The inauguration of Ronald Reagan as the fortieth president of the United States on January 20, 1981, was the climax of a long journey for Senator Goldwater. He had six years left in the Senate and he would continue to fight for the ideals he brought with him back in 1952. Moreover, because of the Republican majority, Senator Goldwater would become the chairman of the Armed Forces Committee.

There were many important issues to address in 1981. The first priority for the new administration was getting the economy back on sound footing. This would mean dealing with inflation, high interest rates, and high unemployment. When Ronald Reagan took office, the unemployment rate was 7.5 percent, inflation around 13 percent, and interest rates at 15 percent for a thirty-year fixed mortgage.

Reagan’s director of Office of Management and Budget David Stockman devised the economic budget that would be the cornerstone of the Reagan administration. Stockman convinced Reagan that the budget deficit, which was about sixty billion dollars (this was seen as much too high according to then candidate Ronald Reagan in his acceptance speech at the Republican convention) could be balanced even if taxes were cut and military spending was increased.

The Economic Recovery Tax Act of 1981 was based off of the Kemp–Roth bill first introduced in 1977. Some may know it simply as supply-side economics. The main point of the Act was to slash the
Barry Goldwater and George McGovern

top marginal tax rate across the board. Here were some of the key provisions that were actually part of the bill:

- An across-the-board reduction in personal income tax rates of 25%, phased in over three years.
- Dozens of new corporate tax breaks led by a new system of depreciation that actually produced negative effective tax rates on the profits from new investments.
- A reduction in the top estate tax rate and a phased-in increase in the exemption.
- Numerous new tax breaks for individuals with savings.1

If one will recall, Senator Goldwater said that budget deficits were caused by freewheeling spenders, mainly liberal politicians. This was one reason for his diatribe against the Eisenhower administration’s budget in 1957. Senator Goldwater wanted spending to be cut back and taxes lowered as long as the budget deficit would decrease. There would be no difference between Republicans and Democrats to the voters at the midterm elections in 1982 if the deficit increased alongside of spending.

Reagan’s final budget passed both the House and Senate in 1981 thanks in large part to forty-eight Democrats in the House, mainly southerners (or, as they were known, “blue dog” Democrats) who voted for the budget. The final vote in the House was 238-195 and 89-11 in the Senate. Senator Goldwater voted for the bill as well hoping that the ways of Washington D.C. might change. Unfortunately, he would be disappointed.

Along with the battle for the Reagan economic plan was another historic time for the United States. President Reagan nominated Sandra Day O’Connor for an appointment as associate justice to the U.S. Supreme Court on July 7, 1981. Sandra Day O’Connor was elected judge of the Maricopa County Superior Court, Phoenix, Arizona, and served from 1975 to 1979, after which, appointed to the Arizona Court of Appeals by Governor Bruce Babbitt, she served from 1979 to 1981.2

Senator Goldwater released this statement on July 13, 1981, concerning not only O’Connor’s credentials, but her conservative qualifications as well:

In his continuing effort to bring Judge Sandra O’Connor’s record before the public, Senator Barry Goldwater said today that Judge O’Connor’s consistent stand on four broad areas of basic