, look at our economy. We are now spending $10 billion or more every month.

And that means we can't provide health care to people who need it. We can't invest in science and technology, which will determine whether or not we are going to be competitive in the long term.

There has never been a country on Earth that saw its economy decline and yet maintained its military superiority. So this is a national security issue.

We haven't adequately funded veterans' care. I sit on the Veterans Affairs Committee, and we've got -- I meet veterans all across the country who are trying to figure out, "How can I get disability payments?" I've got post-traumatic stress disorder, and yet I can't get treatment."

So we have put all chips in, right there, and nobody is talking about losing this war. What we are talking about is recognizing that the next president has to have a broader strategic vision about all
the challenges that we face. That's been missing over the last eight years. That sense is something that I want to restore.

McCain: I've been involved, as I mentioned to you before, in virtually every major national security challenge we've faced in the last 20-some years. There are some advantages to experience, and knowledge, and judgment.

And I -- and I honestly don't believe that Senator Obama has the knowledge or experience and has made the wrong judgments in a number of areas, including his initial reaction to Russian invasion -- aggression in Georgia, to his -- you know, we've seen this stubbornness before in this administration to cling to a belief that somehow the surge has not succeeded and failing to acknowledge that he was wrong about the surge is -- shows to me that we -- that -- that we need more flexibility in a president of the United States than that.

As far as our other issues that he brought up are concerned, I know the veterans. I know them well. And I know that they know that I'll take care of them. And I've been proud of their support and their recognition of my service to the veterans.

And I love them. And I'll take care of them. And they know that I'll take care of them. And that's going to be my job. But, also, I have the ability, and the knowledge, and the background to make the right judgments, to keep this country safe and secure.

Reform, prosperity, and peace, these are major challenges to the United States of America. I don't think I need any on-the-job training. I'm ready to go at it right now.

Obama: Well, let me just make a closing point. You know, my father came from Kenya. That's where I get my name.

And in the '60s, he wrote letter after letter to come to college here in the United States because the notion was that there was no other country on Earth where you could make it if you tried. The ideals and the values of the United States inspired the entire world.

I don't think any of us can say that our standing in the world now, the way children around the world look at the United States, is the same.

And part of what we need to do, what the next president has to do -- and this is part of our judgment, this is part of how we're going to keep America safe -- is to -- to send a message to the world that we are going to invest in issues like education, we are going to invest in issues that -- that relate to how ordinary people are able to live out their dreams.

And that is something that I'm going to be committed to as president of the United States.

Lehrer: Few seconds. We're almost finished.

McCain: Jim, when I came home from prison, I saw our veterans being very badly treated, and it made me sad. And I embarked on an effort to resolve the POW-MIA issue, which we did in a bipartisan fashion, and then I worked on normalization of relations between our two countries so that our veterans could come all the way home.

I guarantee you, as president of the United States, I know how to heal the wounds of war, I know how to deal with our adversaries, and I know how to deal with our friends.

Lehrer: And that ends this debate tonight.

On October 2nd, next Thursday, also at 9:00 p.m. Eastern time, the two vice presidential candidates will debate at Washington University in St. Louis. My PBS colleague, Gwen Ifill, will be the moderator.

For now, from Oxford, Mississippi, thank you, senators, both. I'm Jim Lehrer. Thank you, and good night.

(APPLAUSE)

Gentlemen, welcome.

By now, we've heard all the talking points, so let's try to tell the people tonight some things that they -- they haven't heard. Let's get to it.

Another very bad day on Wall Street, as both of you know. Both of you proposed new plans this week to address the economic crisis.

Senator McCain, you proposed a $52 billion plan that includes new tax cuts on capital gains, tax breaks for seniors, write-offs for spending for public works projects to create jobs.

Senator Obama, you proposed $60 billion in tax cuts for middle-income and lower-income people, more tax breaks to create jobs, new spending for public works projects to create jobs.

I will ask both of you: Why is your plan better than his?

Obama: Well, first of all, I want to thank Hofstra University and the people of New York for hosting us tonight and it's wonderful to join Senator McCain again, and thank you, Bob.

I think everybody understands at this point that we are experiencing the worst financial crisis since the Great Depression. And the financial rescue plan that Senator McCain and I supported is an important first step. And I pushed for some core principles:

making sure that taxpayer can get their money back if they're putting money up. Making sure that CEOs are not enriching themselves through this process.

And I think that it's going to take some time to work itself out. But what we haven't yet seen is a rescue package for the middle class. Because the fundamentals of the economy were weak even before this latest crisis. So I've proposed four specific things that I think can help.

Number one, let's focus on jobs. I want to end the tax breaks for companies that are shipping jobs overseas and provide a tax credit for every company that's creating a job right here in America.

Number two, let's help families right away by providing them a tax cut -- a middle-class tax cut for people making less than $200,000, and let's allow them to access their IRA accounts without penalty if they're experiencing a crisis.

Now Senator McCain and I agree with your idea that we've got to help homeowners. That's why we included in the financial package a proposal to get homeowners in a position where they can renegotiate their mortgage.

I disagree with Senator McCain in how to do it, because the way Senator McCain has designed his plan, it could be a giveaway to banks if we're buying full price for mortgages that now are worth a lot less. And we don't want to waste taxpayer money. And we've got to get the financial package working much quicker than it has been working.

Last point I want to make, though. We've got some long-term challenges in this economy that have to be dealt with. We've got to fix our energy policy that's giving our wealth away. We've got to fix our health care system and we've got to invest in our education system for every young person to be able to learn.

SCHIEFFER: All right. Senator Obama?

OBAMA: Well, let -- let me say, Bob, thank you. And thanks to Hofstra.

And, by the way, our beloved Nancy Reagan is in the hospital tonight, so our thoughts and prayers are going with you.

It's good to see you again, Senator Obama.

Americans are hurting right now, and they're angry. They're hurting, and they're angry. They're innocent victims of greed and excess on Wall Street and as well as Washington, D.C. And they're angry, and they have every reason to be angry.

And they want this country to go in a new direction. And there are elements of my proposal that you just outlined which I won't repeat.

But we also have to have a short-term fix, in my view, and longterm fixes.

Let me just talk to you about one of the short-term fixes. The catalyst for this housing crisis was the Fannie and Freddie Mae that caused subprime lending situation that now caused the housing market in America to collapse.

I am convinced that, until we reverse this continued decline in home ownership and put a floor under it, and so that people have not only the hope and belief they can stay in their homes and realize the American dream, but that value will come up.

Now, we have allocated $750 billion. Let's take 300 of that billion and go in and buy those home loan mortgages and negotiate with those people in their homes, 11 million homes or more, so that they can afford to pay the mortgage, stay in their home.

Now, I know the criticism of this.

MCCAIN: Well, what about the citizen that stayed in their homes? That paid their mortgage payments? It doesn't help that person in their home if the next door neighbor's house is abandoned. And so we've got to reverse this. We ought to put the homeowners first. And I am disappointed that Secretary Paulson and others have not made that their first priority.

SCHIEFFER: All right. Senator Obama?

OBAMA: Well, first of all, I want to thank Hofstra University and the people of New York for hosting us tonight and it's wonderful to join Senator McCain again, and thank you, Bob.

