

DCBA Brief

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Uncharted Paths Forward:
Collection Success, New Admissions,
and the Legacy of Justice



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Hamilton’s Spending Scheme and You

By Edward N. Tiesenga

Interest payments on the U.S. federal debt recently “topped” \$1 trillion. As of the eleventh month of the fiscal year ending in October,¹ funding the U.S. national debt now standing at \$35.35 trillion, equating to 99% of our Gross National Product (GNP).² The last federal budget shows \$6.1 trillion of spending, but only \$4.4 trillion of revenue, so this debt is going up. Interest is now 16.39% of the budgeted *spending*, but more ominously, 22.72% of tax *revenue*.

In 30 years, the Peterson Foundation projects that this federal debt will equal 166.2% of GNP.³

So this year, \$1 trillion of the value of all of the goods, services and wages of the entire private sector and public sector components of the economy will be paid to creditors who do nothing but hold what to them are assets—federal bonds and treasury “notes.” The plain trend is for this dynamic to continue and to grow for generations to come.

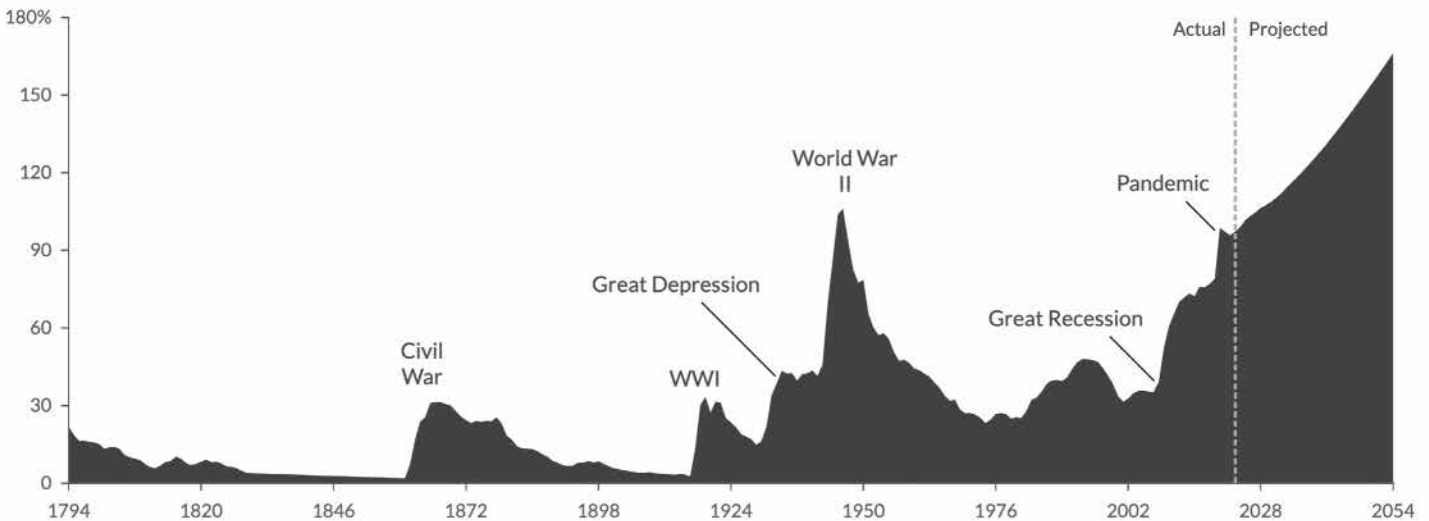
Debt owns the future.

According to William Hogeland, this is all exactly as planned by Alexander Hamilton’s “Scheme” of perpetual government debt, enriching a small class of wealthy investors who will loan the debt money to the government in exchange for assured payments of interest forever. No other investment is as high-grade, predictable and coveted. Our debt is their asset.

Hogeland’s new book, “The Hamilton Scheme: An Epic Tale of Money and Power in the American Founding,” outlines exactly how Hamilton and Robert Morris engineered this “scheme” into the DNA of the federal government.⁴ Hogeland describes how after the federal government assumed the state debt—thereby federalizing it—the debt-hating Jeffersonians and the independent farmers of Pennsylvania wanted that newly assumed debt to be paid off as soon as possible, and that no new federal debt be

Federal debt is on an unsustainable path

Debt Held by the Public (% of GDP)



Source: Congressional Budget Office
 Note: Reports include long-term and 10-year outlooks.



