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# Perspectives

## The War On Privacy



They're at it again, but this time with far greater coordination than ever before. Governments around the world are determined to stamp out the last shreds of privacy. Moreover, they're increasingly acting in concert, forging treaties and sharing information. Some initiatives target the few remaining ways of holding cash, others the internet.

### The war on cash

"Today, I'm going to talk about the cash problem in our society," said **Richard M. Thomson**, the then Chairman of the **Toronto Dominion Bank** at the 1990 annual shareholders meeting. I remember sitting at that meeting and almost falling off my chair as Thomson's speech unfolded. He explained how "because of our role with cash, we have been asked to play a role in society's war on drugs and crime" and announced that "in fact, today, I am going to declare a war on cash." Later in his presentation, the TD's chairman called on the **Bank of Canada** to "work towards eliminating the need for thousand and eventually hundred dollar bills and to consider putting a cap on the amount of cash that can be used as legal tender." Big words, these, and if you doubt they were ever spoken phone the Toronto Dominion bank and ask them for the little green pamphlet containing the speech. It's entitled "Declaring War on Cash" and, for good reason, in the picture on its front Thomson bears an uncharacteristically toothy grin.

Why did Thomson smile so confidently? I suspect it had to do with what he recommended as the solutions to his war on cash. "Let's stop using cash so much," he counseled. "Let's write more cheques and use plastic cards more... And let's hasten the introduction of debit cards." Needless to say, Thomson's recommendations have since revolutionized banking and made the TD's shareholders, and those of other institutions, extremely rich.

There were two things I found extremely disturbing about Thomson's speech. The first is that it was self-serving and potentially damaging to the bank's own clients--both because they end up paying more in fees and because it subverts their right to privacy. The second was captured in a remark by Thomson suggesting that those with a need to carry more than a small amount of cash had to have sinister or even criminal intentions.

It's been a long time since 1990 and using the threat of drug dealing and money laundering as an instrument to eradicate both cash and the right to privacy has become the norm. US and Canadian banks now routinely monitor "suspicious transactions"--a notoriously flexible term designed to force banks and other financial institutions to err on the side of over-reporting.

### **The quest for information**

I talked to the branch manager of a US bank and a Canadian foreign exchange dealer and was told they had strict guidelines to record any transaction in cash of over \$1,000 if the client wasn't known to them. "What does recording mean?" I asked and learned that each client's identification is copied and filed away. Transactions over \$5,000 are actually reported to the authorities. If you find this incredible and bizarre you're not alone. Which professional drug dealer or money launderer would make repeated visits to an unknown bank and move his cash hoard in \$3,000 increments? Only governments (and apparently banks) expect us to think in those terms.

What the whole exercise is really about is the gradual elimination of your right to keep information--especially of a financial nature--to yourself. Government is thrilled because it knows what everyone is up to and the banks love it because it makes them rich.

This summer, the war against cash and privacy is being pushed to further extremes. Both the G-7 and the OECD independently announced their list of offensive tax havens, in June, giving jurisdictions like Andorra, the Bahamas, the British Virgin Islands and the Turks and Caycos Islands one year to come clean or be slapped with sanctions. (Ironically, the French-linked principality of Monaco and British-tied islands Jersey Guernsey and Man were not listed, even though they do the same thing). The rhetoric surrounding the G-7 and OECD initiatives, as Mr. Thomson's in 1990, concentrates on "drug cartels, mafia barons and other criminal or shady outfits".

The most ambitious drive to eliminate privacy in banking was initiated by the US this year. Based on the premise that American law has global application, Washington has been browbeating foreign governments since spring to implement new regulations, which come into effect on January 1, 2001. Under the initiative, a country's banks are "invited" to become Qualified Intermediaries of the IRS. If they agree, as many countries have, they're expected to obtain from their clients more detailed information and act as if they were an American custodian. The key duties they'll perform in this regard is to send to Washington client information or, alternatively, apply US withholding taxes and, via their government, remit them to Washington.

Switzerland's banks, for example, are now busily sending out circulars, explaining the new procedures. American clients are given the choice of signing a US form W-9, disclosing their identity to the IRS, or deciding not to own any US securities. Non-Americans are also affected by the new rules. A French client will be asked to declare that he is not a US person as defined by the IRS--the French passport and identification copies held on file by the Swiss bank is no longer proof of anything. After all, someone living in France could well have a US passport or spend two months of the year doing consulting work in the US. If the client refuses to sign the form, he has the option of being barred from owning securities.