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Last point I want to make, though. We've got some long-term challenges in this economy that have to be dealt with. We've got to fix our energy policy that's giving our wealth away. We've got to fix our health care system and we've got to invest in our education system for every young person to be able to learn.

SCHIEFFER: All right. Would you like to ask him a question?

MCCAIN: No. I would like to mention that a couple days ago Senator McCain in how to do it, because the way Senator McCain has designed his plan, it could be a giveaway to banks if we're buying full price for mortgages that now are worth a lot less. And we don't want to waste taxpayer money. And we've got to get the financial package working much quicker than it has been working.

Last point I want to make, though. We've got some long-term challenges in this economy that have to be dealt with. We've got to fix our energy policy that's giving our wealth away. We've got to fix our health care system and we've got to invest in our education system for every young person to be able to learn.
your whole life for and be able -- and I'll keep your taxes low and I'll provide available and affordable health care for you and your employees.

And I will not have -- I will not stand for a tax increase on small business income. Fifty percent of small business income taxes are paid by small businesses. That's 16 million jobs in America. And what you want to do to Joe the plumber and millions more like him is have their taxes increased and not be able to realize the American dream of owning their own business.

SCHIEFFER: Is that what you want to do?

MCCAIN: That's what Joe believes.

OBAMA: He has been watching ads of Senator McCain's. Let me tell you what I'm actually going to do. I think tax policy is a major difference between Senator McCain and myself. And we both want to cut taxes, the difference is who we want to cut taxes for.

Now, Senator McCain, the centerpiece of his economic proposal is to provide $200 billion in additional tax breaks to some of the wealthiest corporations in America. Exxon Mobil, and other oil companies, for example, would get an additional $4 billion in tax breaks.

What I've said is I want to provide a tax cut for 95 percent of working Americans, 95 percent. If you make more -- if you make less than a quarter million dollars a year, then you will not see your income tax go up, your capital gains tax go up, your payroll tax. Not one dime.

And 95 percent of working families, 95 percent of you out there, will get a tax cut. In fact, independent studies have looked at our respective plans and have concluded that I provide three times the amount of tax relief to middle-class families than Senator McCain does.

OBAMA: Now, the conversation I had with Joe the plumber, what I essentially said to him was, "Five years ago, when you were in a position to buy your business, you needed a tax cut then."

And what I want to do is to make sure that the plumber, the nurse, the firefighter, the teacher, the young entrepreneur who doesn't yet have money, I want to give them a tax break now. And that requires us to make some important choices.

The last point I'll make about small businesses. Not only do 98 percent of small businesses make less than $250,000, but I also want to give them additional tax breaks, because they are the drivers of the economy. They produce the most jobs.

MCCAIN: You know, when Senator Obama ended up his conversation with Joe the plumber -- we need to spread the wealth around. In other words, we're going to take Joe's money, give it to Senator Obama, and let him spread the wealth around.

I want Joe the plumber to spread that wealth around. You told him you wanted to spread the wealth around.

The whole premise behind Senator Obama's plans are class warfare, let's spread the wealth around. I want small businesses -- and by the way, the small businesses that we're talking about would receive an increase in their taxes right now.

Who -- why would you want to increase anybody's taxes right now? Why would you want to do that, anyone, anyone in America, when we have such a tough time, when these small business people, like Joe the plumber, are going to create jobs, unless you take that money from him and spread the wealth around.

I'm not going to...

OBAMA: OK. Can I...

MCCAIN: We're not going to do that in my administration.

OBAMA: If I can answer the question. Number one, I want to cut taxes for 95 percent of Americans. Now, it is true that my friend and supporter, Warren Buffett, for example, could afford to pay a little more in taxes in order...

MCCAIN: We're talking about Joe the plumber.

OBAMA: ... in order to give -- in order to give additional tax cuts to Joe the plumber before he was at the point where he could make $250,000.

Then Exxon Mobil, which made $12 billion, record profits, over the last several quarters, they can afford to pay a little more so that ordinary families who are hurting out there -- they're trying to figure out how they're going to afford food, how they're going to save for their kids' college education, they need a break.

So, look, nobody likes taxes. I would prefer that none of us had to pay taxes, including myself. But ultimately, we've got to pay for the core investments that make this economy strong and somebody's got to do it.

MCCAIN: Nobody likes taxes. Let's not raise anybody's taxes. OK?

OBAMA: Well, I don't mind paying a little more. MCCAIN: The fact is that businesses in America today are paying the second highest tax rate of anywhere in the world. Our tax rate for business in America is 35 percent. Ireland, it's 11 percent. Where are companies going to go where they can create jobs and where they can do best in business?

We need to cut the business tax rate in America. We need to encourage business.

Now, of all times in America, we need to cut people's taxes. We need to encourage business, create jobs, not spread the wealth around.

SCHIEFFER: All right. Let's go to another topic. It's related.

So if you have other things you want to say, you can get back to that. This question goes to you first, Senator Obama.

We found out yesterday that this year's deficit will reach an astounding record high $455 billion. Some experts say it could go to $1 trillion next year.

Both of you have said you want to reduce the deficit, but the nonpartisan Committee for a Responsible Federal Budget ran the numbers on both of your proposals and they say the cost of your proposals, even with the savings you claim can be made, each will add more than $200 billion to the deficit.

Aren't you both ignoring reality? Won't some of the programs you are proposing have to be trimmed, postponed, even eliminated? Give us some specifics on what you're going to cut back.

Senator Obama?

OBAMA: Well, first of all, I think it's important for the American public to understand that the $750 billion rescue package, if it's structured properly, and, as president, I will make sure it's structured properly, means that ultimately taxpayers get their money back, and that's important to understand.

But there is no doubt that we've been living beyond our means and we're going to have to make some adjustments.

Now, what I've done throughout this campaign is to propose a net spending cut. I haven't made a promise about...

SCHIEFFER: But you're going to have to cut some of these programs, certainly.

OBAMA: Absolutely. So let me get to that. What I want to emphasize, though, is that I have been a strong proponent of pay-as-you-go. Every dollar that I've proposed, I've proposed an additional cut so that it matches.

OBAMA: And some of the cuts, just to give you an example, we spend $15 billion a year on subsidies to insurance companies. It doesn't -- under the Medicare plan -- it doesn't help seniors get any better. It's not improving our health care system. It's just a giveaway.

We need to eliminate a whole host of programs that don't work. And I want to go through the federal budget line by line, page by page, programs that don't work, we should cut. Programs that we need, we should make them work better.

Now, what is true is that Senator McCain and I have a difference in terms of the need to invest in America and the American people. I mentioned health care earlier.

If we make investments now so that people have coverage, that we are preventing diseases, that will save on Medicare and Medicaid in the future.

If we invest in a serious energy policy, that will save in the amount of money we're borrowing from China to send to Saudi Arabia.

If we invest now in our young people and their ability to go to college, that will allow them to drive this economy into the 21st century.

But what is absolutely true is that, once we get through this economic crisis and some of the specific proposals to get us out of this slump, that we're not going to be able to go back to our profligate ways.

