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Harold Town • *SNAP #86, 1975* • Oil and lucite on canvas • 183.5 × 183.5 cm

By Deborah Coyne

Compensation without Litigation

The crisis in our system of private insurance and tort litigation calls for a new system of compensation and deterrence

In 1985-86, Canadians experienced a severe crisis in liability insurance. The effects continue to reverberate throughout many sectors of the society and economy. In retrospect, it is surprising how easily we had taken for granted the availability of adequate and affordable liability insurance to protect ourselves against the risk of our causing injury or damage to third parties. No one anticipated the devastating impact that massive, virtually overnight increases in insurance premiums—and, in many cases, the total withdrawal of insurance coverage—would have.

Cartoon: Todd

Two features of the crisis stand out. First, the sectors of society and the economy hardest hit comprise most suppliers of services, but notably physicians and other professionals, day-care centres, municipalities, school boards, sports and recreation groups, volunteer and charitable organizations, and bus and truck operations. In addition, our manufacturers, particularly those exporting to our largest trading partner, the United States, have been severely affected by soaring product liability premiums.

We have been bombarded with reports of the imminent cancellation of municipal recreation activities, the closure of day-care centres and camps, the threatened curtailment of the volunteer operations of the St. John's Ambulance, as well as the cessation of certain exports to the United States. With a crunch, it has been brought home to us just how absolutely essential insurance coverage is to our industrial and technological growth, and to the smooth functioning of the critical service sector, now by far the largest component of our economy. Without the ability to insure against a wide variety of potentially catastrophic contingencies, businesses and other operations will be simply forced to shut down and numerous employees laid off.

Second, the crisis revealed the inadequate regulation of our financial services industry. We often forget that insurance companies are one of the so-called four pillars of the financial world, along with banks, trust companies, and investment dealers. As in the case of banks and trust companies, we failed to anticipate the disruptive impact of the recent failure of no less than six general insurance companies, not only on the stability of the multi-billion dollar private insurance market, but also on those policy holders who were directly affected.

Indeed, to our peril we overlook the fact that the collapse of a person's insurance company can be as serious as, if not more serious than, the collapse of a person's bank. When the bank fails, the depositor may lose the uninsured portion of the deposit (or may not, as the case of the Canadian Commercial and Northland banks demonstrated). But when an insurance company fails, policy holders could potentially lose their homes, personal belongings, businesses and so forth, should they have reason to claim on their policies.

This article has two main purposes. First, the fundamental causes of the crisis are examined with a view to demonstrating how the crisis is a manifestation of more profound changes associated with the transition to the technology-driven, post-industrial age. Second, a strategy for comprehensive reform will be put forward, not only to overcome the insurance crisis, but also to enable us to pursue effectively our broader socio-economic goals of equity, greater fairness and justice, and the creation of a more humane, compassionate society. This strategy will entail a major shift away from the existing private insurance system and include the implementation of a comprehensive disability compensation scheme, based on social insurance principles, and a more effective, responsive approach by government to the regulation and prevention of risky, hazardous activity.

How we go about implementing the strategy is as important as the actual reforms themselves. It involves mobiliz-

ing the necessary political will; resisting the powerful special interests that will oppose the change, notably those within the legal profession and the insurance industry; developing the public consensus to sustain the reform over the long term; and breaking away from anachronistic mid-century notions of the role of government in society and the economy.

Indeed, dealing with the insurance crisis must be considered as merely one aspect of a broader reorientation of the Canadian social economy away from *ad hoc* approaches and toward the effective integration of our welfare, employment and human resource development policies. As such it will be an important test of our collective ability to successfully meet the social, economic, technological and demographic challenges of the 1980s and 1990s.

The insurance crisis has given rise to all manner of finger pointing, accusations and counter-accusations. Policy holders immediately and understandably stressed that the increased premiums and reduction in or withdrawal of coverage could not be justified by the history of the claims against the individuals or organizations concerned. But this did not help to answer the more fundamental question: what was at the root of the cost and capacity crunch?

The explanations for the crisis have been as varied as the problems encountered by the policy holders. A strange combination of consumer groups in the United States led by Ralph Nader, and American and Canadian trial lawyers, argue that the crisis is simply a scam produced by greedy insurers whose profit margins are in fact quite healthy. Journalists and others focus on poor management and excessive hysteria within the industry.

The primary insurers blame the crisis on huge court awards and "judicial inflation" within the civil liability system. They also point to "suit-happy" consumers, and the sudden withdrawal of their critical reinsurance back-up due to international events beyond their control.

