PPL 813 Public Finance
Spring 2026

Day/Time: Wednesdays 6:00-8:50pm
Class Location: Ernst Bessey Hall 305
Instructor: **Kiwon Kang** (kangkiw1@msu.edu)
Office Hours: Tuesdays 12:30-1:30pm
Office Location: 1A Old Botany

TA: **XXX** (xxx@msu.edu)
Office Hours: Thursdays 1:30-3:30pm
Office Location: 3C Old Botany

Course Objectives and Overview

The objective of the course is to understand the role that governments play in market economies. We will discuss questions of why, how and when governments do (and/or should) intervene and the consequences of government policies. We will start by introducing empirical and theoretical tools and concepts, and then follow up with the analysis of externalities, social insurance programs and tax policy. The class will build on microeconomic analysis, but it will be strongly motivated by actual policies.

Readings

The required text is *Public Finance and Public Policy* by Jonathan Gruber. I use the 7th edition (Worth Publishers, 2022) but other editions will equally be useful. I will also post other required readings on our D2L website.

Course Requirements and Grading

Weekly reading assignments & class participation	10%
Class presentation	15%
Weekly quizzes	10%
Two problem sets	15%
Midterm exam (February 25)	25%
Final exam (April 22)	25%

- 10 percent of your grade will be based on your participation in the discussion of assigned readings (9 times) both on D2L and in class. Only the best 8 scores will be taken for the grade. The reading assignment materials will be posted in D2L (in "Content"). The discussion topics of each reading will be posted in D2L (in "Communication/ Discussions"). Students will post their answers/discussion there by one day prior to each presentation.
- Each student will present an assigned reading and lead a discussion on related policy issues, which constitutes 15 percent of your grade. The presentation schedule will be posted in D2L (in "Content").

- There will be weekly quizzes (8 times) that cover the previous week's lecture as well as two problem sets (together constituting 25 percent of your grade) to provide ongoing feedback on your understanding of the materials. Only the best 7 quizzes will be taken for the grade. The weekly quizzes will be posted in D2L (in "Assessments/Quizzes"). Students can take it during the first 10 minutes of each lecture. The problem sets will be posted in D2L (in "Content"). Students will submit them in D2L (in "Assessments/ Assignments") by the due dates.
- The midterm (*Open-book in-class exam*) will be on February 25. The final exam (*Take-home exam*) will take place on April 22. Each exam constitutes 25 percent of your grade. The final exam will be posted in D2L (in "Content"). Students will take and submit it in D2L (in "Assessments/Assignments") by the due date/time. Late submissions will be penalized.

No exam/presentation absences will be allowed without formal and legitimate reasons. Please let me know as soon as you can if you anticipate any potential conflict.

Academic Integrity

Cheating is not tolerated, and anyone caught cheating will be severely penalized. Please refer to https://ombud.msu.edu/academic-integrity/ for more information. Students should not use ChatGPT to complete course assignments or for any other academic activities. ChatGPT should be used as a supplemental resource and should not replace traditional academic activities.

Disability

If you need to request academic accommodations due to a disability, please talk to me and contact Resource Center for Persons with Disabilities at 120 Bessey Hall, (517) 884-RCPD (4-7273).

Diversity, Equity, and Inclusion Statement

Economics provides a set of tools, using cost-benefit analyses, that helps us understand decision making in every part of life. Diversity is not only desirable but essential for economics. Without it, cost-benefit analyses will likely suffer from biases and blind spots. We can make better decisions, big and small, by embracing and learning from diverse experiences and perspectives. In this class I intend to create a learning environment that supports a diversity of thoughts, perspectives, and experiences, and honors your identities (including race, color, gender, gender identity, religion, national origin, political persuasion, sexual orientation, marital status, disability, height, weight, veteran status, age or familial status). I am still in the process of learning about diverse perspectives and identities and will strive to create an inclusive environment and expect you to do the same.

As part of the process of creating an inclusive environment:

- Please let me know the name you prefer to be called and, if you choose, the pronouns with which you would like to be addressed.

- Please let me know if your experiences outside of the class are affecting your experience in the class. You can submit anonymous feedback or see me in person.
- If anyone, including me or your classmates, says something in class that made you feel uncomfortable, please talk to me (anonymous feedback is always an option) about it.

I also encourage you to get involved and seek out the many resources supporting diversity, equity, and inclusion we have in our department [Women and Minorities in Economics (WAMIE) (RSO in the economics department) or Stacy Dickert-Conlin (Director of Diversity Matters)]; and on campus [Academic Support and Students Services for Underrepresented Populations, MSU Inclusive Resources Office for Civil Rights and Title IX Education and Compliance].

Course Outline

1. (January 14) *Why Study Public Finance?*
   Gruber Chapter 1
   Congressional Budget Office, "The Federal Budget in Fiscal Year 2023: An Infographic."
   † Bartik and et al, "The Impact of COVID-19 on Small Business Outcomes and Expectations," Proceedings of the National Academy Sciences of the United States of America, July 2020.

2. (January 21) *Theoretical and Empirical Tools of Public Finance*
   Gruber Chapters 2 and 3
   *** Presentation schedule posted**
   *** Problem Set #1 distributed**
   *** Quiz #1**

3. (January 28) *Budget Analysis and Deficit Financing*
   Gruber Chapter 4
   Congressional Budget Office, "An Update to the Budget Outlook: 2023 to 2033," May 2023.
   A. Auerbach and W. Gale, "The Federal Budget Outlook: Update for 2024," Brookings, March 2024.
   *** Problem Set #1 due**
   *** Class Presentation #1**

4. (February 4) *Externalities and Government Policy*
   Gruber Chapters 5 and 6
   "Taxing Carbon: What, Why and How?," Tax Policy Center, June 2015.
   "The Pros and Cons of Taxing Sweetened Beverages Based on Sugar Content," Urban Institute, December 2016.
   † "Carbon Tax and Revenue Recycling: Revenue, Economic, and Distributional Implications," Tax Foundation, November 2019.