And we're going to have to embrace a culture and an ethic of responsibility, all of us, corporations, the federal government, and individuals out there who may be living beyond their means.

SCHIEFFER: Time's up.

OBAMA: Actually. So let me get to that. What I want to emphasize, though, is that I have been a strong proponent of pay-as-you-go.
SCHIEFFER: But what... MCCAIN: But -- OK. All right. SCHIEFFER: The question was, what are you going to cut? MCCAIN: Energy -- well, first -- second of all, energy independence. We have to have nuclear power. We have to stop sending

$700 billion a year to countries that don't like us very much. It's wind, tide, solar, natural gas, nuclear, off-shore drilling, which Senator Obama has opposed. SCHIEFFER: OK. MCCAIN: And the point is that we become energy independent and we will create millions of jobs -- millions of jobs in America. OK, what -- what would I cut? I would have, first of all, across-the-board spending freeze, OK? Some people say that's a hatchet. That's a hatchet, and then I would get out a scalpel, OK? Because we've got -- we have presided over the largest increase -- we've got to have a new direction for this country. We have presided over the largest increase in government since the Great Society.

Government spending has gone completely out of control; $10 trillion dollar debt we're giving to our kids, a half-a-trillion dollars we owe China. I know how to save billions of dollars in defense spending. I know how to eliminate programs. SCHIEFFER: Which ones? MCCAIN: I have fought against -- well, one of them would be the marketing assistance program. Another one would be a number of subsidies for ethanol. I oppose subsidies for ethanol because I thought it distorted the market and created inflation; Senator Obama supported those subsidies. I would eliminate the tariff on imported sugarcane-based ethanol from Brazil. I know how to save billions. I saved the taxpayer $6.8 billion by fighting a deal for a couple of years, as you might recall, that was a sweetheart deal between an aircraft manufacturer, DOD, and people ended up in jail. But I would fight for a line-item veto, and I would certainly veto every earmark pork-barrel bill. Senator Obama has asked for nearly $1 billion in pork-barrel earmark projects...

SCHIEFFER: Time's up. MCCAIN: ...including $3 million for an overhead projector in a planetarium in his hometown. That's not the way we cut -- we'll cut out all the pork. SCHIEFFER: Time's up. OBAMA: Well, look, I think that we do have a disagreement about an across-the-board spending freeze. It sounds good. It's proposed periodically. It doesn't happen. And, in fact, an across-the-board spending freeze is a hatchet, and we do need a scalpel, because there are some programs that don't work at all. There are some programs that are underfunded. And I want to make sure that we are focused on those programs that work. Now, Senator McCain talks a lot about earmarks. That's one of the centerpieces of his campaign. Earmarks account for 0.5 percent of the total federal budget. There's no doubt that the system needs reform and there are a lot of screwy things that we end up spending money on, and they need to be eliminated. But it's not going to solve the problem. Now, the last thing I think we have to focus on is a little bit of history, just so that we understand what we're doing going forward. When President Bush came into office, we had a budget surplus and the national debt was a little over $5 trillion. It has doubled over the last eight years.

OBAMA: And we are now looking at a deficit of well over half a trillion dollars. So one of the things that I think we have to recognize is pursuing the same kinds of policies that we pursued over the last eight years is not going to bring down the deficit. And, frankly, Senator McCain voted for four out of five of President Bush's budgets. We've got to take this in a new direction, that's what I propose as president. SCHIEFFER: Do either of you think you can balance the budget in four years? You have said previously you thought you could, Senator McCain. MCCAIN: Sure I do. And let me tell you... SCHIEFFER: You can still do that? MCCAIN: Yes. Senator Obama, I am not President Bush. If you wanted to run against President Bush, you should have run four years ago. I'm going to give a new direction to this economy in this country. Senator Obama talks about voting for budgets. He voted twice for a budget resolution that increases the taxes on individuals making $42,000 a year. Of course, we can take a hatchet and a scalpel to this budget. It's completely out of control. The mayor of New York, Mayor Bloomberg, just imposed an across-the-board spending freeze on New York City. They're doing it all over America because they have to. Because they have to balance their budgets. I will balance our budgets and I will get them and I will... SCHIEFFER: In four years? MCCAIN: ... reduce this -- I can -- we can do it with this kind of job creation of energy independence. Now, look, Americans are hurting today and they're angry and I understand that, and they want a new direction. I can bring them in that direction by eliminating spending. Senator Obama talks about the budgets I voted for. He voted for the last two budgets that had that $24 billion more in spending than the budget that the Bush administration proposed.

He voted for the energy bill that was full of goodies for the oil companies that I opposed. So the fact is, let's look at our records, Senator Obama. Let's look at it as graded by the National Taxpayers Union and the Citizens Against Government Waste and the other watchdog organizations. I have fought against spending. I have fought against special interests. I have fought for reform. You have to tell me one time when you have stood up with the leaders of your party on one single major issue. SCHIEFFER: Barack. OBAMA: Well, there's a lot of stuff that was put out there, so let me try to address it. First of all, in terms of standing up to the leaders of my party, the first major bill that I voted on in the Senate was in support of tort reform, which wasn't very popular with trial lawyers, a major constituency in the Democratic Party, I support... MCCAIN: An overwhelming vote. OBAMA: I support charter schools and pay for performance for teachers. Doesn't make me popular with the teachers union. I support clean coal technology. Doesn't make me popular with environmentalists. So I've got a history of reaching across the aisle.

Now with respect to a couple of things Senator McCain said, the notion that I voted for a tax increase for people making $42,000 a year has been disputed by everybody who has looked at this claim that Senator McCain keeps on making. Even FOX News disputes it, and that doesn't happen very often when it comes to accusations about me. The fact of the matter is that if I occasionally have mistaken your policies for George Bush's policies, it's because on the core economic issues that matter to the American people, on tax policy, on energy policy, on spending priorities, you have been a vigorous supporter of President Bush. Now, you've shown independence -- commendable independence, on some key issues like tort reform, for example, I gave you enormous credit for that. But when it comes to economic policies, essentially what you're proposing is eight more years of the same thing. And it hasn't worked. And I think the American people understand it hasn't worked. We need to move in a new direction.

SCHIEFFER: All right... MCCAIN: Let me just say, Bob. SCHIEFFER: OK. About 30 seconds. MCCAIN: OK. But it's very clear that I have disagreed with the Bush administration. I have disagreed with leaders of my own party. I've got the scars to prove it.
take the high road in this campaign yet it has turned very nasty.

SCHIEFFER: Senator Obama, your campaign has used words like "erratic," "out of touch," "lie," "angry," "losing his bearings" to describe Senator McCain.

Senator McCain, your commercials have included words like "disrespectful," "dangerous," "dishonorable," "he lied." Your running mate said he "palled around with terrorists."

Are each of you tonight willing to sit at this table and say to each other's face what your campaigns and the people in your campaigns have said about each other?

And, Senator McCain, you're first.

MCCAIN: Well, this has been a tough campaign. It's been a very tough campaign. And I know from my experience in many campaigns that, if Senator Obama had asked -- responded to my urgent request to sit down, and do town hall meetings, and come before the American people, we could have done at least 10 of them by now.