1. John Carney, “Interest on U.S. Debt Tops \$1 Trillion for The First Time,” *Breitbart* (Sept. 12, 2024). Carney says the year-to-date number is \$1.05 Trillion, citing U.S. Treasury data.
 2. The Peter G. Peterson Foundation puts these figures in proportion and graphs them out at www.pgpf.org
 3. Congressional Budget Office projection shown in graphical form at <https://pgpf.org/our-national-debt/#our-current-fiscal-path> (accessed 11-20-2024).

4. William Hogeland, *The Hamilton Scheme: An Epic Tale of Money and Power in the American Founding* (Farrar, Straus and Giroux 2024).

created. On the other hand, Hamilton and Morris wanted to use permanent debt as a lure to powerful people who were crucial to support the new federal government. This was done by offering those people a way to consolidate their wealth into government bonds that would generate continuous interest payments for generations—never going away but becoming permanent assets in the portfolios of the rich.

Hogeland calls this “the underlying force behind the American founding” and says this “consolidation...of wealth and power [was] in opposition to [the] working-class drive for democracy.”⁵ The working class whose homemade whiskey was then taxed to fund the federal interest payments, Hogeland continues, were just cannon fodder necessary to support the never-ending scheme. The effect was to

suppress “democracy,”⁶ says Hogeland “...like, wow, if we can feed that desire on the part of the rich class of Americans to get regular interest payments, not just now, but for years to come...well, then we will have consolidated the country, connecting a very active *investing class* to the aims of the country.”⁷

So far it’s working pretty well for the investor class of bond creditors who receive 22.72 cents of every dollar of federal tax revenue.⁸


But what about the 90,836 units⁹ of state and local governments operating below the federal government? How much interest are they paying on how much debt? The St. Louis Federal Reserve Bank publishes a summary table¹⁰ ranking the concentration of these government units by state:

State	Rank	Type of Local Government Unit				Total Units of Gov't	Units of Gov't per 100,000 Population
		County	Subcounty	School District	Other Special Purpose		
Illinois	1	102	2,720	890	3,218	6,930	55
Texas	2	254	1,225	1,070	2,984	5,533	18
Pennsylvania	3	66	2,559	514	1,712	4,851	37
California	4	57	482	1,006	2,949	4,494	12
Ohio	5	88	2,234	665	952	3,939	34
Delaware	46	3	57	19	255	334	33
Nevada	47	16	19	17	135	187	6
Alaska	48	15	149	--	17	181	25
Rhode Island	49	--	39	4	84	127	12
Hawaii	50	3	1	--	17	21	1
U.S.	--	3,031	35,705	12,546	39,555	90,837	27

Sources: 2022 Census of Governments, 2020 Census and U.S. Census Bureau, Population Division.
 Note: Subcounty includes townships and municipalities.

5. William Hogeland, “Arguing about The Hamilton Scheme,” July 24, 2024 Hogeland’s Bad History Substack.
 6. Hogeland points out that the term “Democracy” as used 200 years ago encompassed a kind of broad demographic of working people, small farmers, and others who did not own much if any property, were averse to being herded into factory towns to be wage-workers, who were in debt to landlords and merchants, and who did not own enough property to be able to vote in colonial times. This class of people, says Hogeland, were suppressed by Hamilton’s Scheme and subordinated to the rich minority of investors who manipulated the federal government to provide a super-safe class of debt investment (or “fixed income”) securities ideally suited to preserve and expand generational wealth to keep it out of the reach of the “Democracy.”
 7. William Hogeland, quoted in WBEZ Chicago NPR Author Interview (May 27, 2024).
 8. The Peterson Institute says that 79% of the interest payment go to “the public” of U.S. and foreign investors, and 21% of these payments go to “intergovernmental debt” or “transactions between one part of the federal government and another.” <https://www.pgpf.org/blog/2024/08/the-federal-government-has-borrowed-trillions-but-who-owns-all-that-debt> Elaborating further, about 66% of those payments not going to other units of government go to “domestic holders” and 33% go to foreigners. Of those, the biggest holders are now China, Japan and the U.K. Of the 66% domestic part, the Federal Reserve owns 33% of that. The remainder is owned by mutual funds (19%), Banks (9%), State and local governments (9%), pension funds (5%), insurance companies (3%), and “Other” (29%).
 9. These units of government include 50 state governments, 3,031 county governments, 35,705 township and municipal governments, 12,546 independent school districts, and another 39,555 special-purpose units of local government. Source: U.S. Census of Governments.
 10. Amy Smaldone and Mark L.J. Wright, “Local Governments in the U.S.: A Breakdown by Number and Type,” Federal Reserve Bank of St. Louis (March 14, 2024)

About the Author



Edward N. Tiesenga practices commercial law at Tiesenga & DeBoer, LLP. He is also a Village of Oak Brook Trustee and past chair of the DCBA Local Government Section. He co-founded Statistax, LLC, which geolocates government financial data to support analysis and decision-making related to revenue and spending. Ed earned his J.D. from American University.