† Adam Scavette, “Exploring the Economic Effects of the Opioid Epidemic,” Federal Reserve Bank of Philadelphia, 2019.
*** Class Presentation #2**
*** Quiz #2**

5. (February 11) *Public Goods*
   Gruber Chapter 7
   J.H. Adler and N. Stewart, “The Magic of the Market: The Advantage of Catch-Share Fishing,” Milken Institute Review, 4th Quarter 2012.
   R. Laxminarayan, “A Matter of Life and Death: The Economics of Antibiotic Resistance,” Milken Institute Review, Third Quarter 2012.
   Robert W. Marans, “Detroit Area Study, 2001: Parks and Recreation,” University of Michigan, Winter 2007.
   † “The Prison Population and Corrections Expenditures," University of Michigan, Winter 2010.
   † Sara Hughes, “Flint, Michigan, and The Politics of Safe Drinking Water in the United States,” Cambridge University Press, 2020.
   *** List of important topics for midterm posted**
   *** Class Presentation #3**
   *** Quiz #3**

6. (February 18) *Cost-Benefit Analysis & Social Insurance*
   Gruber Chapters 8 and 12
   † “Benefit-Cost Analysis of the Proposed Monorail Green Line,” DJM Consulting & ECONorthwest, August 28, 2002.
   † “Estimating the Public Costs and Benefits of HOPE VI Investments: Methodological Report,” Urban Institute, July 2007.
   *** Class Presentation #4**
   *** Quiz #4**

7. (February 25) ***Midterm (In-class exam)***

8. (March 4) *No Class – Spring Breaks*

9. (March 11) *State and Local Government Expenditures & Education*
   Gruber Chapters 10 and 11
   “Michigan's Fiscal Future,” Citizens Research Council, May 2008.
   D. Leonhardt, “Is College Worth it? Clearly, New Data Say,” New York Times Now, May 27, 2014.
   † J.B. Cullen and S. Loeb, “School Finance Reform in Michigan: Evaluating Proposal A,” Center for Education Policy Analysis, 2004.
   † “A Sea of Charter Schools in Detroit Leaves Students Adrift, The New York Times, June 2016.
   *** Class Presentation #5**

10. (March 18) *Social Security & Unemployment Insurance, Disability Insurance, and Workers' Compensation*
Gruber Chapters 13 and 14
"Chart Book: Social Security Disability Insurance," Center on Budget and Policy Priorities, August 2017.
† "Policy Basics: Top Ten Facts about Social Security," Center on Budget and Policy Priorities, August 2019.
† "Introduction to Unemployment Insurance," Center on Budget and Policy Priorities, July 2014.
*** Class Presentation #6**
*** Quiz #5**

11. (March 25) *Health Insurance*
Gruber Chapters 15 and 16
"Health Insurance Coverage in the United States: 2015," United States Census Bureau, September 2016.
"Visualizing Health Policy: Medicaid and Medicare at 50: Trends and Challenges," Kaiser Family Foundation, July 28, 2015.
Vittana, "15 Pros and Cons of Single Payer Health Care," https://vittana.org/15-pros-and-cons-of-single-payer-health-care
† "Health Policy Brief: The CLASS Act," Health Affairs, May 12, 2011.
† "What is Universal Health Care?", the Balance, www.thebalancemoney.com/univeral-health-care-4156211, December 2022.
*** Class Presentation #7**
*** Quiz #6**

12. (April 1) *Income Inequality and Government Transfer Programs*
Gruber Chapter 17 and 21 (EITC)
"Policy Basics: An Introduction to TANF," Center on Budget and Policy Priorities, December 4, 2012.
R. Greenstein, "How Effective is the Social Safety Net?" Center on Budget and Policy Priorities, February 6, 2013.
"Safety Net More Effective Against Poverty Than Previously Thought," Center on Budget and Policy Priorities, May 2015.
† "Policy Basics: An Introduction to SNAP," Center on Budget and Policy Priorities, June 4, 2019.
† "Chart Book: The Earned Income Tax Credit and Child Tax Credit," Center on Budget and Policy Priorities, May 2016.
*** Problem Set #2 distributed**
*** Class Presentation #8**
*** Quiz #7**

13. (April 8) *Principles of Tax Analysis*
Gruber Chapters 18, 19, and 20
† "Raising State Income Taxes on High-Income Taxpayers," Center on Budget and Policy Priorities, September 2009.

† "Tax Cuts: Myths and Realities," Center on Budget and Policy Priorities, May 2008.
*** List of important topics for final posted**
*** Problem Set #2 due**
*** Class Presentation #9**

14. (April 15) *Taxes on Labor Supply, Savings, and Wealth & Fundamental Tax Reform*
Gruber Chapters 21, 22, 23, and 25.
"A Closer Look at Those Who Pay No Income or Payroll Taxes," Tax Policy Center, July 11, 2016.
"The Effects of Making the Charitable Deduction Above the Line," Tax Foundation, July 31, 2017.
W. Gale and A. Samwick, "Effects of Income Tax Changes on Economic Growth," September 2014.
N. Johnson, "Kansas Wise to Undo Failed Tax-Cut Experiment," Center of Budget and Policy Priorities, June 7, 2017.
J. Nunns, and E. Toder, "The Effects of a Federal Value Added Tax on State and Local Government Budgets," Tax Policy Center, April 21, 2016.
*** Quiz #8**

15. (April 22) ***Final Exam (Take-home exam: 6-11pm)***

† Reading materials for the presentations