When Senator Obama was first asked, he said, "Any place, any time," the way Barry Goldwater and Jack Kennedy agreed to do, before the intervention of the tragedy at Dallas. So I think the tone of this campaign could have been very different.

And the fact is, it's gotten pretty tough. And I regret some of the negative aspects of both campaigns. But the fact is that it has taken many turns which I think are unacceptable.

One of them happened just the other day, when a man I admire and respect -- I've written about him -- Congressman John Lewis, an American hero, made allegations that Sarah Palin and I were somehow associated with the worst chapter in American history, segregation, deaths of children in church bombings, George Wallace. That, to me, was so hurtful.

And, Senator Obama, you didn't repudiate those remarks. Every time there's an out-of-bounds remark made by a Republican, no matter where they are, I have repudiated them. I hope that Senator Obama will repudiate those remarks that were made by Congressman John Lewis, very unfair and totally inappropriate.

So I want to tell you, we will run a truthful campaign. This is a tough campaign. And it's a matter of fact that Senator Obama has spent more money on negative ads than any political campaign in history. And I can prove it.

And, Senator Obama, when he said -- and he signed a piece of paper that said he would take public financing for his campaign if I did -- that was back when he was a long-shot candidate -- you didn't keep your word.

And when you looked into the camera in a debate with Senator Clinton and said, "I will sit down and negotiate with John McCain about public financing before I make a decision," you didn't tell the American people the truth because you didn't.

And that's -- that's -- that's an unfortunate part. Now we have the highest spending by Senator Obama's campaign than any time since Watergate.

SCHIEFFER: Time's up. All right.

OBAMA: Well, look, you know, I think that we expect presidential campaigns to be tough. I think that, if you look at the record and the impressions of the American people -- Bob, your network just did a poll, showing that two-thirds of the American people think that Senator McCain is running a negative campaign versus one-third of mine.

And 100 percent, John, of your ads -- 100 percent of them have been negative.

MCCAIN: It's not true.

OBAMA: It absolutely is true. And, now, I think the American people are less interested in our hurt feelings during the course of the campaign than addressing the issues that matter to them so deeply. And there is nothing wrong with us having a vigorous debate like we're having tonight about health care, about energy policy, about tax policy. That's the stuff that campaigns should be made of.

The notion, though, that because we're not doing town hall meetings that justifies some of the ads that have been going up, not just from your own campaign directly, John, but 527s and other organizations that make some pretty tough accusations, well, I don't mind being attacked for the next three weeks.

What the American people can't afford, though, is four more years of failed economic policies. And what they deserve over the next four weeks is that we talk about what's most pressing to them: the economic crisis.

Senator McCain's own campaign said publicly last week that, if we keep on talking about the economic crisis, we lose, so we need to change the subject.

And I would love to see the next three weeks devoted to talking about the economy, devoted to talking about health care, devoted to talking about energy, and figuring out how the American people can send their kids to college.

And that is something that I would welcome. But it requires, I think, a recognition that politics as usual, as been practiced over the last several years, is not solving the big problems here in America.

MCCAIN: Well, if you'll turn on the television, as I -- I watched the Arizona Cardinals defeat the Dallas Cowboys on Sunday.

OBAMA: Congratulations.

MCCAIN: Every other ad -- every other ad was an attack ad on my health care plan. And any objective observer has said it's not true. You're running ads right now that say that I oppose federal funding for stem cell research. I don't.

You're running ads that misportray completely my position on immigration. So the fact is that Senator Obama is spending unprecedented -- unprecedented in the history of American politics, going back to the beginning, amounts of money in negative attack ads on me.

And of course, I've been talking about the economy. Of course, I've talked to people like Joe the plumber and talked him that I'm not going to spread his wealth around. I'm going to let him keep his wealth. And of course, we're talking about positive plan of action to restore this economy and restore jobs in America.

That's what my campaign is all about and that's what I'll continue to be all about.

But again, I did not hear a repudiation of Congressman...

OBAMA: I mean, look, if we want to talk about Congressman Lewis, who is an American hero, he, unprompted by my campaign, without my campaign's awareness, made a statement that he was troubled with what he was hearing at some of the rallies that your running mate was holding, in which all the Republican reports indicated were shouting, when my name came up, things like "terrorist" and "kill him," and that you're running mate didn't mention, didn't stop, didn't say "Hold on in a second, that's kind of out of line."

And I think Congressman Lewis's point was that we have to be careful about how we deal with our supporters.

Now...

MCCAIN: You've got to read what he said...

SCHIEFFER: (inaudible)

MCCAIN: You've got to read what he said. SCHIEFFER: Go ahead.

MCCAIN: ... my response. I do think that he inappropriately drew a comparison between what was happening there and what had happened during the civil rights movement, and we immediately put out a similar statement, saying that he had probably gone over the line.

The important point here is, though, the American people have become so cynical about our politics, because all they see is a tit-for-tat and back-and-forth. And what they want is the ability to just focus on some really big challenges that we face right now, and that's what I have been trying to focus on this entire campaign.

MCCAIN: I cannot...

OBAMA: We can have serious differences about our health care policy, for example, John, because we do have a difference on health care policy, but we...

MCCAIN: We do and I hope...

OBAMA: ... talking about this evening.

MCCAIN: Sure.

OBAMA: But when people suggest that I pal around with terrorists, then we're not talking about issues. What we're talking about...

MCCAIN: Well, let me just say I would...

SCHIEFFER: (inaudible)

MCCAIN: Let me just say categorically I'm proud of the people that come to our rallies. Whenever you get a large rally of 10,000, 15,000, 20,000 people, you're going to have some fringe peoples. You know that. And I've -- and we've always said that's not appropriate.

But to somehow say that group of young women who said "Military
wives for McCain” are somehow saying anything derogatory about you, but anything -- and those veterans that wear those hats that say "World War II, Vietnam, Korea, Iraq," I'm not going to stand for people saying that the people that come to my rallies are anything but the most dedicated, patriotic men and women that are in this nation and they're great citizens. And I'm not going to stand for somebody saying that because someone yelled something at a rally -- there's a lot of things that have been yelled at your rallies, Senator Obama, that I'm not happy about either.

In fact, some T-shirts that are very...

OBAMA: John, I...

MCCAIN: ... unacceptable. So the point is -- the point is that I have repudiated every time someone's been out of line, whether they've been part of my campaign or not, and I will continue to do that. But the fact is that we need to absolutely not stand for the kind of things that have been going on. I haven't.

OBAMA: Well, look, Bob, as I said...

SCHIEFFER: I mean, do you take issue with that?

OBAMA: Well, Bob, you know, what I would say. I mean, we can have a debate back and forth about the merits of each other's campaigns. I suspect we won't agree here tonight.

What I think is most important is that we recognize that to solve the key problems that we're facing, if we're going to solve two wars, the worst financial crisis since the Great Depression, if we can -- if we're going to focus on lifting wages that have declined over the last eight years and create jobs here in America, then Democrats, independents and Republicans, we're going to have to be able to work together.

