travelling. Many of us have felt for some time that we are on the wrong course, travelling in the wrong direction, down a slippery road, and that there is no return.

We have seen the results of philosophical and academic tinkering with our economy. Our national debt has climbed to unacceptable levels. As my colleague, the Hon. Member for St. John's West (Mr. Crosbie), pointed out, the interest burden that the average Canadian will pay will be with us for many years. In fact, the Government will have to go to the same money market that the private sector has to tap and that will make things more difficult for private sector financing.

We have seen inflation and recession, and we have seen crippling interest rates ruin hundreds of thousands of business enterprises and shatter the hopes and dreams of millions of Canadians.

I always approach the period leading up to budget day with anticipation. It is a chance for change, a chance to redress, a chance to restructure. So it was with this Budget. I saw opportunities for the Government to make some changes that could attempt to solve the difficulties facing the 1.5 million unemployed in the country. All those hopes and anticipations were tempered somewhat with information we received from Statistics Canada on January 31 which showed that the recovery appeared to lose some of its vitality in the fourth quarter and that this slowdown would continue early in 1984. The Conference Board of Canada forecast that there were worrisome signs that the recovery may not be as robust as might be expected. The gross domestic product fell by .2 per cent in November and the final demand actually fell by .2 per cent in the third quarter.

From comments reported in newspapers and speeches made by business leaders and others, we see that consumer confidence seems to have fallen in the last quarter. In fact, the survey of the Department of Regional Industrial Expansion, released in December, shows a further reduction in the levels of capital investment by larger firms for 1984.

I read with great interest of the wide consultation the Minister of Finance (Mr. Lalonde) had with the business community in the past several months. The Canadian Manufacturers' Association, the Canadian Chamber of Commerce, the Canadian Federation of Independent Business, the Canadian Organization of Small Business Inc. and numerous other business and commercial associations presented briefs and had conversations with the Minister of Finance and his officials.

I know it is easy to look at the headlines in the financial papers and see that this corporation and that corporation posted record profits. But that is not common throughout industry in general, Mr. Speaker. The business community faces many difficulties. While interest rates have modified to some extent, bank rates are still 6.5 percentage points above the level of inflation. When you compare that to where they were prior to the recession, you find that at that time the prime rate was 3.4 per cent above the level of inflation. While inflation has subsided, the spread between inflation and the prime rate has increased. In fact, when we look at real interest rates we see they are double what they really should be. Many of our financial institutions are very liquid. They have lots of money to lend, but that money is not going to commercial operations. In fact, commercial loans are down substantially.

The real competition for that money is in the residential mortgage field. I think we are all thankful for that. Residential mortgage rates dropped dramatically in the past year. There is no evidence of any increase in commercial loans as far as we can see at this time. There is a reason for this condition, Mr. Speaker. Most of our small and medium-sized businesses are debt financed today, rather than equity financed. They are reluctant to take on any additional long-term debt because of the disastrous interest rate experience they had during the recession. Many companies barely survived.

I know that those who are familiar with the balance sheets and financial statements of business will appreciate that when you look at the balance sheets of these companies you find that they are in a very precarious state. Most companies stripped their earned surplus accounts in order to stay alive during the recession. Many have eaten into their capital accounts and are operating today with very reduced working capital. I believe that is an accurate assessment of the large number of small and medium-sized businesses in the country. That is why commercial loans are down, Mr. Speaker. They are in a delicate condition. They are afraid that if there is a slight bump up in the interest rates, a lot of those companies which survived the recession will not survive a second round. They are hanging on by their fingernails hoping that interest rates will continue to subside. That is one of the things they were looking for and I was looking for in the Budget.

If small and medium-sized businesses are to survive and invigorate themselves and put most of the 1.5 million unemployed to work—the Minister of Finance has said again and again that he is looking to the private sector to help reduce unemployment—that cannot be done if companies have weak balance sheets. It cannot be done if they do not have a working capital with which to go forward, and it cannot be done if there is the slightest chance that interest rates will rise and that the very precarious recovery they have survived is any way in doubt. With the depleted capital account and reduced working capital and debt financing, firms just cannot pick up the slack and hire the unemployed people that the Minister expects.

While the initiatives taken for small business in the Budget will be welcome when they are in place, the structural problem will remain and will discourage the expansion we need to take up the unemployment challenge.

I am most discouraged that the Minister did not move in the matter of capital cost allowance. I think that was a major mistake. I know that the Canadian Manufacturers' Association lobbied very hard for this, and I know from comments I have had from business people across the country that they were all looking for some redress in this matter. The fact that it was not done is of great concern to many people. Those who do not understand how a capital cost allowance works will not understand how badly it has hurt the cash flow of most of the businesses that utilize it. The decision not to redress the capital