There's even a provision for those bank clients--Americans or non-Americans--who won't sign any form and still want to own US bonds and stocks. They'll be penalized with a whopping 31% withholding tax on all income *and the sales proceeds* on the US securities they hold!

I was at first astonished that the European Union and some of the more powerful individual European nations didn't make more of a fuss about the US initiative, but after talking about it to a number of well-placed people, I understood. To begin with, non-cooperation wouldn't lead to anything, because then Washington could simply order American custodian banks to apply the 31% withholding tax on any securities held by the banks of a certain country. The other likely reason: the European Union, arguably even more aggressive than Washington in its efforts to raise tax revenues and eliminate privacy equally, is planning a similar action!

Will government initiatives like those currently being introduced by the US achieve their stated goals? I've talked to two overseas bankers, recently, both of whom tell me the IRS drive is so far a total flop. Foreigners are reportedly furious about being asked to verify that they're not Americans. And hardly any Americans are signing W-9 forms. Instead, everyone's quietly instructing their bank to sell all their US securities.

### **Spending millions, burning bridges**

In other words, what the American government will have achieved after spending tens of millions and burning lots of bridges is nothing more than the liquidation of a significant part of overseas investment in US securities markets. Some accomplishment! Which is not to say that the drive against cash and privacy won't continue, but merely proves that individuals around the world are as determined to keep facts from government as the bureaucrats are to control all information.

More than a decade ago, an editorial in *The Economist* posed the question "When Is Money Dirty?" It concluded that it never is. Money is devoid of an identity and is merely an instrument. The article went on to predict two things. That governments will do everything in their power to create a linkage between crime and money, until all negotiable money is in a form in which its every move can be monitored. And that the banks, for entirely mercenary reasons, will be their willing instrument in achieving that goal. The *Economist* article was prescient in other ways. It opined that, while governments must be governments and banks will always be banks, ordinary individuals are likely to stay true to their beliefs, as well. Its final conclusion was that greater government intrusion will simply drive the economy underground, encouraging barter transactions. The *Economist* couldn't know it then, but the internet has become the logical vehicle for just that.

### **Targeting cyberspace**

That's why the latest government attacks are aimed at cyberspace. This summer, the FBI launched operation "carnivore", which involves the installation of new electronic surveillance gear at internet service providers. The FBI says it will install the system, but use it only to monitor a specific party's internet activity once it obtains a court order to that effect. As is typical of information-hungry government agencies, the agency emphasizes it's only interested in fighting "crimes like drug trafficking, money laundering and illicit communications such as that between hackers."

Most internet service providers have vowed to resist any effort to have the FBI device installed, saying that once it's installed, the FBI's monitoring box can survey any part of the traffic running through their servers. Meanwhile, sensing a business opportunity, a number of software developers have announced they'll soon come up with far more sophisticated data-scrambling programs--presumably designed to incapacitate the FBI's information gathering attempts.

As The Economist concluded, governments may turn ever more intrusive, but the markets will always find a way to foil their attempts. The internet is certain to become the next major battleground and, with a bit of luck, the bureaucrats will lose this time! □

# Update

February 20, 2001

A few months ago, I wrote a cover article about the intensifying "War On Cash", which, to most of us, translates into an assault on our privacy. The piece must have touched a raw nerve: I received a far larger number of reader responses than is the norm. Some of you expressed outrage about our governments' attempts to control more and more information about us under the guise of initiatives that bear popularly saleable labels such as "anti-drug", "anti-terrorist" and "anti-money laundering". Others wondered why I was always so critical of government and pointed to the many good things our political leaders had achieved.

I think most of you know what my position is. Occasionally, there are good things coming out of our political capitals—but rarely is it the case that the private sector couldn't have delivered them in a more efficient and less wasteful way. My other view: yes, we do need government, but its administration should be far less centralized, and decision-making should be devolved to the local level.

They're at it again, but this time with far greater coordination than ever before. Governments around the world are determined to stamp out the last shreds of privacy. Moreover, they're increasingly acting in concert, forging treaties and sharing information. Some initiatives target the few remaining ways of holding cash, others the internet.