OBAMA: And what is important is making sure that we disagree without being disagreeable. And it means that we can have tough, vigorous debates around issues. What we can't do, I think, is try to characterize each other as bad people. And that has been a culture in Washington that has been taking place for too long. And I think...

MCCAIN: Well, Bob, you asked me a direct question.

SCHIEFFER: Short answer, yes, short answer.

MCCAIN: Yes, real quick. Mr. Ayers, I don't care about an old washed-up terrorist. But as Senator Clinton said in her debates with him, we need to know the full extent of that relationship.

We need to know the full extent of Senator Obama's relationship with ACORN, who is now on the verge of maybe perpetrating one of the greatest frauds in voter history in this country, maybe destroying the fabric of democracy. The same front outfit organization that your ACORN Foundation, you and Mr. Ayers, together, you sent $230,000 to about me.

SCHIEFFER: So I'll begin by asking both of you this question, and I'll ask you to answer first, Senator Obama. Why would the American people make a judgment.

And my campaign is about getting this economy back on track, about creating jobs, about a brighter future for America. And that's what my campaign is about and I'm not going to raise taxes the way Senator Obama wants to raise taxes in a tough economy. And that's really what this campaign is going to be about.

SCHIEFFER: All right. Let's go to the next topic and you -- we may want to get back into some of this during this next discussion. I want to ask both of you about the people that you're going to bring into the government.

And our best insight yet is who you have picked as your running mates.

SCHIEFFER: So I'll begin by asking both of you this question, and I'll ask you to answer first, Senator Obama. Why would the country be better off if your running mate became president rather than his running mate?

OBAMA: Well, Joe Biden, I think, is one of the finest public servants that has served in this country. It's not just that he has some of the best foreign policy credentials of anybody. And Democrats and Republicans alike, I think, acknowledge his expertise there. But it's also that his entire life he has never forgotten where he came from, coming from Scranton, fighting on behalf of working families, remembering what it's like to see his father lose his job and go through a downward spiral economically.

And, as a consequence, his consistent pattern throughout his career is to fight for the little guy. That's what he's done when it comes to economic policies that will help working families get a leg up.

That's what he's done when it comes to, for example, passing the landmark 1994 crime bill, the Violence Against Women's Act. Joe has always made sure that he is fighting on behalf of working families, and I think he shares my core values and my sense of where the country needs to go.

Because after eight years of failed policies, he and I both agree that what we're going to have to do is to re prioritize, make sure that we're investing in the American people, give tax cuts not to the wealthiest corporations, but give them to small businesses and give them to individuals who are struggling right now, make sure that we finally get serious about energy independence, something that has been languishing in Washington for 30 years, and make sure that our kids get a great education and can afford to go to college.

So, on the key issues that are of importance to American families, Joe Biden's always been on the right side, and I think he will make an outstanding president if, heaven forbid, something happened to me.
OBAMA: Now I just want to make one last point because Senator McCain mentioned NAFTA and the issue of trade and that actually bears on this issue. I believe in free trade. But I also believe that for far too long, certainly during the course of the Bush administration with the support of Senator McCain, the attitude has been that any trade agreement is a good trade agreement. And NAFTA doesn't have -- did not have enforceable labor agreements and environmental agreements.

And what I said was we should include those and make them enforceable. In the same way that we should enforce rules against China manipulating its currency to make our exports more expensive and our exports to us cheaper. And when it comes to South Korea, we've got a trade agreement up right now, they are sending hundreds of thousands of South Korean cars into the United States. That's all good. We can only get 4,000 to 5,000 into South Korea. That is not free trade. We've got to have a president who is going to be advocating on behalf of American businesses and American workers and I make no apology for that.

SCHIEFFER: Senator? MCCAIN: All right. Can we reduce our dependence on foreign oil and by how much in the first term, in four years? OBAMA: I think that in ten years, we can reduce our dependence so that we no longer have to import oil from the Middle East or Venezuela. I think that's about a realistic timeframe. And this is the most important issue that our future economy is going to face. Obviously, we've got an immediate crisis right now. But nothing is more important than us no longer borrowing $700 billion more from China and sending it to Saudi Arabia. It's mortgaging our children's future.

Now, from the start of this campaign, I've identified this as one of my top priorities and here is what I think we have to do. Number one, we do need to expand domestic production and that means, for example, telling the oil companies the 68 million acres that they currently have leased that they're not drilling, use them or lose them.

And I think that we should look at offshore drilling and implement it in a way that allows us to get some additional oil. But understand, we only have three to four percent of the world's oil reserves and we use 25 percent of the world's oil, which means that we can't drill our way out of the problem.

That's why I've focused on putting resources into solar, wind, biodiesel, geothermal. These have been priorities of mine since I got to the Senate, and it is absolutely critical that we develop a high fuel efficient car that's built not in Japan and not in South Korea, but built here in the United States.

We invented the auto industry and the fact that we have fallen so far behind is something that we have to work on.

OBAMA: Now I just want to make one last point because Senator McCain mentioned NAFTA and the issue of trade and that actually bears on this issue. I believe in free trade. But I also believe that for far too long, certainly during the course of the Bush administration with the support of Senator McCain, the attitude has been that any trade agreement is a good trade agreement. And NAFTA doesn't have -- did not have enforceable labor agreements and environmental agreements.

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SCHIEFFER: Senator? MCCAIN: Well, you know, I admire so much Senator Obama's eloquence. And you really have to pay attention to words. He said, we will look at offshore drilling. Did you get that? Look at We
can offshore drill now. We've got to do it now. We will reduce the cost of a barrel of oil because we show the world that we have a supply of our own. It's doable. The technology is there and we have to drill now.

Now, on the subject of free trade agreements. I am a free trader. And I need -- we need to have education and training programs for displaced workers that work, going to our community colleges. But let me give you another example of a free trade agreement that Senator Obama opposes. Right now, because of previous agreements, some made by President Clinton, the goods and products that we send to Colombia, which is our largest agricultural importer of our products, is -- there's a billion dollars that we -- our businesses have paid so far in order to get our goods in there. Because of previous agreements, their goods and products come into our country for free. So Senator Obama, who has never traveled south of our border, opposes the Colombia Free Trade Agreement.

The same country that's helping us try to stop the flow of drugs into our country that's killing young Americans.

And also the country that just freed three Americans that will help us create jobs in America because they will be a market for our goods and products without having to pay -- without us having to pay the billions of dollars -- the billion dollars and more that we've already paid.

Free trade with Colombia is something that's a no-brainer. But maybe you ought to travel down there and visit them and maybe you could understand it a lot better.

OBAMA: Let me respond. Actually, I understand it pretty well. OBAMA: Zero, because as I said in our last debate and I'll explain it to you, Joe, too, if you're out there. Here's your fine -- zero. You don't have to do anything. If you've got health insurance through your employer, you can keep your health insurance, keep your choice of doctor, keep your plan.

The only thing we're going to try to do is lower costs so that those cost savings are passed onto you. And we estimate we can cut the average family's premium by about $2,500 per year. If you don't have health insurance, then what we're going to do is provide you the option of buying into the same kind of federal pool that both Senator McCain and I enjoy as federal employees, which will give you high-quality care, choice of doctors, at lower costs, because so many people are part of this insured group.