Reinsurers (who are primarily based offshore and foreign-owned) blame the primary insurers for charging dangerously low premiums while they engaged in a greedy, self-destructive scramble for market share during the heady days of high interest rates. More specifically, the primary insurers relied complacently on their puffed up investment income to offset underwriting losses and failed to build up adequate reserves. Then, when the interest rate bubble popped and investment income dropped precipitately, they were forced to make impossible demands on their reinsurers who themselves had suddenly been hit with a seemingly relentless series of catastrophes, ranging from Bhopal, to earthquakes, to the Achille Lauro.

Certainly, clearing away the confusion that emerges from this barrage of often conflicting explanations is extremely difficult. It is most useful, therefore, to begin by setting out several preliminary observations.

First, any market that gives rise to such tremendous swings in premium levels and insurance coverage is clearly not functioning properly. The consequent uncertainty, disruption and frequent trauma that have characterized most people's experiences during the crisis is not acceptable. The public has every right to feel outraged and to demand action.

Second, although the private insurance industry is struggling in a fragmented way to respond adequately to the intense internal and external pressures, it has not yet demonstrated its ability in present circumstances to provide a stable, accessible, liability insurance product. It is also clear that there has been a large element of overreaction by the insurance companies in seeking quickly to increase their reserves.

More importantly, as the Ontario Task Force on Insurance pointed out in 1986, the crisis is by no means simply the manifestation of yet another cycle in the insurance industry, to be corrected by "automatic" compensating movements in prices and capacity. Nor, however, is the crisis a scam cooked up by a greedy insurance industry eager to increase profits. Certainly, in recent years there had been excessive price cutting, and inadequate risk retention by primary insurers leading to unacceptable vulnerability to international pressures affecting the reinsurers. But to focus on correcting these essentially cyclical problems would lead to misguided and short-sighted prescriptions for reform.

Rather, deeper analysis reveals that the cost and capacity problems of the insurance business arise from much more profound structural changes within Canadian, and indeed North American, society. These changes have had such a significant impact on the risk environment as to render it virtually impossible to service the public adequately within the current private insurance system.

These structural changes, which have generated such unacceptable uncertainty and that now dictate a totally new approach to the question of insurance, are threefold. First, our post-industrial, technological society is subject to an ever-widening range of risks of an increasingly indeterminate nature. Our exposure to numerous environmental hazards and to dangerous products and processes, particularly of a complex chemical and biological nature, typifies only the most obvious. The effects of these risks will take a long time to emerge, and hence they are extremely difficult to assess and quantify from the point of view of the insurer.

Second, all of us in society, whether individually or as part of organizations or groups, exhibit an increased propensity to sue. More specifically, in our pursuit of what is variously called "total justice" or the "risk-free society", all of us are more inclined to look to someone else to compensate us for a wide range of damages.

A number of factors are at work here: the widespread availability of liability insurance itself, which has contributed, along with the emergence of the welfare state, to drastic changes in our attitudes towards self reliance; our increasing dependence on strangers (for example, unfamiliar medical specialists as opposed to a family doctor) for our overall well being in a complex, technologically advanced society; and changes in the family unit and in the nature of disadvantaged groups in society, which have placed new pressures and demands on the insurance system.

The third structural change involves the uncertainty arising from the unpredictability of court awards and settlements. Contrary to the accusations of insurance companies and others who fail to distinguish adequately between Canada and the much less restrained situation in the United States, the Canadian courts and judiciary are not to blame for the crisis. Rather, within the quite proper limitations of our tort litigation system and our legal theories of negligence and fault, our courts and judges have been struggling to compensate more and more people who have incurred damages in respect of an ever-widening range of risks. As Mr. Justice Horace Krever candidly admitted in a recent speech, where judges are faced with an injured plaintiff who will go

uncompensated unless he or she can establish fault or negligence on the part of an obviously "deep-pocketed" defendant, they will bend over backwards to find the fault and permit compensation.

To recognize that this is happening is not to criticize the judiciary, but to acknowledge the impossible position in which it is placed in trying to balance the goals of compensating the innocent victim while deterring or punishing the wrongdoer. Perhaps more importantly, with particular reference to personal injury cases, this situation reflects the failure of our accident compensation system, which allows too many victims to fall in between the cracks. In effect, they are forced to resort to the expensive lottery of tort litigation in the hope of receiving substantial compensation, or at least receiving much more than they would receive from our alphabet-soup public system of disability benefits.

