✦ IDEA · CHEAT CARD · ECONOMICS

Goodhart's law

The observation that a number stops being a reliable sign of a goal once people are rewarded or punished for that number.

How it works

1. Without a reward, a number such as a count of rat tails tracks a goal.
2. A reward for the number gives people a reason to raise the number itself.
3. People find ways to raise the number that do not serve the goal.
4. So the number keeps improving while the goal behind the number stays the same.

Example

The Hanoi rat bounty, 1902

- The city of Hanoi paid a few cents for each rat tail delivered to the police.
- Reported rat kills rose from a few hundred a day to over 20,000 on the worst day.

→ People cut off rat tails, let the rats go free and even farmed rats for the bounty.

Use it for

- ✓ Checking hospital or school targets when reported success looks too good
- ✓ Setting sales goals that staff cannot meet by cheating customers
- ✓ Testing your own studying by explaining a topic, not by counting desk hours

Watch out

- ✗ Measures stay useful, so check a rewarded number instead of dropping the number.
- ✗ A rewarded measure can also fail without cheating, when luck inflates the best results.

Remember Before rewarding a number, ask how people could raise it without reaching the goal.