PERSPECTIVES

Now to see how this same “Scheme” of creditor enrichment works at the state and local level, here are the total debt and interest payment numbers for the year 2017¹¹:

Comparison of Federal and State/Local Debt				
Estimated Unfunded Pension Liabilities added to the State and Local Debt				
Debt Type	Total Debt	Assumed Interest Rate	Interest Payment/Year	Interest Per Capita
Federal	\$31.5 Trillion	Varies	\$1.05 Trillion (Actual)	\$3,150
State and Local	\$7.03 Trillion	3%	\$210.9 Billion (Estimated)	\$632
Total	\$38.5 Trillion		\$1.26 Trillion (Estimated)	\$3,782

Source: Federal Reserve Bank of St. Louis , Q2, 2024 data used for State and Local Governments.

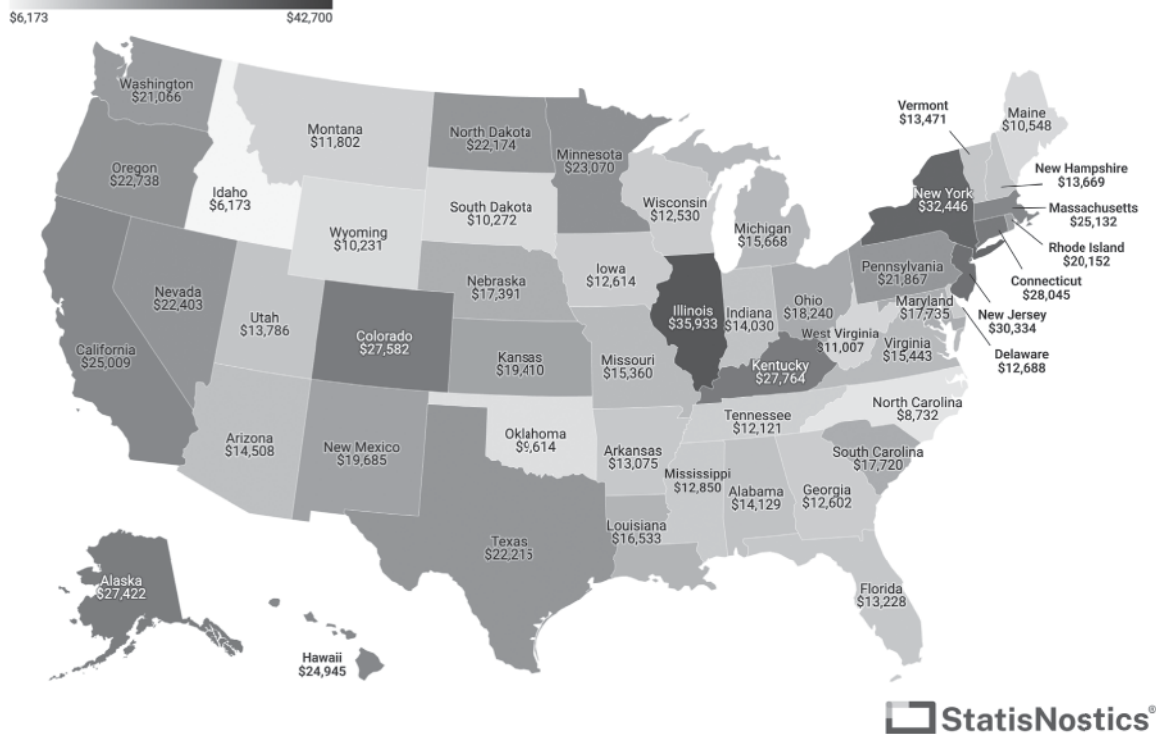
Again, for uniformity we can apply an interest rate assumption of 3% to compare the relative interest exactions taken from taxpayers to make those “generational wealth” payments away

from the “Democracy” in the form of taxes to fund interest payments to that subset of wealthy creditors who hold these debts as prized assets:

Government Level	Interest Payments	Pension Contributions	Unfunded Pension Liabilities
Federal	\$1,000 billion	N/A	N/A
State and Local	\$102 billion	\$221 billion	\$3,692.7 billion
Total	\$1,102 billion	\$221 billion	\$3,692.7 billion

Source: Federal Reserve Bank of St. Louis, Q2, 2024 data used for State and Local Governments.