Herein lie the key elements in any long-term strategy to overcome the insurance crisis: recognition that the very coexistence of the tort litigation and private insurance systems no longer adequately serves the public interest, and that there is an urgent requirement for major systemic change, involving a new approach to compensation for personal injury and disability, however caused, as well as to the regulation and prevention of dangerous activities.

As long as people have to resort to time-consuming and expensive litigation to recover adequate compensation, the "transactions costs" of the private insurance system will remain far too high. A current conservative estimate indicates that over half of each premium dollar is absorbed in administrative and legal costs in the event of a *bona fide* claim.

Moreover, insurance companies must also consider the legal expenses involved in simply defending an insured against even a patently frivolous claim, when calculating the appropriate premium. For example, the legal costs for a few moderately complicated cases could quite easily chew up the entire 1986 premium of some $130,000 (a 700 percent increase over 1985) paid by the St. John's Ambulance in respect of its volunteers.

The tort litigation/insurance system is not only a costly, inefficient mechanism for delivering compensation, involving wasteful over-insurance in some cases and tragic under-insurance in others. It is also no longer effectively promoting its other putative goal: the deterrence of wrong doing and hazardous activity, whether this involves dangerous driving or the discharge of toxic wastes.

The tort litigation/insurance system is...a costly, inefficient mechanism for delivering compensation

For example, it is now clear that the very existence of third party liability insurance has removed much of the sting of being sued. In most cases, the insurer defends the action. In addition, while hard empirical evidence is difficult to come by, if the tort system were really an effective deterrent one would expect (other things being equal) that the number of law suits would decline. Yet the incidence, for example, of both medical malpractice and product liability suits continues to rise exponentially.

By contrast, most observers will agree that our motor vehicle safety regulations, Criminal Code penalties, tougher environmental standards, consumer protection legislation and occupational health and safety legislation have been at least as effective in deterring and preventing risky activity.

Once the causes of the insurance crisis are recognized as reflections of more profound socio-economic changes, it is clear that fundamental systemic reforms are required if we are to succeed in providing adequate compensation to injured Canadians, and in more effectively deterring risky activity. *Ad hoc* adjustments to the tort system designed to improve its equity and efficiency, and hence to reduce the cost of the insurance system as a whole, are simply not suitable, except possibly as very short-term expedients. The civil liability system will nevertheless remain cumbersome and expensive, whether as a mechanism for compensation or for deterrence. It is time to devise and implement a new, effective system that will separate clearly the issue of compensation from the regulatory steps required to deter risky activity and improve the incentives to take proper care.

What alternative is there to the tort litigation/private insurance system? What system will enable individual Canadians and businesses alike to function without fear of catastrophic events, whether they involve a disabling injury or an environmental accident, yet at the same time ensure that unacceptably risky activity is effectively prevented?

The long-term answer should involve the following key components: a comprehensive disability insurance system, publicly mandated and probably publicly delivered; and a new concerted approach to regulation in a wide range of areas designed not only to improve safety standards, deter and punish wrongdoers and so forth, but also to enhance public awareness of and involvement in the establishment of acceptable degrees of risky activity.

A new social insurance approach to compensation for disability would ultimately eliminate use of the expensive, lottery-like tort system. Undoubtedly, critics of such no-tort compensation (notably those within the legal profession) will equate it with a "no-fault" system that somehow offends our sense of morality by allowing wrongdoers to escape responsibility for their tortious action. This, however, is a misconception of the overall reform strategy. The aim is not only to ensure adequate compensation without delay, but also to build in the deterrence and punishment of wrongdoers in the context of a new approach to the regulation of risky activity.

An equally important observation is that in fact we have already accepted the principle that most personal injuries should be dealt with outside the court system on a first-party, no-tort basis regardless of fault. For example, for many years all provinces have had in force workers' compensation systems which provide automatic first party compensation for work-related injuries. We also have universal health insurance; disability and sickness benefits under unemployment insurance and Canada Pension Plan programs; veterans' allowances; provincial injury compensation schemes for victims of crime;

and, of course, injury benefits available under private disability insurance plans.