We're going to make sure that our company can't discriminate on the basis of pre-existing conditions. We'll negotiate with the drug companies for the cheapest available price on drugs. We are going to invest in information technology to eliminate bureaucracy and make the system more efficient. And we are going to make sure that we manage chronic illnesses, like diabetes and heart disease, that cost a huge amount, but could be prevented. We've got to put more money into preventive care.

This will cost some money on the front end, but over the long term this is the only way that not only are we going to make families healthier, but it's also how we're going to save the federal budget, because we can't afford these escalating costs.

SCHIEFFER: All right. Senator McCain?

MCCAIN: Well, it is a terrible painful situation for Americans. They're seeing their premiums, their co-pays go up. Forty-seven million Americans are without health insurance in America today. And it really is the cost, the escalating costs of health care that are inflicting such pain on working families and people across this country. And I am convinced we need to do a lot of things. We need to put health care records online. The V.A. does that. That will -- that will reduce costs. We need to have more community health centers. We need to have walk-in clinics.

The rise of obesity amongst young Americans is one of the most alarming statistics that there is. We should have physical fitness programs and nutrition programs in schools. Every parent should know what's going on there.

We -- we need to have -- we need to have employers reward employees who join health clubs and practice wellness and fitness. But I want to give every American family a $5,000 refundable tax credit. Take it and get anywhere in America the health care that you wish.

Now, my old buddy, Joe, Joe the plumber, is out there. Now, Joe, Senator Obama's plan, if you're a small business and you are able -- and your -- the guy that sells to you will not have his capital gains tax increase, which Senator Obama wants, if you're out there, my friend, and you've got employees, and you've got kids, if you don't get -- adopt the health care plan that Senator Obama mandates, he's going to fine you.

MCCAIN: Now, Senator Obama, I'd like -- still like to know what that fine is going to be, and I don't think that Joe right now wants to pay a fine when he is seeing such difficult times in America's economy.

Senator Obama wants to set up health care bureaucracies, take over the health care of America through -- as he said, his object is a single payer system. If you like that, you'll love Canada and England. So the point is...

SCHIEFFER: So that's your objective?

OBAMA: It is not and I didn't describe it...

MCCAIN: No, you stated it.

OBAMA: I just...

MCCAIN: Excuse me.

OBAMA: I just described what my plan is. And I'm happy to talk to you, Joe, too, if you're out there. Here's your fine -- zero. You won't pay a fine, because...

MCCAIN: Zero?

OBAMA: Zero, because as I said in our last debate and I'll
Right now, what happens is those employees get dumped into either large businesses that can afford it, we've got a choice. Either they provide health insurance to their employees or somebody has to. But are not doing it. If you don't have health insurance or you want to buy into a group plan, you will be able to buy into the plan that I just described.

Now, what we haven't talked about is Senator McCain's plan. He says he's going to give you a $5,000 tax credit. That sounds pretty good. And you can go out and buy your own insurance. Here's the problem -- that for about 20 million people, you may find yourselves no longer having employer-based health insurance. This is because younger people might be able to get health insurance for $5,000, young and healthy folks. Older folks, let's healthy folks, what's going to happen is that you're going to be the only ones left in your employer-based system, your employers won't be able to afford it. And once you're out on your own with this $5,000 credit, Senator McCain, for the first time, is going to be taxing the health care benefits that you have from your employer.

And this is your plan, John. For the first time in history, you will be taxing people's health care benefits. By the way, the average policy costs about $12,000. So if you've got $5,000 and it's going to cost you $12,000, that's a loss for you. Last point about Senator McCain's plan is that insurers right now, the main restrictions on what they do is primarily state law and, under Senator McCain's plan, those rules would be stripped away and you would start seeing a lot more insurance companies cherry-picking and excluding people from coverage. That, I think, is a mistake and I think that this is a fundamental difference in our campaign and how we would approach health care.

SCHIEFFER: What about that?

MCCAIN: Hey, Joe, you're rich, congratulations, because what Joe wanted to do was buy the business that he's been working for 10-12 hours a day, seven days a week, and you said that you wanted to spread the wealth, but -- in other words, take Joe's money and then you decide what to do with it. Now, Joe, you're rich, congratulations, and you will then fall into the category where you'll have to pay a fine if you don't provide health insurance that Senator Obama mandates, not the kind that you think is best for your family, your children, your employees, but the kind that he mandates for you. That's big government at its best. Now, 95 percent of the people in America will receive more money under my plan because they will receive not only their present benefits, which may be taxed, which will be taxed, but then you add $5,000 onto it, except for those people who have the gold-plated Cadillac insurance policies that have to do with cosmetic surgery and transplant and all of those kinds of things.

And the good thing about this is they'll be able to go across America. The average cost of a health care insurance plan in America today is $5,800. I'm going to give them $5,000 to take with them wherever they want to go, and this will give them affordability. This will give them availability. This will give them a chance to choose their own futures, not have Senator Obama and government decide that for them.

This really gets down to the fundamental difference in our philosophies. If you notice that in all of this proposal, Senator -- government wants -- Senator Obama wants government to do the job. Senator Obama wants government to do the job. I want, Joe, you to do the job.

MCCAIN: I want to leave money in your pocket. I want you to be able to choose the health care for you and your family. That's what I'm all about. And we've got too much government and too much spending and the government is -- the size of government has grown by 40 percent in the last eight years. We can't afford that in the next eight years and Senator Obama, with the Democrats in charge of Congress, things have gotten worse. Have you noticed, they've been in charge the last two years.

SCHIEFFER: All right. A short response.

OBAMA: Very briefly. You all just heard my plan. If you've got an employer-based health care plan, you keep it. Now, under Senator McCain's plan there is a strong risk that people would lose their employer-based health care.

That's the choice you'll have -- if you've already got health care is lower your costs. That includes you, Joe. SCHIEFFER: All right. Let's stop there and go to another question. And this one goes to Senator McCain. Senator McCain, you believe Roe v. Wade should be overturned. Senator Obama, you believe it shouldn't.

Could either of you ever nominate someone to the Supreme Court who disagrees with you on this issue? Senator McCain? MCCAIN: I would never and have never in all the years I've been there imposed a litmus test on any nominee to the court. That's not appropriate to do.

SCHIEFFER: But you don't want Roe v. Wade to be overturned? MCCAIN: I thought it was a bad decision. I think there were a lot of decisions that were bad. I think that decisions should rest in the hands of the states. I'm a federalist. And I believe strongly that we should have nominees to the United States Supreme Court based on their qualifications rather than any litmus test. Now, let me say that there was a time a few years ago when the United States Senate was about to blow up. Republicans wanted to have just a majority vote to confirm a judge and the Democrats were blocking in an unprecedented fashion. We got together seven Republicans, seven Democrats. You were offered a chance to join. You chose not to because you were afraid of the appointment of, quote, "conservative judges."

I voted for Justice Breyer and Justice Ginsburg. Not because I agreed with their ideology, but because I thought they were qualified and that elections have consequences when presidents are nominated. This is a very important issue we're talking about.

