When Policies Are Made Apart

How treating coupled policy dimensions independently compounds the damage

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For policymakers, fiscal-policy staff, and anyone who sets several dials at once.

Abstract

When a government changes immigration, housing, energy, health and fiscal policy simultaneously, the standard assumption is that each can be evaluated on its own terms. This brief argues that the assumption is wrong for the same reason it is wrong in finance and engineering: coupled dimensions compound. The independence pricing error, $R \approx d^n$, predicts that the gap between what each policy costs alone and what the combination costs together grows exponentially with the number of coupled dimensions. This brief applies that framework to Canada under Prime Minister Justin Trudeau (2015–2025), identifies where the coupling produced damage far beyond what any single policy would explain, estimates the structural cost, compares with four other democracies where the same pattern appeared, and draws five lessons for coupling-aware governance.

1 The framework

The companion brief, *When Economies Fall Together*, showed that twenty OECD economies contract together far more often than independence allows: the aggregate economy is 9× more volatile than the independent benchmark. That brief measured the coupling between countries. This one measures the coupling between *policies within a single country*.

The logic is the same. If a government sets n policy dials and treats each as independent, the gap between the modeled risk and the actual risk grows as d^n, where d is the coupling strength per dimension. At $d = 2$ and $n = 5$, the true cost is $2^5 = 32$ times what an independence-based assessment would predict. The number d need not be large. It only needs to be greater than one.

A government that raises immigration targets, holds housing supply constant, runs fiscal deficits, imposes a carbon price on energy-dependent provinces and expands healthcare demand without expanding supply is not setting five independent dials. It is building a coupled system where each policy amplifies the stress created by the others. The framework predicts that the total cost will far exceed the sum of the individual costs, and that the system will appear to function normally until it doesn't.

2 Canada, 2015–2025: the case

Justin Trudeau served as Prime Minister of Canada from November 2015 to January 2025. He entered office with a majority government, historically high approval, and an explicit mandate for progressive reform. He left with the lowest Liberal polling in decades, forced out by his own caucus. What follows evaluates his major policies through the coupling framework.

2.1 Immigration × housing × zoning × interest rates

This is the textbook d^n failure. Permanent immigration targets rose gradually from roughly 260,000 per year to over 485,000 across the tenure, with temporary foreign workers and international students adding hundreds of thousands more. Total population grew by roughly three million in the last four to five years alone. Housing completions did not keep pace: Canada builds about 200,000–250,000 units per year, and not all of that is net new supply.

Each policy lever looked manageable in isolation. Immigration supports GDP growth. Keeping interest rates low supports investment. Municipal zoning is a local matter. But the dimensions are coupled: more people need more homes; more demand with fixed supply raises prices; higher prices require larger mortgages; larger mortgages are more sensitive to rate changes; rate changes affect construction financing; construction financing affects supply. Five coupled dimensions, each individually reasonable, each amplifying the others.

The result: residential real estate prices roughly doubled in major markets (Toronto, Vancouver) during Trudeau's tenure. The immigration-housing mismatch became the defining domestic issue by 2023–2024. Government responses—a foreign buyer ban, a housing accelerator fund—arrived years late and addressed individual dimensions without touching the coupling.

2.2 Carbon tax × regional economies × political tolerance

The federal carbon price, introduced in 2019 and rising annually, assumed a smooth, linear response: price carbon, behavior changes gradually. But regional economies, employment, political tolerance and energy dependence are coupled.

What actually happened was a charge-discharge cycle. Energy-dependent provinces accumulated economic stress and political resentment quietly—the charge phase. The discharge was sharp: organized political revolt, provincial court challenges, and a policy backlash that made the carbon price the single most polarizing issue in Canadian politics. The government priced the direct economic impact of the tax but not the coupled political cost of imposing it on regions whose economies were structured around the thing being taxed.

2.3 Fiscal expansion × inflation × supply chains

Roughly $600 billion CAD in COVID emergency spending was treated as temporary—low persistence. But the spending coupled into housing prices (more cash chasing the same housing stock), supply chains (demand pulled forward while supply was constrained) and wage expectations (CERB set a wage floor that persisted after the emergency). The three-way decomposition from *The Rogue*

Wave applies: the fiscal shock was persistent ($R_{\text{persistence}}$ high—the money didn't leave the system) and synchronized ($R_{\text{synchronization}}$ high—it hit every sector simultaneously through supply chains). $R_{\text{total}} = R_{\text{persistence}} \times R_{\text{synchronization}}$. Both terms were large.