As Edward Belobaba has documented in his 1983 study of *Products Liability and Personal Injury in Canada* for the federal government, the social and economic significance of these first-party no-tort injury compensation schemes is substantial. Over $5 billion is paid out annually under these programs to accident victims in Canada. The proportional influence of the tort system within this larger context is thus relatively small: of the $2.5 billion that was paid out under various Ontario compensation schemes in 1981 to injury victims, only $250 million was paid out through tort. In a similar vein, the 1973 report of the Ontario Law Reform Commission on motor vehicle accident compensation found that 57 percent of motor vehicle accident victims failed to recover any tort compensation. The report went on to recommend no-fault motor vehicle accident compensation.

Obviously, the public compensation system is highly significant. Yet a closer examination of the patchwork of federal and provincial programs dealing with disability and accidental injury reveals that these programs remain largely uncoordinated and reflect no coherent policy. In this connection, Mr. Justice Allen Linden, currently the chairman of the Law Reform Commission of Canada, has succinctly observed:

I must say that we are at the stage in Canada that the leap to a social insurance solution may not be that great a leap at all. We have already covered most of the losses with various no-tort schemes. Talk about the mess of tort law—the mess of non-tort law is far worse. Talk about a hodge-podge. Talk about inconsistency and irrationality. We have four or five different systems. If the victim is a veteran, he gets certain benefits; if he is a victim of crime, he gets something else; if he is a no-fault auto claimant he gets something else. These schemes cry out for integration, for solidification or for rationalization and that will come, I am confident.

These prophetic words were spoken in 1979. Since then, in true Canadian fashion, we have had a series of studies, task forces, commissions, examining various aspects of the public and private compensation for disability and injury, which taken together only serve to highlight more starkly the need for a comprehensive social insurance approach.

Most concrete proposals for reform focus, as did in part the Ontario Task Force on Insurance in 1986, on the immediate adoption of a no-tort automobile accident system, as in Quebec. This would be the preliminary step towards a universal *accidental* injury compensation scheme, such as that currently in force, and by most accounts working well, in New Zealand. Eventually even this would be extended to integrate all existing disability schemes into one comprehensive scheme of social insurance, on the assumption that equity and fairness do not justify a distinction being drawn between public support levels for those injured by accident of whatever kind and those disabled by disease or congenital defect.

A comprehensive disability insurance scheme should rationalize and integrate the hodge-podge of current programs such as workers' compensation, auto insurance benefits, compensation for victims of crime, long-term disability plans in place in many work places, Canada Pension Plan disability benefits, and sickness benefits under unemployment insurance. As in New Zealand, the scheme should then provide indexed income replacement subject to an upper maximum, which would include the vast majority of Canadian incomes. A permanent pension would be available for the permanently disabled. Other components would include the costs of future care, the cost of rehabilitation aids and training (including job retraining), and medical costs not covered elsewhere by the social security system.

The scheme could be financed on a fully funded or pay-as-you-go basis by a combination of a charge on motor vehicles, a charge on employers and employees, a charge on certain categories of hazardous activities, and income tax. It could be delivered either publicly or privately, although account should be taken of the reasonable record—in terms of efficiency, comprehensive coverage, low administrative costs, and an effective internal appeals and arbitration system—of La Régie de l'assurance automobile du Québec and the government insurance corporations in Manitoba, Saskatchewan and British Columbia, as well as that of the Accident Compensation Corporation in New Zealand. The public approach is also appealing in light of the need to integrate the already publicly administered workers' compensation system.

Finally, all indications point to the affordability of a comprehensive scheme. For example, Michael Mendelson recently estimated that a comprehensive disability plan for the replacement of lost earnings, either publicly or privately delivered, would involve only an incremental cost of about 1 to 1.5 percent of payroll. As well, about $800 million would be required to provide a guaranteed income plan for the severely disabled, to replace social assistance.

Of course, any such systemic change depends on the necessary political will at both the federal and provincial levels. The various components of the reform must be carefully identified and coordinated. But there are obvious starting points. For example, special efforts could be made during the quinquennial negotiation of federal-provincial fiscal relations (1987-1992) to focus in part on the necessary reforms to the various cost-shared disability related programs.

The current reviews of workers' compensation schemes now underway in a number of provinces could also provide a catalyst to reform. In a report on the Ontario system in 1983, Paul Weiler highlighted the frequent difficulty in establishing that the workplace is the cause of disease or injury, especially with respect to compensating victims of industrial disease. Weiler then urged the introduction of a general social insurance/disability scheme that would compensate victims irrespective of the source of injury; it would be partially funded by a levy on employers, based on the estimated contribution to the cost of the disability scheme in order to provide incentives for prevention. In a follow-up report in December 1986, Weiler further refined his reform proposals in respect of partial but permanent disability—proposals that are equally appropriate in the context of a comprehensive disability insurance scheme.