Having said that, let me get back to the "War On Cash". It's now 2001 and the much-feared demands by Washington that foreign institutions become "qualified intermediaries" of the US Internal Revenue Service have now largely been met. Key banking centers like London, Frankfurt, Zurich and Toronto have all fallen in line, which is nothing short of incredible. My mother, who lives in Switzerland, for instance, has been told by her Swiss bank that she has to sign a US "W-8" tax form, confirming that she is not an American for US tax purposes. And a British company I work with, who maintains an account in Canada, was asked to complete a US form W-8 of its own. Can you imagine the uproar that would ensue if Americans from coast to coast were asked to officially declare that they weren't French subjects?

## **The US initiates, but does not participate**

Interestingly, the US does not participate in many of the global initiatives it either launches or lobbies for. For example, a few years ago America demanded that foreign banks make it mandatory to know the beneficial ownership of any account holder. Concerns like insider trading and money laundering were raised. Countries like Britain and Switzerland complained a little, but quickly fell in line. New forms were devised; private corporations now had to divulge who was behind them, fiduciaries had to report on whose behalf they were acting. Yet when the US government wanted to introduce the same principle within its own borders, the proposed legislation was quickly shot down in Congress. The main objection voiced by Congressmen and Senators was that the right to privacy was being eroded. According to several press reports, hundreds of thousands of US citizens objected to the government forcing financial institutions to spy on them.

One of my banker friends abroad thinks this is all a deliberate ploy. By forcing others into stringent legislation, but not adopting similar guidelines itself, he says, America ensures that "hot money" is moved to within its borders, so that it can enjoy the economic benefits. Personally, I don't believe in conspiracies, mainly because I don't give our political leaders the benefit of superior intelligence. I frankly don't think they could come up with such a well thought-through plot if they tried. Instead, I prefer to think that the governments that caved in to US pressures are incredibly gullible and its citizens not nearly aware of the threat to privacy as Americans are.

## Unfair tax competition

Where do we go from here? The US, after successfully pushing the initiative for "qualified intermediaries", seems for the moment satisfied. But Europe and Canada, through the offices of the **Organization for Economic Cooperation and Development**, seem determined to advance the agenda to its next logical level. The Paris-based OECD is particularly upset about some countries that tax their citizens less than what nations like France, Germany or Canada deem appropriate. OECD bureaucrats call this "unfair tax competition". Their thinking goes like this. Countries who manage to do just fine with lower tax rates cause tax evasion in the high tax countries. Some would view this as a virtuous event, because it imposes a level of discipline on overspending governments, but not the OECD. They accuse the low-tax jurisdictions of motivating criminal behavior and want to compel these nations to allow foreign tax collectors access to financial information.

At a conference in Barbados in January, the OECD focused its attention on sixteen Caribbean countries. What happened there gives a rare insight on how the West's government bureaucracy thinks and with what methods it operates. Before the conference even began, pre-registered and pre-paid delegates whom the OECD leadership viewed as "unfriendly" were denied entry. Two private-sector advisors retained by the **Antigua** delegation, for example, found themselves barred from the proceedings—this despite the fact that individual OECD member nations and the OECD itself had brought with it private-sector consultants of their own. **Daniel J. Mitchell** a senior fellow at the **Heritage Foundation** and one of the two outcasts, describes his experience this way: "We were denied entry, initially on the grounds that our badges were not ready and later because the staff allegedly had run out of plastic covers." After the Antigua delegation officially protested, Mitchell and his colleague **Andrew Quinlan**, the president of the **Center for Freedom and Prosperity**, were allowed into the afternoon session, but not for long. The OECD again bullied Antigua's representatives, telling them that Mitchell's and Quinlan's presence was extremely offensive, and this time the bureaucrats won.

Luckily, ousting these two mere observers was the OECD's only success. When it was all over, the OECD mission had failed to convince a single country to sign the Memorandum of Understanding it had brought along. "During the brief time we spent at the meeting," wrote Mitchell in a widely published column, we heard a number of low-tax countries berate the OECD for a wide range of misdeeds, including colonialism, protectionism, bullying, hypocrisy and arrogance. **Owen Arthur**, the Prime Minister of Barbados, did a marvelous job defending his nation's sovereign right to set tax and privacy laws..."

According to observers, other key facts were prominently cited, among them that an overwhelming share of proceeds from criminal activities is acquired and laundered in OECD nations. A 1998 UN report actually concludes that criminals often avoid so-called tax havens since they act as red flags for investigators. Most important, several of the Caribbean nations correctly pointed out that if the OECD's only goal were to stop crime, that could be accomplished by much simpler means. Specifically, withholding taxes on capital income could be introduced at source, which would guarantee that all income would be taxed, while still allowing for competition, privacy and sovereignty.