Senator Obama voted against Justice Breyer and Justice Roberts on the grounds that they didn't meet his ideological standards. That's not the way we should judge these nominees. Elections have consequences. They should be judged on their qualifications. And so that's what I will do.

I will find the best people in the world in the United States Senate was about to blow up. Republicans wanted to have just a majority vote to confirm a judge and the Democrats were blocking in an unprecedented fashion. We got together seven Republicans, seven Democrats. You were offered a chance to join. You chose not to because you were afraid of the appointment of, quote, "conservative judges."

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I will find the best people in the world -- in the United States of America who have a history of strict adherence to the Constitution. And not legislating from the bench.

SCHIEFFER: But even if it was someone -- even someone who had a history of being for abortion rights, you would consider them? MCCAIN: I would consider anyone in their qualifications. I do not believe that someone who has supported Roe v. Wade that would be part of those qualifications. But I certainly would not impose any litmus test.

SCHIEFFER: All right.

OBAMA: Well, I think it's true that we shouldn't apply a strict litmus test and the most important thing in any judge is their capacity to provide fairness and justice to the American people. And it is true that this is going to be, I think, one of the most consequential decisions of the next president. It is very likely that one of us will be making at least one and probably more than one appointments and Roe versus Wade probably hangs in the balance. Now I would not provide a litmus test. But I am somebody who does not believe that someone who has supported Roe v. Wade that would be part of those qualifications. But I certainly would not impose any litmus test.

SCHIEFFER: All right.

OBAMA: So this is going to be an important issue. I will look
for those judges who have an outstanding judicial record, who have the intellect, and who hopefully have a sense of what real-world folks are going through.

I'll just give you one quick example. Senator McCain and I disagreed recently when the Supreme Court made it more difficult for a woman named Lilly Ledbetter to press her claim for pay discrimination.

For years, she had been getting paid less than a man had been paid for doing the exact same job. And when she brought a suit, saying equal pay for equal work, the judges said, well, you know, it's taken you too long to bring this lawsuit, even though she didn't know about it until fairly recently.

We tried to overturn it in the Senate. I supported that effort to provide better guidance to the courts; John McCain opposed it.

I think that it's important for judges to understand that if a woman is out there trying to raise a family, trying to support her family, and is being treated unfairly, then the court has to stand up, if nobody else will. And that's the kind of judge that I want.

SCHIEFFER: Time's up.

MCCAIN: Obviously, that law waved the statute of limitations, which you could have gone back 20 or 30 years. It was a trial lawyer's dream.

Let me talk to you about an important aspect of this issue. We have to change the culture of America. Those of us who are proudly pro-life understand that. And it's got to be courage and compassion that we show to a young woman who's facing this terribly difficult pro-life decision.

Senator Obama, as a member of the Illinois State Senate, voted in the Judiciary Committee against a law that would provide immediate medical attention to a child born of a failed abortion. He voted against that.

And then, on the floor of the State Senate, as he did 130 times as a state senator, he voted present.

Then there was another bill before the Senate Judiciary Committee in the state of Illinois not that long ago, where he voted against a ban on partial-birth abortion, one of the late-term abortion, a really -- one of the bad procedures, a terrible. And then, on the floor of the Illinois State Senate, he voted present.

I don't know how you vote "present" on some of that. I don't know how you align yourself with the extreme aspect of the proabortion movement in America. And that's his record, and that's a matter of his record.

And he'll say it has something to do with Roe v. Wade, about the Illinois State Senate. It was clear-cut votes that Senator Obama voted. I think, in direct contradiction to the feelings and views of mainstream America.

SCHIEFFER: Response?

OBAMA: Well, let me respond to this. If it sounds incredible that I would vote to withhold lifesaving treatment from an infant, that's because it's not true. The -- here are the facts.

There was a bill that was put forward before the Illinois Senate that said you have to provide lifesaving treatment and that would have helped to undermine Roe v. Wade. The fact is that there was already a law on the books in Illinois that required providing lifesaving treatment, which is why not only myself but pro-choice Republicans and Democrats voted against it.

And the Illinois Medical Society, the organization of doctors in Illinois, voted against it. Their Hippocratic Oath would have required them to provide care, and there was already a law in the books.

With respect to partial-birth abortion, I am completely supportive of a ban on late-term abortions, partial-birth or otherwise, as long as there's an exception for the mother's health and life, and this did not contain that exception.

And I attempted, as many have in the past, of including that so that it is constitutional. And that was rejected, and that's why I voted present, because I'm willing to support a ban on late-term abortions as long as we have that exception.

The last point I want to make is, of course, this is going to have to be our last question, gentlemen.

The question is this: the U.S. spends more per capita than any other country on education. Yet, by every international measurement, in math and science competence, from kindergarten through the 12th grade, we trail most of the countries of the world.

The implications of this are clearly obvious. Some even say it poses a threat to our national security.

Do you feel that way and what do you intend to do about it?

The question to Senator Obama first.

OBAMA: This probably has more to do with our economic future than anything and that means it also has a national security implication, because there's never been a nation on earth that saw its economy decline and continued to maintain its primacy as a military power.

So we've got to get our education system right. Now, typically, what's happened is that there's been a debate between more money or reform, and I think we need both.

In some cases, we are going to have to invest. Early childhood education, which closes the achievement gap, so that every child is prepared for school, every dollar we invest in that, we end up getting huge benefits with improved reading scores, reduced dropout rates, reduced delinquency rates.

I think it's going to be critically important for us to recruit a generation of new teachers, an army of new teachers, especially in math and science, give them higher pay, give them more professional development and support in exchange for higher standards and accountability.

And I think it's important for us to make college affordable. Right now, I meet young people all across the country who either have decided not to go to college or if they're going to college, they are taking on $20,000, $30,000, $50,000, $60,000 worth of debt, and it's very difficult for them to go to some fields, like basic research in science, for example, thinking to themselves that they're going to have to mortgage before they even buy a house.

And that's why I've proposed a $4,000 tuition credit, every student, every year, in exchange for some form of community service, whether it's military service, whether it's Peace Corps, whether it's working in a community.

If we do those things, then I believe that we can create a better school system.

But there's one last ingredient that I just want to mention, and that's parents. We can't do it just in the schools. Parents are going to have to show more responsibility. They've got to turn off the TV set, put away the video games, and, finally, start instilling that thirst for knowledge that our students need.

SCHIEFFER: Senator McCain?

MCCAIN: Well, it's the civil rights issue of the 21st century. There's no doubt that we have achieved equal access to schools in America after a long and difficult and terrible struggle.

But what is the advantage in a low income area of sending a child to a failed school and that being your only choice?
Cindy and your wife have had. And that is because they wanted to have the same choice that you and I and some and some 9,000 parents asked to be eligible for that. Where we disagree is on the idea that we can somehow give out the program in the Washington, D.C., school system where vouchers provided and there's a certain number, I think it's a thousand and the response was, well, you know, we can't give money to every college and the military, can go right to teaching and not have to take these burdens, a bunch of unfunded mandates, the same kind of thing that happened with special education where we did the right thing by saying every school should provide education to kids with special needs, but we never followed through on the promise of funding, and that left local school districts very cash-strapped.

