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

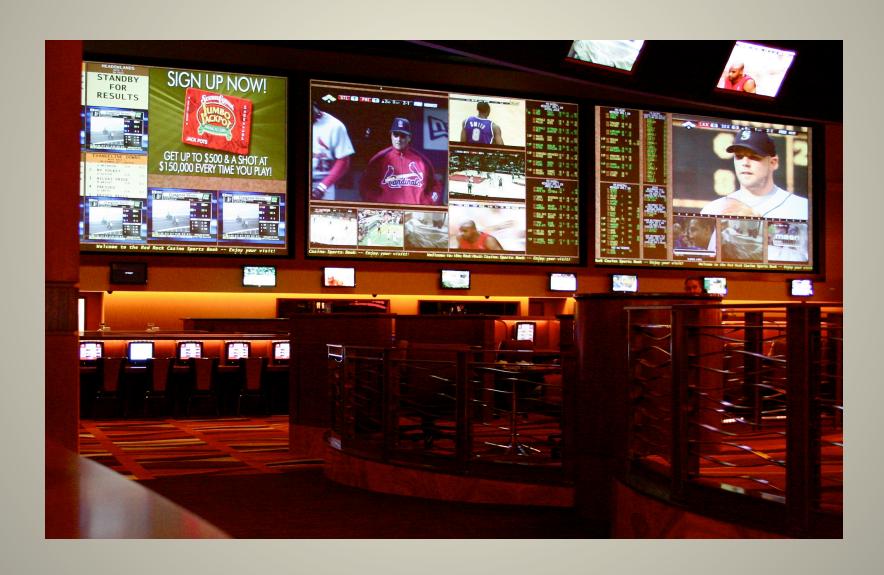
- Calling a friend -> 65% correct answer
- Poll the audience -> 91% correct answer

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

Date & Time	Favorite	Spread	Underdog
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