



# Household Behavior and the Tax Reform Act of 1986

Jerry A. Hausman

James M. Poterba

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## Abstract

President Reagan's May 1985 letter to Congress, accompanying his tax reform proposal, argued that the existing tax system hindered economic growth because "most Americans labor under excessively high tax rates that discourage work and cut drastically into savings." This paper analyzes how the Tax Reform Act of 1986 affects these aspects of household behavior.

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