## Not interested in solutions

To no one's surprise, the OECD was not interested in actual solutions. After all, a real solution would cause shock to the huge body of government employees occupied with the collection of taxes and the administration of national tax codes so complicated that only experts can understand them. Evidently, the OECD's goal is not to diminish the government machine, but to preserve it and, ideally, impose similar bureaucracies on those who don't have one. Which is, in a nutshell, why much of the OECD has such high taxes to begin with!

Tellingly, the OECD delegates left the Barbados conference demanding that "targeted nations" agree to the Memorandum of Understanding by July of this year. And, as bullies always do, they left with a threat. Whoever doesn't cooperate, they said, will be penalized with economic sanctions and protectionist measures. □

# Update

April 04, 2001

In my War On Cash-War on Privacy series, I've repeatedly reported on the **Organisation for Economic Cooperation and Development's** "harmful tax competition" program, which seeks to boycott low-tax jurisdictions. Now, opposition to the OECD initiative is coming from an interesting quarter: the United States! Eight prominent US Congressmen headed by House Majority Leader **Dick Armey** have voiced strong disagreement with the plan. "Wealthy OECD nations should not have the right to re-write the rules of international commerce on taxation simply because they are upset that investors and entrepreneurs are seeking higher after-tax returns," says a key passage in their public letter to Treasury Secretary **Paul O'Neill**.

Meanwhile, the Paris-based OECD has run afoul of the US on another front. It has failed to answer a letter from Sam Johnson, a powerful member of the Congressional Ways and Means Committee, which controls US funding for the OECD. Congressman Johnson's letter to his namesake, OECD Secretary Donald Johnson, is basic and, you'd think, easy to answer:

## A reasonable letter...a disrespectful response

1. Does the OECD believe there are "harmfully high levels of tax burdens" in the developed world? If so, why hasn't the OECD focused on this issue?
2. The OECD is demanding that low-tax regimes make certain changes to their tax laws. Could you reconcile these demands with international traditions of fiscal sovereignty?
3. Many tax havens are in developing nations. If they lose their financial services industry, significant economic dislocation will probably result. Has the OECD estimated the economic impact of this loss, or analyzed whether it could result in increased emigration and crime?
4. Several OECD nations seem to satisfy the criteria you use to define tax havens. With this in mind, why were no OECD nations listed as tax havens?
5. The OECD is calling for financial protectionism against "uncooperative" low-tax regimes. Have you determined whether these steps would violate World Trade Organization obligations?

6. Financial privacy is a concern of many Americans. Why has the OECD embraced information exchange, which would hinder privacy, and not viewed withholding as an option?

So how did the OECD respond to the congressman? With a letter that US legislators feel is a masterpiece of evasion. Apparently, the OECD's Secretary-General, didn't answer a single question. The US is justifiably miffed—after all, it provides the largest share of OECD funding and can't even get an answer to the most straightforward questions.

"Why would the OECD treat an important lawmaker so dismissively?" asks **Dan Mitchell**, head of the Washington based **Center for Freedom and Prosperity**. Mitchell thinks the most likely possibility is that the OECD was unable to come up with satisfactory answers. "In other words, the OECD knows that its attack on low-tax countries and territorial tax systems is a hypocritical exercise that will emasculate financial privacy and undermine fiscal sovereignty, but doesn't want to admit it."

Exactly! The OECD's latest programs which attempt to police tax authorities and regulate e-commerce are nothing more than a desperate effort to reinvent itself at international taxpayers' expense. The truth is that the OECD (like the IMF and others) is a bloated bureaucracy that has long outlived its official mandate and practical purpose. Under Canadian career bureaucrat Donald Johnson's guidance, the organization has finally latched on to a new purpose, so that it can keep its payroll funded and its luxury limousines rolling. Let's hope it fails! □

## Update

June 24, 2001

My "War On Cash—War on Privacy" articles continue to attract comments. Recent issues of Perspectives have concentrated on the push for tax harmonization and broad information exchange initiated by the Paris-based **Organization for Economic Cooperation and Development (OECD)**. In May, I made a statement that has drawn surprisingly many comments. I said that "as long as each nation acts independently, capital has a way to find low cost taxation venues and as a result, be deployed in the most productive fashion." One reader, whose question typifies the comments I received, asks why tax evaders should get away with moving capital to countries with lower taxes?