Now let’s drill down to look at the “State and Local” level of these interest payments. Here is a StatistNostics map showing the geographic per capita distribution of state and local debt, including unfunded public pension debt:



11. 2017 is the most recent year of uniform data available from the U.S. Census Bureau dataset, so this is a little low compared to present day levels in 2024. Proportions are discernible enough to illustrate the comparison.

In the dark grey zone, Illinois leads at \$35,933 per person, and Idaho comes in lowest at \$6,173 per person. States with good fiscal reputations like Texas, Tennessee and Florida actually have higher debt burdens than South Dakota, West Virginia, Oklahoma and Maine.

As we shift our focus away from the monolithic national debt and look at the states, we are reminded of the genius of our federal system. The layers of government closer to us are more immediately oppressive,¹² but they are also easier to control with our involvement. Local government is where we can take action to change the policies or remove the elected officials who heedlessly emulate federal debt-driven spending.

Alexis de Tocqueville¹³ saw this 30 years after Alexander Hamilton's death, in 1834, where "democracy in America consisted essentially of a linked group of local republics or small city-states or, in other words, local governments, which had pre-existed and helped construct state governments and thus established the distinctive character of American government."¹⁴

Looking at states, counties, townships, cities, park districts and school districts helps balance the concern with all this spending, and presents the prospect of more achievable correction to be administered at upcoming elections.

In fact, all levels of government have demonstrated the ability to subordinate taxpayers to a creditor class that gets richer and richer. The liberal critique of this setup is historically selective. Hamilton is targeted as the master manipulator who did this at the founding federal level, but now others practice the same debt-funded spending up and down the levels of our system

today without reproach. Our contemporary spenders employ devices called the Keynesian multiplier,¹⁵ and unfunded future spending mandates.¹⁶ All of these create more and more assets in the hands of powerful creditors in the form of public debt to be paid by private taxpayers. The resulting payments enrich a creditor class with generational wealth, who become a kind of ruling class living off the taxpayer class.

Yet advocates of government programs across the political spectrum tend to support increasing government spending in a time of deficits, which further engorges the relative wealth of the creditors who fund the resulting debt—and who must be paid.

So the over-spenders—the elected legislators—are the servants of the creditor class, not the middle class flag-bearers. Promises of government benefits to broad classes of beneficiaries are just the public surface to this deeper private creditor reality.

This dynamic explains why we now have "Democracy in Deficit,"¹⁷ as "political self-interest" produces a "bias toward deficits."¹⁸ The owners of our debt can even hope that the spending accelerates to assure them of a continued interest income stream. If the government spenders did not exist, the powerful class of investors would have to create them. Hogeland says Hamilton did just that. And today, many more spenders continue that work to insure that the creditor class remains comfortable and well-supported with interest payments.

The results can be calculated at each level of government, expressed as a per capita debt burden on you, and mapped to your exact address. The following chart maps this spending pressure at each level of government in terms of the ratio of tax revenue-to-interest payments on debt, or Taxes-To-interest (TTi).

12. Alexis de Tocqueville diagnosed local government majorities as particularly oppressive, when "unstable majorities" imposed "the tyranny of the majority." Alexis de Tocqueville, *Democracy in America* (Harvey C. Mansfield & Delba Winthrop, trans., Univ. of Chicago Press 2000)(1835) at 235-49.

13. Alexis de Tocqueville traveled from France to investigate and explain the new American nation and its system of government to his French countrymen, and ended up creating the definitive text used as a reference point for students of government ever since its publication in 1835.

14. Philip C. Kissam, *Alexis de Tocqueville and American Constitutional Law: On Democracy, the Majority Will, Individual Rights, Federalism, Religion, Civic Associations and Originalist Constitutional Theory*, 59 Me. L. Rev. 35 (2007).

15. All parochial, entrenched public spending constituencies (road builders, defense contractors, transfer payments) have learned how to sell spending as "stimulus" for the good of everyone, using the language of the Keynesian "multiplier."

16. e.g., public employee pensions; social security; Medicare.

17. See, James M. Buchanan and Richard E. Wagner, *Democracy in Deficit: The Political Legacy of Lord Keynes* (New York: Academic Press, 1977).

18. Robert D. Tollison, Foreword comments to *Democracy in Deficit*.

“Hogeland calls this “the underlying force behind the American founding” and says this “consolidation... of wealth and power [was] in opposition to [the] working-class drive for democracy.”

First, the states with the “Top 10” highest TTi scores:¹⁹

State	TTi
Illinois	5.46%
Rhode Island	4.54%
Connecticut	4.51%
New York	4.38%
District of Columbia	4.08%
Texas	3.76%
Massachusetts	3.68%
Colorado	3.61%
California	3.46%
New Hampshire	3.44%

Then within each state, we can break down TTi for counties, school districts and local town governments, to see how each layer of government averages out within the state macro total.