2.4 Healthcare demand × supply × immigration

Adding three million people to the population without proportionally expanding healthcare capacity—doctors, nurses, hospital beds—is another coupled-dimension error. By the end of Trudeau's tenure, roughly 6.5 million Canadians lacked a family doctor, up from about 4.5 million. Emergency room waits lengthened. The downstream costs—delayed diagnoses, late-stage treatment, lost productivity—compound over years because training a doctor takes 10–12 years. Even an immediate policy correction today would not produce results until the mid-2030s.

2.5 What worked: policies that reduced d

Not everything failed. Several policies succeeded precisely because they *reduced* the number of coupled dimensions rather than adding to them.

Policy	Why it worked
Canada Child Benefit (2016)	Collapsed a patchwork of credits and deductions into one means-tested monthly payment. Reduced n by replacing multiple interacting transfer programs with a single channel. Measurably cut child poverty.
Cannabis legalization (2018)	The illegal market coupled enforcement, health, criminal justice and tax revenue into a tangled system where each enforcement action had unpredictable side effects across other dimensions. Legalization decoupled those channels. Reduced d.
$10/day childcare agreements	Addressed a supply constraint that coupled to labor force participation, housing location decisions and income. Removing one bottleneck that feeds into multiple dimensions is high-leverage.
Early CERB (March–June 2020)	In a genuine synchronized shock, a synchronized response is correct. Matching the shape of the intervention to the shape of the shock is exactly right. The error was not CERB itself—it was treating it as temporary when it wasn't.

The pattern is consistent: policies that succeeded reduced the number of interacting dimensions or their coupling strength. Policies that failed pushed multiple coupled dimensions further apart simultaneously.

3 Estimating the structural cost

Precise attribution is difficult: some damage would have occurred under any government (COVID, global inflation, pre-existing housing constraints). What follows are order-of-magnitude estimates for the portion attributable to coupling—the excess cost beyond what each policy would have produced alone.

Dimension	Direct cost (est.)	Coupling channel
Excess federal debt	\$200B	Debt service now ~\$50B/yr vs. ~\$25B at start of tenure; that gap compounds indefinitely
Housing affordability	\$750B–\$1T	Inflated asset values serviced by buyers and renters; excess shelter cost ~\$50–80B/yr
GDP per capita decline	\$100–150B	~7 consecutive quarters of per-capita contraction (2022–2024)
Healthcare backlog	hard to monetize	Late-stage treatment costs 5–10× early intervention
Brain drain	hard to monetize	Talent leaving for the US; compounding loss
Sum of individual dimensions	\$400–600B	
Coupled total (est.)	**\$1–2T**	The coupling multiplier: housing stress amplifies healthcare demand, debt service constrains fiscal response, brain drain reduces tax base, each dimension worsens the others

On a ~\$2.7T annual GDP, the estimated structural damage of \$1–2T represents roughly 40–70% of one year's entire output. This is not lost in a single year; it is distributed across the next 10–20 years as a drag on growth, fiscal capacity and institutional function.

Caveat. These are order-of-magnitude estimates based on public data, not outputs of a calibrated model. The point is the *ratio*: the coupled total is 2–3× the sum of the parts. That multiplier is the cost of treating coupled policies independently.

4 Historical comparisons

Four other democracies experienced comparable damage from the same mechanism: a leader who held power for several years or more and treated coupled policy dimensions independently.

Leader	Country (years)	Damage / GDP	Recovery	Mechanism
Trudeau	Canada (2015–25)	40–70%	15–20 yr	Immigration × housing × fiscal × energy
Muldoon	New Zealand (1975–84)	35–65%	~15 yr	Wage freezes × energy megaprojects × protectionism
Rousseff	Brazil (2011–16)	~50%	10–15+ yr	Fiscal × price controls × state-directed lending
Berlusconi	Italy (9 yr cumulative)	250–300%	20+ yr	Labour × euro structure × infrastructure; *uncorrected*
Bush	United States (2001–09)	65–100%	~7 yr	Deregulation × housing × derivatives × leverage

Muldoon's New Zealand is the closest parallel: a rich, stable democracy where one leader pulled every greedy lever independently and the country needed emergency structural reform. Italy under Berlusconi is the warning case: Trudeau-scale annual damage that went uncorrected for over twenty years, producing two decades of zero per-capita growth.

The United States survived Bush-scale damage faster because it has structural buffers Canada lacks: the reserve currency, the world's largest and most diversified economy, deep capital markets, and net immigration of talent rather than emigration.

5 Why the damage is invisible

If the coupling costs $1–2T, why doesn't the public see it?