So what I want to do is focus on early childhood education, providing teachers higher salaries in exchange for more support. Senator McCain and I actually agree on two things that he just mentioned. Charter schools, I doubled the number of charter schools in Illinois despite some reservations from teachers unions. I think it's important to foster competition inside the public schools. And we also agree on the need for making sure that if we have bad teachers that they are swiftly -- after given an opportunity to prove themselves, if they can't hack it, then we need to move on because our kids have to have their best future. Where we differ is on the idea that we can somehow give out vouchers -- give vouchers as a way of securing the problems in our education system. And I also have to disagree on Senator McCain's record when it comes to college accessibility and affordability. Recently his key economic adviser was asked about why he didn't seem to have some specific programs to help young people go to college and the response was, well, you know, we can't give money to every interest group that comes along. I don't think America's youth are interest groups, I think they're our future. And this is an example of where we are going to have to prioritize. We can't say we're going to do things and then not explain in concrete terms how we're going to pay for it. And if we're going to do some of the things you mentioned, like lowering loan rates or what have you, somebody has got to pay for it. It's not going to happen on its own.

SCHIEFFER: Well, Senator Obama, what about that, Senator?

MCCAIN: Well, sure. I'm sure you're aware, Senator Obama, of the program in the Washington, D.C., school system where vouchers are provided and there's a certain number, I think it's a thousand and some and some 9,000 parents asked to be eligible for that. Because they wanted to have the same choice that you and I and Cindy and your wife have had. And that is because they wanted to choose the school that they thought was best for their children. And we all know the state of the Washington, D.C., school system. That was vouchers. That was Senator Obama. And I'm frankly surprised you didn't pay more attention to that example. Now as far as the No Child Left Behind is concerned, it was a great first beginning in my view. It had its flaws, it had its problems, the first time we had looked at the issue of education in America from a nationwide perspective. And we need to fix a lot of the problems. We need to sit down and reauthorize it. But, again, spending more money isn't always the answer. I think the Head Start program is a great program. A lot of people, including me, said, look, it's not doing what it should do. By the third grade many times children who were in the Head Start program aren't any better off than the others. Let's reform it. Let's reform it and fund it. That was, of course, out-of-bounds by the Democrats. We need to reform these programs. We need to have transparency. We need to have rewards. It's a system that cries out for accountability and transparency and the adequate funding. And I just said to you earlier, town hall meeting after town hall meeting, parents come with kids, children -- precious children who have autism. Sarah Palin knows about that better than most. And we'll find and we'll spend the money, research, to find the cause of autism. And we'll care for these young children. And all Americans will open their wallets and their hearts to do so.

MCCAIN: But to have a situation, as you mentioned in our earlier comments, that the most expensive education in the world is in the United States of America also means that it cries out for reform, as well. And I will support those reforms, and I will fund the ones that are reformed. But I'm not going to continue to throw money at a problem. And I've got to tell you that vouchers, where they are requested and where they are agreed to, are a good and workable system. And it's been proven.

OBAMA: I'll just make a quick comment about vouchers in D.C. Senator McCain's absolutely right: The D.C. school system is in terrible shape, and it has been for a very long time. And we've got a wonderful new superintendent there who's working very hard with the young mayor there to try...

MCCAIN: Who supports vouchers.

OBAMA: ... who initiated -- actually, supports charters.

MCCAIN: She supports vouchers, also.

OBAMA: But the -- but here's the thing, is that, even if Senator McCain were to say that vouchers were the way to go -- I disagree with him on this, because the data doesn't show that it actually solves the problem -- the centerpiece of Senator McCain's education policy is to increase the voucher program in D.C. by 2,000 slots. That leaves all of you who live in the other 50 states without an education reform policy from Senator McCain.

If we are going to be serious about this issue, we've got to have a president who is going to tackle it head-on. And that's what I intend to do as president.

SCHIEFFER: All right.

MCCAIN: Because there's not enough vouchers; therefore, we shouldn't do it, even though it's working. I got it.

SCHIEFFER: All right.

Gentlemen, we have come to the close. Before I ask both of you for your closing statements tonight, I'd like to invite our viewers and listeners to go to MyDebates.org, where you will find this evening's debates and the three that preceded tonight's debate. Now, for the final statements, by a coin toss, Senator McCain goes first.

MCCAIN: Well, thank you again, Bob. Thanks to Hofstra.

And it's great to be with you again. I think we've had a very healthy discussion. My friends, as I said in my opening remarks, these are very difficult times and challenges for America. And they were graphically demonstrated again today. America needs a new direction. We cannot be satisfied with what we've been doing for the last eight years. I have a record of reform, and taking on my party, the other party, the special interests, whether it be an HMO Patients' Bill of Rights, or trying to clean up the campaign finance system in -- in this country, or whether it be establishment of a 9/11 Commission, I have a long record of it. And I've been a careful steward of your tax dollars. We have to make health care affordable and available. We have to make quality education there for all of our citizens, not just the privileged few. We have to stop the spending. We have to stop the spending, which has mortgaged your children's futures. All of these things and all the promises and commitments that Senator Obama and I made (inaudible) made to you tonight will base -- will be based on whether you can trust us or not to be careful stewards of your tax dollar, to make sure America is safe and secure and prosperous, to make sure we reform the institutions of government.
That's why I've asked you not only to examine my record, but my proposals for the future of this country.
I've spent my entire life in the service of this nation and putting my country first. As a long line of McCains that have served our country for a long time in war and in peace, it's been the great honor of my life, and I've been proud to serve.
And I hope you'll give me an opportunity to serve again. I'd be honored and humbled.
SCHIEFFER: Senator?
OBAMA: Well, I want to thank Senator McCain and Bob for moderating.
I think we all know America is going through tough times right now. The policies of the last eight years and -- and Washington's unwillingness to tackle the tough problems for decades has left us in the worst economic crisis since the Great Depression.
And that's why the biggest risk we could take right now is to adopt the same failed policies and the same failed politics that we've seen over the last eight years and somehow expect a different result.
We need fundamental change in this country, and that's what I'd like to bring.
You know, over the last 20 months, you've invited me into your homes. You've shared your stories with me. And you've confirmed once again the fundamental decency and generosity of the American people.
And that's why I'm sure that our brighter days are still ahead. But we're going to have to invest in the American people again, in tax cuts for the middle class, in health care for all Americans, and college for every young person who wants to go. In businesses that can create the new energy economy of the future. In policies that will lift wages and will grow our middle class.
These are the policies I have fought for my entire career. And these are the policies I want to bring to the White House.
But it's not going to be easy. It's not going to be quick. It is going to be requiring all of us -- Democrats, Republicans, independents -- to come together and to renew a spirit of sacrifice and service and responsibility.
I'm absolutely convinced we can do it. I would ask for your vote, and I promise you that if you give me the extraordinary honor of serving as your president, I will work every single day, tirelessly, on your behalf and on the behalf of the future of our children.
Thank you very much.
SCHIEFFER: Senator Obama, Senator McCain, thank you very much.
This concludes the final debate. I'm Bob Schieffer of CBS News, and I will leave you tonight with what my mother always said -- go vote now. It will make you feel big and strong. Good night, everyone.
END
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