There are two replies. The first is that not everyone moving capital to lower taxation venues is a tax evader. Countless individuals and corporations view capital as something they have accumulated as a result of their productivity. For all the right reasons, they have no intention of deploying it where taxes are considerably higher than elsewhere. As a result, they move assets to lower tax jurisdictions; sometimes to escape or reduce taxation, at other times simply to defer it. Personally, I see nothing negative in such action. On the contrary, the free movement of capital and investment is a prerequisite to economic well-being. If you doubt it, look around and name a single nation that has capital controls and has been able to maintain a half-decent standard of living.

Why does government generally gravitate towards interference in the free movement of goods and capital? There is a simple reason and no one says it better than **Doug Casey** in a recent issue of his **International Speculator**\*. "Governments necessarily do things that are politically productive rather than economically productive. They don't respond to profits (which indicate that new wealth is being created), but to popularity (which usually indicates that lots of people get something for nothing, a condition which leads to bankruptcy)."

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\*12 issues US\$199; call 1 800 433 1528 for subscription information.

## Can capital flight be patriotic?

Doug Casey then brings us closer to the second answer and to the point our reader raised: the personal conflict all of us deal with, between national legislation and the firm knowledge that tax revenues are very likely to be wasted. Casey's observation is that "a patriotic citizen in any country will, therefore, do his best to deny revenue to the state; only an idiot...supplies the hangman with a noose." Thinkers from ancient times to the American Revolution penned such sentiments, so from that perspective Doug Casey is in fine company.

**Benjamin Franklin**, for instance, suggested that moving capital outside national borders can be an act of patriotism, because it forces government to become more honest. What did he mean by that?

Looking at the past few decades, I think Franklin's example could well be applied to Great Britain. A few decades ago, when top earners were forced to hand over 80% and more of their income to a government gone berserk, some Brits committed capital flight. Years later, when tax rates were drastically lowered, that capital was gradually redeployed, now helping a fiscally responsible government restore the nation's fortunes. Ask yourself whether it would have been better if the money had instead been left in Britain, where it would have been spent without benefit to the country. That, I think, is what Franklin meant.

Of course, such ideas have always fomented civil disobedience, as they still do today—except that today, deliberate tax offenses in most jurisdictions are considered criminal acts.

Fortunately, differences in national tax codes sometimes make it possible for individuals (and more often so for corporations) to reduce tax burdens without breaking the law. And this, in my opinion, is very necessary. Capital needs to be able to flow freely, to the point of lowest resistance. If organizations like the OECD get their way, that will not be the case. □

## Update

August 02, 2001

If you want to know what the next installment in the government's assault on your privacy will bring, turn to Canada, where a financial police of sorts has just been introduced. It's called **FinTRAC** and will force the country's lawyers, financial institutions, securities dealers, accountants, real estate brokers, foreign exchange dealers and others to spy on their clients.

As a first step, all practitioners caught under FinTRAC will have to file with Ottawa "suspicious transaction" reports. The legislation is quite straightforward as to what will trigger such a report:

- the payment or receipt of funds, other than those received or paid in respect of professional fees, disbursements, expenses or bail;
- the purchase or sale of securities, real properties or business assets or entities; and
- the transfer of any funds or securities by any means.

When reading the last line, I wondered how the term “funds” would be defined. The government definition is the broadest possible: it includes cash, currency, securities and negotiable instruments or other financial instruments. Effectively, that means the new legislation wants service providers to view the world in much simpler terms. If a transaction is not related to administrative issues such as billing a client, purchasing notepads and the like, it must be suspicious.

## Vague definitions

What should arouse a service-provider’s suspicions? Trust the government to explain that in detail—and in doing so, to be as vague as possible. Among the things that FinTRAC suggests should give pause to a banker, broker, accountant or lawyer and make him report the client to Ottawa right away are these:

“Client wants you to coordinate international transactions, including currency exchanges, or to coordinate cross-border movement of funds”;

“Client is conducting normal business transactions, but the transactions are not consistent with the nature of his or her employment, profession or business”;

“Client appears to be living well beyond his or her means in light of his or her employment, profession or business”;

“Client refuses to discuss the business purpose of a transaction”;

“Client is reluctant to discuss his or her financial affairs”;

“Client requests anonymity”.

