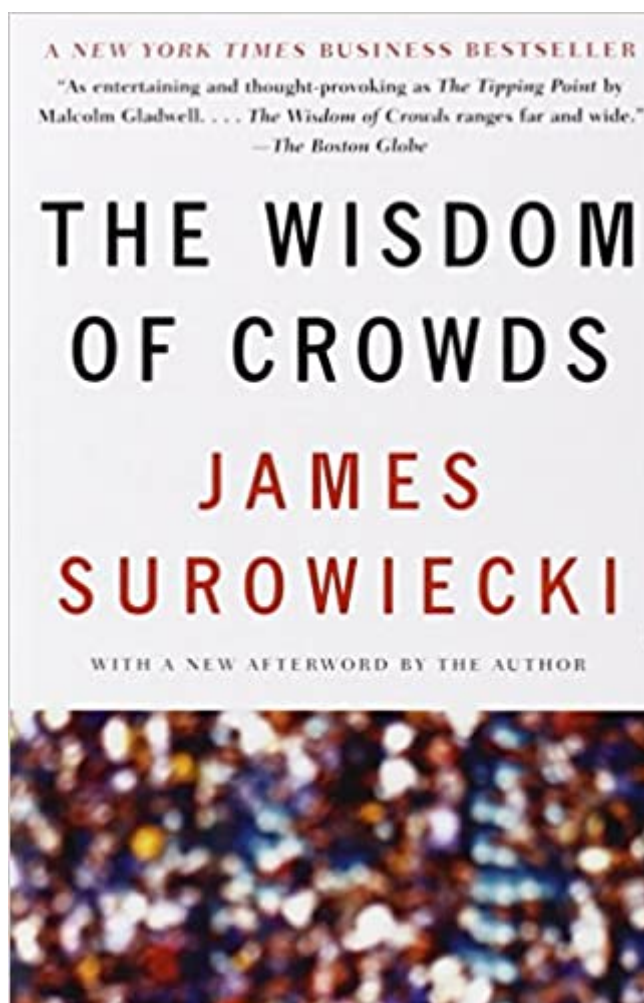


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# The Wisdom Of Crowds



## Synopsis

In this fascinating book, New Yorker business columnist James Surowiecki explores a deceptively simple idea: Large groups of people are smarter than an elite few, no matter how brilliant—better at solving problems, fostering innovation, coming to wise decisions, even predicting the future. With boundless erudition and in delightfully clear prose, Surowiecki ranges across fields as diverse as popular culture, psychology, ant biology, behavioral economics, artificial intelligence, military history, and politics to show how this simple idea offers important lessons for how we live our lives, select our leaders, run our companies, and think about our world.

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## Customer Reviews

While our culture generally trusts experts and distrusts the wisdom of the masses, New Yorker business columnist Surowiecki argues that "under the right circumstances, groups are remarkably intelligent, and are often smarter than the smartest people in them." To support this almost counterintuitive proposition, Surowiecki explores problems involving cognition (we're all trying to identify a correct answer), coordination (we need to synchronize our individual activities with others) and cooperation (we have to act together despite our self-interest). His rubric, then, covers a range of problems, including driving in traffic, competing on TV game shows, maximizing stock market performance, voting for political candidates, navigating busy sidewalks, tracking SARS and designing Internet search engines like Google. If four basic conditions are met, a crowd's "collective intelligence" will produce better outcomes than a small group of experts, Surowiecki says, even if

members of the crowd don't know all the facts or choose, individually, to act irrationally. "Wise crowds" need (1) diversity of opinion; (2) independence of members from one another; (3) decentralization; and (4) a good method for aggregating opinions. The diversity brings in different information; independence keeps people from being swayed by a single opinion leader; people's errors balance each other out; and including all opinions guarantees that the results are "smarter" than if a single expert had been in charge. Surowiecki's style is pleasantly informal, a tactical disguise for what might otherwise be rather dense material. He offers a great introduction to applied behavioral economics and game theory. Copyright © Reed Business Information, a division of Reed Elsevier Inc. All rights reserved.

Surowiecki first developed his ideas for *Wisdom of Crowds* in his "Financial Page" column of *The New Yorker*. Many critics found his premise to be an interesting twist on the long held notion that Americans generally question the masses and eschew groupthink. "A socialist might draw some optimistic conclusions from all of this," wrote *The New York Times*. "But Surowiecki's framework is decidedly capitalist." Some reviewers felt that the academic language and business speak decreased the impact of the argument. Still, it's a thought-provoking, timely book: the TV studio audience of *Who Wants to Be a Millionaire* guesses correctly 91 percent of the time, compared to "experts" who guess only 65 percent correctly. Keep up the good work, comrades. Copyright © 2004 Phillips & Nelson Media, Inc. --This text refers to an out of print or unavailable edition of this title.