With specific reference to medical malpractice and safety standards in our health care system, a study for the federal Department of Health and Welfare on the *Potential Effect of Liability Claims on the Canadian Public Health Care System* (Dr. Frank Sellers, 1985) has pointed to the importance of separating compensation objectives from quality control concerns in the design of a modern health and safety program. The study urged that an alternative to litigation for the compensation of those disabled by medical injury had to be sought. This goal is obviously compatible with the implementation of a comprehensive disability

a comprehensive disability insurance scheme...should be part of a new approach to the social safety net

insurance scheme.

The 1986 federal-provincial agreement on a package of changes to the Canada Pension Plan has already included significant improvements to disability benefits. Presumably, one could build on this to integrate further changes with a comprehensive disability insurance scheme. Finally, with respect to sickness benefits under unemployment insurance, a serious examination of the recent Forget Commission Report will perhaps eventually contribute to a constructive debate on major changes to the UI system, including how better to deal with such benefits.

All the foregoing initiatives could quite feasibly be coordinated in a broad strategy for implementing a comprehensive disability insurance system. But the most helpful catalyst is the ongoing efforts of the federal-provincial working party that has been developing detailed options for precisely this type of system since 1981. The working party was established in the wake of a recommendation for such reform in 1981 by the all-party federal task force report on the disabled (the *Obstacles* report), which marked the International Year of Disabled Persons and the beginning of the Decade of Disabled Persons (1982-1992).

The Macdonald Commission commented positively on the activities of this working party and made the following unequivocal recommendation in respect of a comprehensive disability insurance system:

the federal and provincial governments [should] consider the immediate implementation of a comprehensive social insurance disability plan to deal with the longer term effects of occupational health problems as well as with other forms of disability in the working age population. This plan could be implemented by either expanding workers' compensation into a comprehensive disability scheme or by extending the present disability provisions of the Canada/Quebec pension plans [as proposed in the 1982 discussion paper, Better Pensions for Canadians]. A federal-provincial working party is currently considering the measure but progress in developing this idea has been slow.

Perhaps the most important aspect of the implementation of a comprehensive disability insurance scheme is that it should be part of a new approach to the social safety net in Canada, an approach reflecting the realities of the post-industrial social economy: rapid economic and technological change, high unemployment, changes in the family structure, the increased participation of women in the labour force, the demographic challenge of the aging baby boom, and the special problems and vulnerability of disadvantaged groups such as the disabled, visible minorities and native people.

A recognition that human resource development is the key to a successful socio-economic strategy to improve productivity and competitiveness, as well as to achieve greater justice and fairness, will lead us ineluctably to integrate our approaches to welfare and employment policies. Welfare must always be considered a second-best, residual solution; the first-best solution being to assist all persons to become productive participants in and contributors to the mainstream of our social and economic life to the maximum of their individual capacities.

Thus, for example, a properly designed comprehensive disability insurance scheme should not only provide retraining for those who must work in a different capacity and adequate levels of income to those severely disabled persons who are unable to work. It should also complement other programs designed to provide affirmative assistance to the disabled in finding and keeping employment. The latter would include measures to supplement employment earnings where appropriate and to promote reasonable accommodation initiatives in the work place, such as wheelchair ramps and accessible washrooms.

A new approach to compensation would thus reflect the purpose of broader social policy reform initiatives focusing on, first and foremost, guaranteeing all Canadians access to meaningful employment and the necessary ongoing training and education, day-care facilities and so forth, while relying only secondarily on mechanisms like a guaranteed annual income to provide residual social assistance. This acknowledges that in today's information-based, technological society, social and economic progress are inextricably intertwined, and that a flexible, resilient work force is as critical to a healthy economy as it is to our pursuit of social justice.

The second key component of a long-term strategy of reform of the tort litigation/private insurance system is a new concerted approach to regulation, designed to enhance safety standards in a wide range of areas and deter and punish hazardous activities. For example, in conjunction with the shift to a no-tort social insurance compensation system for disability, even tougher penalty rating systems for setting automobile premiums are necessary, together with enhanced criminal sanctions. In addition, more effective regulation is required for environmental protection, the transportation of hazardous goods, occupational health and safety standards, vastly improved quality control measures in our hospitals and health care system in general, and, finally, the active encouragement of good programs and procedures for the management of risk.

