In my letter to the Prime Minister I went on to point out some of the ways which I believe we could deal with this situation.

I said that if business were to expand production and create jobs we needed to increase consumer spending. We can do this immediately by allowing 5 per cent down payments for first-time home buyers, by using RRSP capital for down payments for first-time home buyers, by substantially narrowing the differential between Canadian and U.S. interest rates, by cutting personal income taxes, and by instituting a $14 billion municipal public works program.

This $14 billion expenditure will not increase our deficit. According to Professor Pierre Fortin of l'Université du Québec à Montréal he has calculated that if Canada's unemployment rate was only 7 per cent rather than 10 per cent as it is now, our federal deficit would be reduced by some $14 billion annually. This is because fewer people would be receiving unemployment benefits and welfare payments while at the same time tax revenues would increase.

As well, Professor Fortin calculated that if the differential between the Canadian and U.S. interest rates was reduced from its present 3 percentage points to one-half of a percentage point as it was during the 1970s, the resulting Canadian corporate and other tax revenue increase would cut our deficit by a further $12 billion annually.

On February 3, 1992, the government responded to the first of my points by introducing a plan for 5 per cent down payments or 95 per cent mortgaging. Then in the budget on February 25, the government announced a program for the use of Registered Retirement Savings Plans for down payments for the purchasing of principal residences.

Since January 8, 1992, when I wrote to the Prime Minister, the value of the Canadian dollar has fallen from 87 cents U.S. to below 84 cents U.S. now and it was 89 cents U.S. a short time ago.

In addition, again in the budget of February 25, the government announced a personal income tax reduction whereby the surtax will drop from 5 per cent to 4 per cent on July 1, 1992 and to 3 per cent on January 1, 1993. That will put an extra half billion dollars in the hands of Canadians during the fiscal year 1992-93 and $1.2 billion each year after that.

Unfortunately, in my view at least, there was no announcement of a public works program. But fortunately the government did not close the door and the budget did not close the door to something in the way of a public works program on infrastructure in the future.

In his budget speech the Minister of Finance said: "We are, for example, working with the private sector to develop airport infrastructure. We are actively pursuing building a fixed link from the mainland to Prince Edward Island with private sector financing. We are prepared to work with the provinces to explore ways by which the national highway system might be upgraded in a fiscally responsible manner".

In addition to the points I raised in my letter to Prime Minister, I also have raised in this House two other concerns that I believe stand in the way of our economic recovery.

The first has to do with the level playing field of corporation taxes between the United States and Canada. You will recall that on February 10 of this year I said that one reason businesses move to the United States was taxes.

Prior to 1986 the average U.S. corporate tax rate was 51 per cent, while the comparable Canadian rate was 48 per cent. Today the U.S. rate is approximately 39 per cent, compared with a 42 per cent Canadian rate. Our corporate tax rates previously lower than the United States are now higher. When withholding taxes as they affect Canadian subsidiaries of U.S. corporations are taken into account, Canadian rates are substantially higher than U.S. rates. No wonder we are losing jobs.

Again, the budget responded to that issue. In his speech the Minister of Finance said:

> To help the Canadian manufacturing and processing sector meet the challenges of globalization, the manufacturing and processing tax rate will be reduced from 23 per cent to 22 per cent, effective January 1, 1993, with a further reduction to 21 per cent on January 1, 1994.
>
> The capital cost allowance rate will be increased for manufacturing and processing machinery from 25 to 30 per cent, effective for acquisitions made after today.
>
> New activity in all sectors will be encouraged by reducing the withholding tax rate on direct dividends to 5 per cent. The government is prepared, in tax treaty negotiations, to begin reducing the rate on January 1, 1993. This will help Canada compete for international direct investment. It is particularly important now, as international businesses restructure their world-wide operations.