Surowiecki engrossed me from the beginning. Though this book appears to be a collection of anecdotes about how crowds often outthink the experts, it struck me as a blueprint for how decision-makers should harness the power of people. Thus it is a treatise on smart business and marketing, good government, and sound organization management. As a U.S. Army veteran, the author propelled me to thoughts on how the military could use its people's collective wisdom, something on which I have written extensively: *Nine Weeks: a teacher's education in Army Basic Training*. Among the most relevant claims from the book is this cogent bit of logic: "To state the obvious, unless people know what the truth is, it's unlikely they'll make the right decisions. This means being honest about performance. It means being honest about what's not happening. It means being honest about expectations. Unfortunately, there's little evidence that this kind of sharing takes place.... One of the things that gets in the way of the exchange of real information is the deep-rooted hostility on the part of bosses to opposition from subordinates. This is the real cost

of a top-down approach to decision making: it confers the illusion of perfectability upon the decision makers and encourages everyone else simply to play along. What makes this especially damaging is that people in an organization already have a natural inclination to avoid conflict and potential trouble. It's remarkable, in fact, that in an autocratic organization good information ever surfaces. It's a book that anyone who has been around people should read.

Surowiecki's book focuses on the strengths and weaknesses of collective decision-making. The text covers a large number of issues rather superficially, and it will not satisfy those looking to dive into and master the underlying economic theories. But it makes an important point and can be read quickly. His thesis is that groups of people can aggregate information to produce surprisingly accurate decisions. The book starts by recounting a famous experiment, in which a 19th century Scottish scientist studied the results of a typical contest where county fair-goers guessed the weight of an ox. He found that, while many guesses were wide of the mark, the mean of the guesses was spot on -- and closer to the ox's actual weight than any individual guess. Apparently this phenomenon holds true for other such contests (how many jellybeans in a jar or how much a pumpkin weighs) -- and this ought to make one stop and think about the power of aggregating information from groups of ordinary people. Surowiecki relates the power of group thinking to other situations, ranging from the efficacy of market prices to the eerie accuracy of the Iowa Electronic Markets (which forecast election results among other things). He contrasts these examples with the dangers of "group think," the consensual and wrongheaded approach to decision-making that plagues governments and corporations, the frequently poor quality of "expert" forecasts, and the volatility of security prices (he explains the theory of "information cascades" in a clear and easy-to-follow manner). The moral of the story: "Diversity and independence are important because the best collective decisions are the product of disagreement and contest, not consensus or compromise." It strikes me that this bit of wisdom could be usefully applied in government, business, investing, and many other walks of life; hence the value of the book, even if you skim it quickly.

In "The Wisdom of Crowds" James Surowiecki explores how often a group of people can make better decisions than the "expert" and under what situations might a group make poor choices. One of the basic points of the book is that in making a decision people have two components, information and error. Often by aggregating the decisions of many individuals the errors will cancel out and you are left with a very good decision. Another point is that for complex problems there is no "expert" who completely and thoroughly understands the problem, and can thus give the "right"

answer. Most big problems are solved by making our best guesses and then seeing if our decisions were right or good enough. A group of people, because together they have more information, can make better choices. James Surowiecki uses a variety of interesting examples to discuss how much better decisions a group can make. His first example is how Francis Galton found that an average group of people at a county fair in England back one hundred years ago were able to guess the weight of an ox within a pound, much closer than any of the "experts" were able to get. It was fascinating to learn that within hours of the Challenger Space Shuttle explosion the stock market picked which company was responsible, by a big drop in the stock price, long before there was any clear understanding of what had happened. And within a couple weeks the international health community was able to work together to understand SARS, without any guiding hand or one organization in charge. The author also explores under what conditions a group of people might make a poor decision. He found that a group of experts, who all tend to have a similar viewpoint on a particular topic, may make a worse decision than a group with a few "less smart" people who will see a problem from different viewpoints. Another situation that happens is where there is a vague problem for which people don't see a clear answer so if someone will go public with his answer, then other people will go along with the first answer, rather than making their best guess. He calls this information cascade. It is better that everyone be encouraged to make their best guess, and then work through a process of resolving or aggregating the decisions. The chapter on how to pick good solutions for issues raised by new technology was fascinating. The author compared the process of how the free market finds good solutions to how a beehive looks for food. One example was the early development of the automobile. In both cases scouts go out looking for solutions (honey or car designs) and bring them back to be evaluated by the group. The market reviewed hundreds of designs for cars and gave feedback on which designs were better. The basic design quickly developed. It is key to have a system which generates lots of alternatives and allows losers to be abandoned quickly. It is important to have both diversity of solutions and diversity of perspectives to generate better results. Some books are interesting and educational, but after reading them there is little need to go back and reread them. You can learn the basic lessons in one reading. "The Wisdom of Crowds" is one of those which needs to be reread every so often because there are so many interesting ideas explained and thoughts explored. It is well written and is worth the time to read and worth thinking about after reading.

Ok

A bit dry but easy to read. Great knowledge and context in the writing. The examples are all relevant and can be put to good use.

fine

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