For example, Illinois:

Government Type	TTi
City/Town	6.52%
Special Districts	4.42%
School Districts	3.41%
County	3.12%
Township	0.74%

19. Unfunded pensions are excluded from this calculation and from the next table due to lack of uniform data.

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Within each county, such as DuPage County, we can then find the TTi score for each town:

Alphabetical Order	TTi - Taxes to Interest Ratio	Ranked Order	TTi - Taxes to Interest Ratio
Addison	2.82	Oakbrook Terrace	9.21
Bartlett	5.25	Villa Park	8.39
Bensenville	7.76	Lombard	8.02
Bloomingtondale	2.1	Wood Dale	7.77
Burr Ridge	1.91	Bensenville	7.76
Carol Stream	0.65	Itasca	7.05
Clarendon Hills	1.35	Bartlett	5.25
Darien	4.22	Westmont	5.08
Downers Grove	3.15	Woodridge	4.99
Elmhurst	3.38	Hanover Park	4.9
Glen Ellyn	2.68	Willowbrook	4.76
Glendale Heights	4.65	Glendale Heights	4.65
Hanover Park	4.9	Darien	4.22
Hinsdale	2.42	Elmhurst	3.38
Itasca	7.05	Downers Grove	3.15
Lisle	0.89	Warrenville	3.15
Lombard	8.02	Addison	2.82
Naperville	2.51	Glen Ellyn	2.68
Oak Brook	0.7	Naperville	2.51
Oakbrook Terrace	9.21	Roselle	2.43
Roselle	2.43	Hinsdale	2.42
Villa Park	8.39	Winfield	2.26
Warrenville	3.15	Bloomingtondale	2.1
West Chicago	0.4	Burr Ridge	1.91
Westmont	5.08	Clarendon Hills	1.35
Wheaton	1.07	Wheaton	1.07
Willowbrook	4.76	Lisle	0.89
Winfield	2.26	Oak Brook	0.7
Wood Dale	7.77	Carol Stream	0.65
Woodridge	4.99	West Chicago	0.4

The top TTI score in DuPage County goes to Oakbrook Terrace, and the lowest TTI is held by West Chicago.

Your chance to limit your participation in this scheme to enrich private government creditors depends on your ability to diagnose the severity of the scheme at your particular geographic location, since government units—like you—are geographically defined and limited. You are free to vote with your feet to reduce the spending pressure bearing upon you at any address. As Hogeland says, “I think it has to do with jurisdiction over individuals throughout a given territory...” To stay as far out of Hamilton’s Scheme as possible, West Chicago offers a place for you. If paying more to the creditor class does not move your needle, Villa Park and Lombard may be ideal.

The St. Louis Federal Reserve economists make this point more existential and subjective by reaching back to a Franklin Roosevelt fireside chat, where he warned: “The only sure bulwark of continuing liberty is a government strong enough to protect the interests of the people, and a people strong enough and well enough informed to maintain its sovereign control over its government.”²⁰ “It would be ironic,” continues the St. Louis Federal Reserve study, “if, in an attempt to limit government, America produced so many governments that it became impractical for the people to remain well enough informed to maintain their control over the many governments that serve them.”²¹

You need not live in a local area that puts itself into the same debt pressure category as the federal government. You have the

How the Score is Calculated

The TTI Score measures revenue and debt, from a uniform U.S. Census database most recently updated in 2017. Similar to a business finance calculation to reveal debt service cost as a percentage of revenue, we calculate the percentage of revenue needed to pay the interest on a government unit’s debt. Unfunded pension liabilities are an additional form of debt which the Government Accounting Standard Board (GASB) now requires government units to express as current liabilities on their balance sheets. This element of debt data, however, is not yet picked up by the U.S. Census Bureau in a uniform way that can be included in our calculation. We will include it when the GASB data improves. When we do, TTI percentage scores will go up.

power to change your address to avoid buying into Hamilton’s Scheme with your tax payments.

Knowing the TTI values for your units of immediate government can help you determine where to live, work, and pay taxes, where you will not demand spending supported by debt. As FDR reminded us in that old fireside chat: “There is placed on all of us the duty of self-restraint. . . . That is the discipline of a democracy.”²² Discipline yourself to stay out of Hamilton’s Scheme, so you can save your money for your children, not paying it over to the next generation of some investor’s kids whose parents already own enough of your future. □

20. Franklin D. Roosevelt, Fireside Chat (April 14, 1938)

21. Smaldone and Wright, fn 11, *supra*.

22. *Id.* at fn 23, *supra*.