HAMILTON'S SPENDING SCHEME AND YOU

By Edward N. Tiesenga[1]

Interest payments on the U.S. federal debt "topped" $1 Trillion as of the 11th month of the fiscal year ending in October,[2] funding the U.S. national debt now standing at $35.35 Trillion, equating to 99% of our Gross National Product (GNP).[3] 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.

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 bv 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 the debt-hating Jeffersonians and the independent farmers of Pennsylvania all wanted the newly federalized assumed state debts to be paid off as soon as possible, with no new federal debt 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

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[2] 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.

[3] The Peter G. Peterson Foundation puts these figures in proportion and graphs them out at www.pgpf.org

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

[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

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 units[9] 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 table[10] 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.

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)

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 2017[11]:

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.

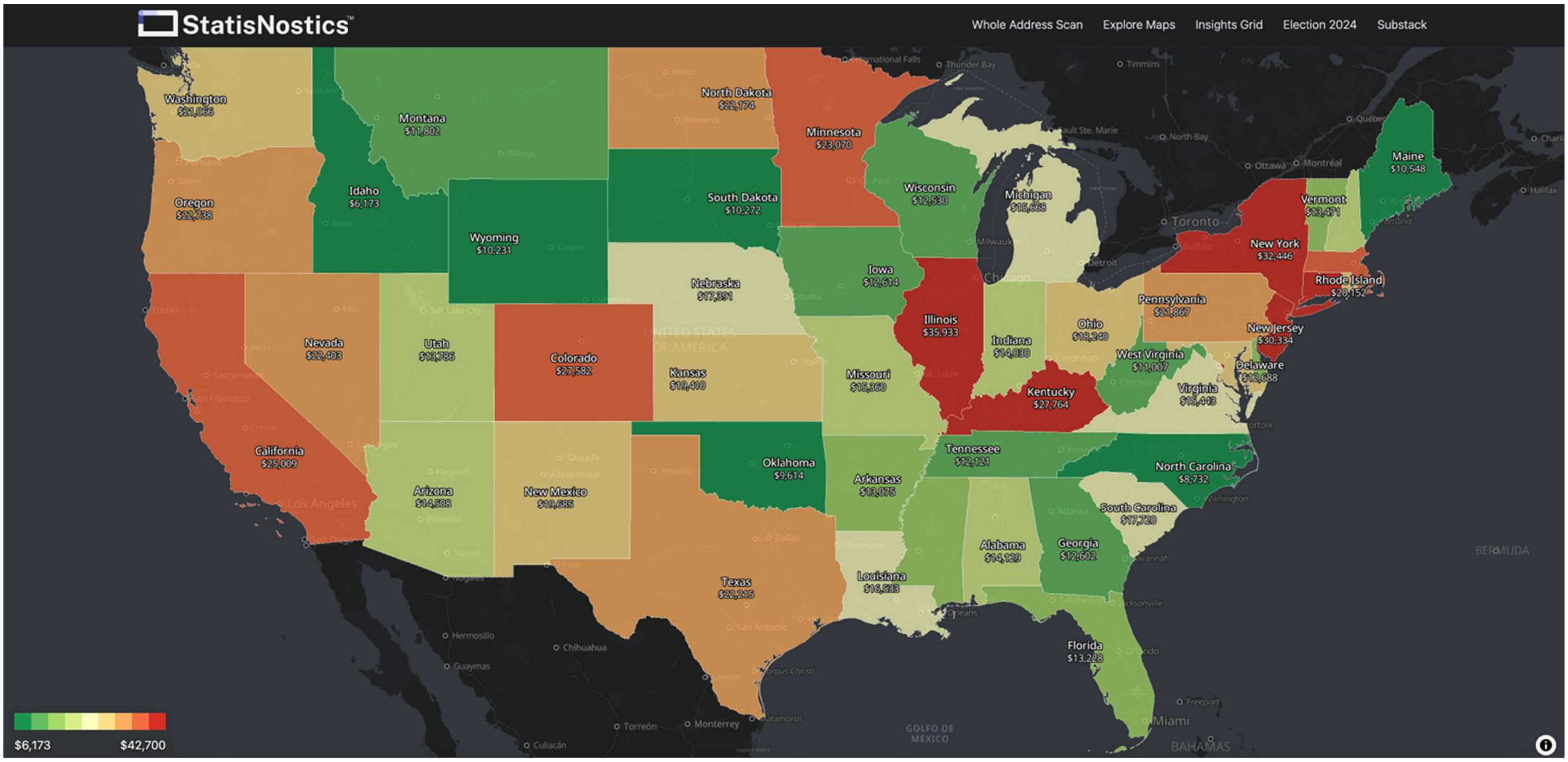
Again, for uniformity we can apply an interest rate assumption of 3% to compare the relative interest exactions taken from taxpayers to make those "generational wealth" payments away from the "Democracy" in the form of taxes to fund interest payments to that subset of wealthy creditors who hold these 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 color coded StatisNostics 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 Red 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 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 Tocqueville 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."[13]

