

# The Wisdom of Crowds

Why the many are smarter than the few and how  
collective wisdom shapes business, economies,  
societies, and nations

By James Surowiecki

# The Average Person



# The Wisdom of Crowds

In the right circumstances groups or crowds are better than individuals at solving problems.

# Three Problem Types

- Cognition
  - Who will win the Superbowl?
- Coordination
  - CMU students looking for a party
- Cooperation
  - Paying taxes

# Who Wants to be a Millionaire



# Crowd Vs. Expert

- Calling a friend -> 65% correct answer
- Poll the audience -> 91% correct answer

# Formula for Success

- Group Dynamic
  - Diversity
  - Members act independently
  - Break down when members of crowds emulate each other and conform

# Sports Betting



# NFL Spread Adjustment

- Bookies want a 50/50 bet distribution
- “Wisdom of the gamblers” moves the spread

## **NFL Point Spreads For Week 7 - Week Seven NFL Football Point Spread - NFL Spreads 10/25 - 10/26, 2009**

<b>Date &amp; Time</b>	<b>Favorite</b>	<b>Spread</b>	<b>Underdog</b>
10/25 1:00 ET	San Diego	-5	At Kansas City
10/25 1:00 ET	Indianapolis	-13	At St. Louis
10/25 4:15 ET	At Cincinnati	-1.5	Chicago
10/25 1:00 ET	Green Bay	-7.5	At Cleveland
10/25 1:00 ET	At Pittsburgh	-4	Minnesota

# Scientific Collaboration

- Scientific knowledge -> cumulative
- Complex interdisciplinary problems
  - Collaborators seem to be more productive
- Many scientific papers go unread
  - Information is filtered