Headlines are aggregate, not per-capita. "Canada's GDP grew 1.5%" sounds fine. "Canada's GDP per capita fell for the seventh straight quarter" tells the real story. A government can grow the economy by importing people while every individual gets poorer, and the headline still looks good.

People see five separate crises, not one coupled system. Housing costs, healthcare waits, wage stagnation, energy prices and government debt are experienced as unrelated problems. The connection between "we added over a million people in one year" and "my ER wait is 11 hours" does not show up in any single news story. Without the coupling framework, there is no reason to connect them.

The counterfactual doesn't exist. Nobody can see the Canada that would have existed with constrained-greedy policy—immigration at 300,000, housing supply matching demand, the budget balanced when the economy was strong. The loss is invisible because the thing that was lost never visibly existed.

Media covers events, not systems. SNC-Lavalin, WE Charity and the Emergencies Act received extensive coverage. The slow, structural coupling between immigration, housing, healthcare and fiscal policy—which caused far more damage—received almost none, because it is not an event. It is a gradient.

6 Recovery timeline

The recovery is gated by the slowest-moving bottleneck, and the bottlenecks are coupled.

Bottleneck	Minimum recovery
Housing deficit (~3–4M homes short)	15–20 years
Federal debt (return to ~30–35% debt/GDP)	10–15 years
Healthcare (train new doctors, clear backlog)	10–15 years
Brain drain (rebuild talent base)	one generation
Productivity (reverse declining business investment/worker)	10+ years

The shortest bottleneck is roughly ten years. The longest is generational. And they are coupled: you cannot fix the housing deficit without capital, you cannot raise capital without fiscal room, you cannot create fiscal room while servicing $1.2T in debt, and you cannot grow the tax base while talent is emigrating. A new government can change direction but cannot change the recovery timeline, which is

set by physical constraints (homes take years to build, doctors take a decade to train) that no policy can accelerate past a certain rate.

7 Five lessons for coupling-aware governance

1. Audit the coupling before changing multiple dials. Before any major policy change, map which other policy dimensions it touches and estimate the coupling strength. If immigration targets are rising, what does that require from housing, healthcare, infrastructure and fiscal capacity? If the answer is "more than we are providing," the policy is underpriced. A coupling audit is cheap—it is a list and a conversation. Not doing one is how $400B in direct costs becomes $1–2T in coupled costs.

2. Constrain the greedy optimizer. The optimal policy is not the opposite of greedy—it is greedy *with coupling constraints*. Set immigration targets, but tie them to housing starts. Run deficits, but only when the economy is weak. Price carbon, but phase it to match the adjustment capacity of the most exposed regions. The constraint is what prevents each dimension from amplifying the others.

3. Measure per-capita, not aggregate. Any government can grow aggregate GDP by adding people. The number that matters is output per person. If per-capita GDP is declining while aggregate GDP is growing, the policy is destroying value for every existing citizen while the headline conceals it. Per-capita metrics should be the primary reporting standard for economic policy.

4. Price the persistence. Before committing to a policy, estimate how long the effects last if the policy is reversed tomorrow. Debt service is permanent. A housing deficit takes 15–20 years to close. A doctor shortage takes 10–12 years to resolve. If the persistence is long, the cost of getting it wrong is not the annual cost multiplied by the years in office—it is the annual cost multiplied by the recovery horizon, which may be decades.

5. Build the counterfactual. Publish, annually, what the key metrics would look like under the independent benchmark—the scenario where each policy dimension is evaluated as if the others held constant. When the gap between the benchmark and reality grows, that gap *is* the coupling cost, and it should be reported as such. The public cannot evaluate what it cannot see.

8 What this brief does not establish

- That the cost estimates in Section 3 are precise. They are order-of-magnitude. The structural point—that coupling makes the total 2–3× the sum of the parts—does not depend on the exact numbers.
- That a different government would have produced a positive outcome. The realistic range is from large negative (Trudeau) to roughly neutral (a coupling-aware government). A large positive would require actively reducing d, which is rare.
- That Trudeau intended the damage. The framework predicts that any government optimizing each dimension independently will produce this result. The mechanism is structural, not personal.
- That the comparison countries experienced damage for identical reasons. Muldoon, Rousseff, Berlusconi and Bush each operated in different institutional contexts. What they share is the

pattern: multiple coupled dimensions treated independently.

9 Further reading

The independence pricing error ($R \approx d^n$), the persistence and synchronization decomposition, and the empirical evidence across twenty-nine data sets are developed in *The Rogue Wave* (Zisckind, 2026), available free at roguewavebook.com. The companion brief *When Economies Fall Together* measures the coupling between countries using World Bank data.