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

[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] 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).

contemporary spenders employ devices called the Keynesian multiplier,[14] and unfunded future spending mandates.[15] 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 liberals and various "progressives" tend to support increasing the very same 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,"[16]as "political self-interest" produces a "bias toward deficits."[17] 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).

First, the States with the "Top 10" highest TTi scores:[18]

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%*

Here is the complete list in alphabetical order to see how your State compares:

[14] 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."
[15] e.g., public employee pensions; social security; Medicare.
[16] See, James M. Buchanan and Richard E. Wagner, *Democracy in Deficit: The Political Legacy of Lord Keynes* (New York: Academic Press, 1977).
[17] Robert D. Tollison, Foreward comments to *Democracy in Deficit*.
[18] Unfunded pensions are excluded from this calculation and from the next table due to lack of uniform data.

State	TTi
Alabama	2.26%
Alaska	2.49%
Arizona	2.61%
Arkansas	1.85%
California	3.46%
Colorado	3.61%
Connecticut	4.51%
Delaware	2.73%
District of Columbia	4.08%
Florida	2.30%
Georgia	1.89%
Hawaii	1.95%
Idaho	1.81%
Illinois	5.46%
Indiana	2.84%
Iowa	1.78%
Kansas	2.99%

State	TTi
Kentucky	3.29%
Louisiana	3.21%
Maine	2.12%
Maryland	2.88%
Massachusetts	3.68%
Michigan	3.01%
Minnesota	2.65%
Mississippi	1.97%
Missouri	3.05%
Montana	1.81%
Nebraska	1.45%
Nevada	3.23%
New Hampshire	3.44%
New Jersey	3.13%
New Mexico	2.61%
New York	4.38%
North Carolina	2.08%

State	TTi
North Dakota	2.49%
Ohio	2.57%
Oklahoma	1.66%
Oregon	2.47%
Pennsylvania	3.13%
Rhode Island	4.54%
South Carolina	1.89%
South Dakota	2.40%
Tennessee	2.78%
Texas	3.76%
Utah	1.72%
Vermont	1.74%
Virginia	2.88%
Washington	3.26%
West Virginia	1.73%
Wisconsin	2.63%
Wyoming	0.57%

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%

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…”[19]

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 Fed 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]

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.

You need not live in a local area that puts itself into the same debt pressure category as the federal government. You have the power to change your address to avoid buying into Hamilton’s Scheme with your tax payments. Get the numbers on the TTi scores for your school district, town government and county board. You can see if you are over or under the average TTi for your relevant layer of government.

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 Franklin Roosevelt 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.

The tools are now available to do exactly that with a Spending Pressure geolocation scoring program online at www.StatisNostics.com.

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[19] William Hogeland, “Arguing about The Hamilton Scheme,” July 24, 2024 Hogeland’s Bad History Substack.
[20] Franklin D. Roosevelt, Fireside Chat (April 14, 1938)
[21] Smaldone and Wright, fn 10, *supra*.
[22] Id. at fn 20, *supra*.