At the same time as governments impose new regulatory controls on risky activity, responsible steps should be taken to build up financial reserves in case a major accident, causing extensive personal and/or property damage, should nevertheless occur. Already the government of Ontario has acknowledged its role as the insurer of the last resort in the event of a major chemical or other dangerous spill. This is the effect of the entry into force of Part IX of the Environmental Protection Act (the "Spills Bill") and the creation of the Environmental Compensation Corporation within the Ministry of the Environment. Consideration should also be given to requiring companies engaged in environmentally hazardous activities to set aside reserves to cover potentially catastrophic pollution events, similar to the Superfund approach in the United States. The government of Canada has already adopted such an approach with respect to its ultimate responsibility for dealing with a major nuclear accident.

Finally, with particular reference to product liability, steps could be taken to establish a federal body similar to the American Consumer Product Safety Commission (CPSC), which operates the National Electronic Injury Surveillance System (NEISS). The emergency wards of the major U.S. hospitals are plugged into NEISS, thereby enabling the collection and collation of data regarding product-related injury. It is then possible to estimate with some accuracy the national magnitude of the personal injuries or fatalities caused by various categories of products, and often to recognize and prevent emerging problems with specific products. England has a similar National Accident Surveillance System.

All these steps to improve the regulation and prevention of hazardous activities should, of course, be placed in the context of an improved approach to the regulatory functions of government and the overriding goal of creating a more responsive government. This approach requires more open and accessible procedures for determining appropriate regulatory standards in order to ensure that account is taken of all the relevant interests in society, not simply those that have mastered the obscure processes of behind-the-scenes lobbying. Greater use of parliamentary committees and special task forces would help.

In summary, the insurance crisis is unlikely to be resolved in the long run without major systemic change involving a shift away from the tort litigation/private insurance system. A long-term strategy for reform would include two components: first, the implementation of a comprehensive disability compensation scheme based on social insurance principles that eliminates access to the tort system as a compensation delivery mechanism; and second, more concerted and effective regulation of risky activity The successful pursuit of this strategy will require a large dose of political determination to look beyond short-term, myopic measures and to withstand certain well-oiled pressure groups, business and professional. The question is whether we have political leaders up to the challenge.

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By Arthur Andrew

To Control Our Space

Canada's overriding interest is that there should never be a war between the superpowers: it requires a radical change from traditional foreign policy

Creating a foreign policy in a democratic country is a process of relating the interests of the people who live there to the circumstances in which the country finds itself.

For Canada at the end of the twentieth century, this normally deliberate approach has been pre-empted by two overwhelming circumstances and a single overriding interest. The circumstances are the domination of the world by two more or less chronically hostile superpowers and by this country's strategically important, and exposed, position between them. In this special situation, Canada's overriding national interest is that there should never be a war between the two superpowers.

A North Polar projection map and an elementary knowledge of modern weapons delivery systems shows clearly that we can no longer find protection in what L.B. Pearson used to call a "scorched ice policy". In any foreseeable circumstances a war between our northern neighbour and our southern neighbour would be fought, perhaps literally, over our heads, in our seas and conceivably on our territory. A successful anti-ballistic missile system (SDI), for instance, might merely add to our present risks. We are the superpowers' most obvious cockpit.

As Gwynne Dyer has pointed out in his films, traditional Canadian thinking about war has always led us to seek alignment with more powerful states whose values resembled our own and whose military strength gave them a good chance of winning. Moreover, we have sensibly preferred to defend our interests on battlefields as far away from our own shores as possible. Our membership in the North Atlantic alliance and our partnership in Norad are the results of this kind of thinking.

Now, however, new weapons technology has combined with geography to change the basis of our traditional assumptions. Our foreign and defence policies must change with them. Where it used to be our concern to see that we were on the winning side in the event of war, our present strategic situation dictates that we must use all the resources we can command to see that no war takes place between the superpowers. When a modern war has been fought on or over any territory, it is not going to matter to its inhabitants whether their side won or lost. Our interests cannot be served by helping to win a war involving the superpowers but by seeing that such a war is not fought.

This calls for a substantial departure from historic precedent. The change from the comfortable role of loyal teamplayer to that of an independent-minded gadfly will be a considerable wrench for most Canadians. Since the change is by nature radical and since it must be done as quickly as the democratic process permits, it is important that we should, if at all possible, avoid emotional arguments on principles such as pacifism, disarmament or political neutrality—all of which may well point in the same direction.

The process by which we change our direction is almost as important as the