ON JUDGMENT · CHEAT SHEET

Goodhart's Law

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100 orders

AND YOU KEPT

$250

Last month: 50 orders, $650 kept.

Busier, not richer.

You hit the number and missed the point.

THE IDEA

When a number becomes your goal, you'll find ways to hit it that miss the point. A number is a good measure while nobody is pushing on it. Push on it, and you (like everyone) reach for the cheapest way to move it.

Measure — **A number that tells you how things are going.** Orders told you how many people wanted your candles.

Target — **A number you are trying to hit.** 100 orders a month. Once it's the goal, it stops telling you the truth.

Counter-metric — **A second number the first can't fool.** Orders, checked by dollars kept per order.

> *"When a measure becomes a target, it ceases to be a good measure." Marilyn Strathern, 1997, putting Charles Goodhart's 1975 observation into one line.*

HOW A TARGET DRIFTS

1. Tracks the goal
More orders, more people who want your candles.

2. Becomes the goal
You aim for 100 orders a month.

3. Gets gamed
25% off and free shipping move it fastest.

4. Point missed
Twice the orders, less than half the money.

You didn't cheat. You did exactly what the number asked. Goodhart's original version: "Any observed statistical regularity will tend to collapse once pressure is placed upon it for control purposes."

THE FIX: PAIR IT WITH A NUMBER IT CAN'T FOOL

YOUR TARGET	CHECKED BY
Orders	Dollars kept per order
Staying under a grocery budget	What you spent, every card included
A no-spend streak	Your balance a month later
A credit score that looks fine	The total balance you owe
Calls handled per hour	How many people call back

WHEN IT BREAKS

1 It's a tendency, not a law of physics

Numbers aren't the enemy. Without counting orders, you'd never have caught this.

2 Watching is not chasing

The danger is one number with a lot riding on it. A number you watch to learn from keeps its meaning.

3 Volume can be the right call

If you choose it on purpose. A launch discount to earn your first reviews can make sense, with a set cost and an end date.

4 No pair is game-proof

Every pair of numbers leaves some way to game it. When you see the gaming, change the measure and look at the real work behind it.

WORKED EXAMPLE FROM THE EPISODE

MONTH	KEPT PER ORDER	ORDERS	TOTAL KEPT	PER HOUR
Before the goal	$24 − $9 − $2 = $13	50	$650, 10 h	$65
Goal month	$18 − $9 − $5 − $1.50 = $2.50	100	$250, 20 h	$12.50
Next month	$24 − $9 − $2 = $13	70	$910, 14 h	$65

Before: $24, the buyer pays shipping. Goal month: 25% off ($18) and free shipping, which costs you $5 an order. Next month: back to $24. Each candle costs $9 to make; fees are about $2 ($1.50 at the lower price). Hours are packing time only. Next month misses the goal of 100 and makes more money than ever.

TRY THIS WEEK

Open one app you check often: a budget, a bank, a fitness tracker, a shop dashboard. Write down the one number you watch most. Then ask yourself one question: **What's the easiest way to hit this number without getting what you actually want?**

My number	Easiest way to fake it	Second number

A line for the next time someone shows you a great number:

"What did it cost to hit it?"

Sources: C. A. E. Goodhart, "Problems of Monetary Management: The U.K. Experience," Reserve Bank of Australia, 1975 (printed 1976). Marilyn Strathern, "'Improving ratings': audit in the British University system," *European Review* 5(3), 1997. The candle shop is a story; examples are illustrative numbers, not real data. Nothing here is financial advice.