Each of these definitions as to what constitutes a suspicious circumstance clearly reflects the government’s complete lack of how business operates and what makes ordinary citizens tick. I can name several reasons why a client might appear to be living above his means (debt is one, an inheritance might be another) or why people might be reluctant to discuss their financial affairs with their foreign exchange dealer or their real estate agent (I certainly would).

That much about the “suspicious transactions” part of the new law. In 2002, the net tightens further. Early in the year, all cash transactions above \$10,000 will become reportable and by summer, all cross-border movement of cash and monetary instruments over \$10,000 will be affected. (Remember, C\$10,000 is a paltry US\$6,500).

In short, if a Canadian arranges his family’s vacation to Europe and wants to take 8000 Euros in travelers’ checks with him, a suspicious transaction report will be filed. If a Canadian sells his condominium in Florida, the lawyer will file a suspicious transaction report when he asks the US bank to wire the funds, and the Canadian bank will file another report when the funds arrive. If the foreign exchange dealer selling travelers’ checks or the lawyer and the bank involved in the real estate transaction don’t file, they risk fines of up to \$2 million, as well as jail terms.

## Are Canadians outraged?

Only one thing remains to be asked: are Canadians outraged? Actually no. So far only one of the affected industries has come out swinging: the lawyers. They complain that the legislation forces them to snitch on their clients and that the new laws subvert attorney-client privilege. The Federation of Law Associations says it may consider a constitutional challenge.

Others, most notably the banks, are bothered by the added work, but aren't entirely unhappy with the overall idea. After all, knowing everything about their clients has always been their desire and nothing is more profitable for them than a completely cash-less society. And some of the smaller service groups affected, like the foreign exchange dealers, realtors or money managers, aren't organized or powerful enough to challenge the new law.

At the citizen level, there's a disturbing lack of reaction. Canadians have the reputation as the industrialized world's most polite society. That's a nice way of putting it—the word passive would be a better choice. Which is, of course, why Canadians keep being victimized by their sprawling bureaucracy, why their tax rates are among the highest and why their standard of living keeps declining.

## Targeting money launderers

It wouldn't be fair to the bureaucrats if we didn't consider their motivation. Why exactly was FinTRAC launched? Canada says it wants to eradicate money laundering by the likes of "drug cartels", "mafia barons" and "criminal outfits". That's a nice idea, but does anyone out there believe the world's crime syndicates arrange their shady deals in installments of \$10,000? We know that the bureaucrats have great difficulty to relate to the world at large, but can they be that naïve? Or are there hidden motives? Personally, I think it's the latter. FinTRAC is part of a continued effort by government to keep ever more information on individual citizens.

Only this time, the bureaucrats are moving with far more determination and force than they've done before. To begin with, any legislation which mandates one set of citizens to report routine transactions initiated by other citizens as criminally suspicious has to have been conceived by immoral, cynical individuals. Stalin's brain trust comes to mind, and Kafka's novels. What makes it worse is that FinTRAC's powers are almost absolute. It can enter and search without warrant and its mandate specifically keeps its activities outside those of the police, where at least a degree of accountability would be assured. In short, it smacks of something worthy of a police state, not Canada. Thomas Jefferson, who knew a few things about the subject, wrote: "When the government fears the people, there is liberty. When the people fear the government, there is tyranny." FinTRAC, with its almost unlimited powers and recklessly vague mandate, will be a force to be feared—by service providers going about their day-to-day work and law-abiding citizens alike!

If you're not Canadian, will something like FinTRAC soon come your way? It's hard to say. The Canadian government says it's doing nothing more than what was agreed during discussions on money laundering among the G-8 nations. I'm sure that's true, but we also know that an agreement by a head of state at a G-8 meeting is not binding until it's ratified by the countries legislature. The US, for example, was for years in the forefront of those pushing for ever more controls on the flow of funds, the reporting of "suspicious transactions", and the like. But the majority of provisions, even though implemented by many other nations, never made it through the US Congress. Canada's tragedy is that its system is flawed: once there is a majority government, the prime minister is, in effect, both administration and legislature.

The place most likely to follow suit with a FinTRAC style regime is the European Union. Like Canada, it is run by overzealous bureaucrats, who view the protection of their turf as their highest mandate. And like Canada's bureaucrats, the Eurocrats feel isolated and shunned. They understand that they have very little popular support. That, generally, is when bureaucrats are the most dangerous. □

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