The New York Times
nytimes.com

December 9, 2007

Height Tax, The

By CHRISTOPHER SHEA

Should we tax tall workers at a higher rate than their shorter peers? The answer — yes — "follows inexorably" from reigning academic theories of taxation, argues Greg Mankiw, an economics professor at Harvard (and former chairman of President George W. Bush's Council of Economic Advisers), in a working paper first circulated in April.

Optimal-tax theory is an area of economics that deals with such questions as whether the I.R.S. should treat capital gains and wages the same. Its larger aim is to design ways to raise money for public use without distorting economic choices. A key insight in the field is that an optimal taxer seeks to avoid penalizing effort. Therefore, any moneymaking quality that can be clearly set apart from effort is of special interest.

Height is a prime example, according to Mankiw and his graduate student Matthew Weinzierl, because of its surprisingly strong correlation with income. According to one study they cite, the typical 6-foot American earned $5,525 more than a 5-foot-5-inch worker, after correcting for sex, age and weight. One possible explanation for the height-income correlation is that height breeds self-esteem from the teenage years onward; another is that tall people were, on average, better nourished as infants and so tote around a few extra I.Q. points in their craniums. In either case, their money bonus does not derive from their own effort, so taxing it would cause no economic distortions. Using optimal-taxation formulas, Mankiw and Weinzierl crunch the numbers and come up with a "tall tax" amounting to 7 percent of a tall person's income. Short people would receive a 13 percent rebate.

Do Mankiw and Weinzierl actually endorse such a system? Far from it. Rather, they argue, the proposed tax clarifies our thinking about taxation in general. They say that height is a "justly acquired endowment": it is not unfairly wrested from anyone else, so the state has no right to seize its fruits. By the same logic, they imply (though they do not state outright) that the government has no right to force someone with the "justly acquired endowment" of entrepreneurial genius to pay a higher tax rate.

Peter Diamond, an economist at M.I.T., says the paper's basic mistake is the notion "that if you can draw a silly inference from an approach, then that discredits a model." He comments: "I think there is probably no model that passes that test.