

The Wisdom of Crowds
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Abstract

The present work investigates the phenomenon of the wisdom of crowds based on the James Surowiecki's book of the same name. The paper shows that despite the common prejudice, the crowd can be intelligent. The author provides the definition of the term wisdom of crowds as a multidisciplinary (statistical, social, psychological) phenomenon and specifies major problems associated with the concept, namely cognition, coordination, and cooperation. It is argued that in order to be wise, any crowd requires strict adherence to the following basic requirements: diversity of opinions, independence, decentralization, and aggregation. The paper provides simple and understandable examples illustrating occurrence of the group intelligence in everyday life, justification of the collective wisdom compared to expert opinion, as well as critical failures of group decisions and their causes. The problems of practical realization of the phenomenon of collective thinking are determined.

Keywords: wisdom of crowds, group intelligence, chasing the expert, decision-making, tacit knowledge

Wisdom of the Crowds

Introduction

People tend to think that the crowd is a thoughtless mass that can only act spontaneously and absolutely unreasonably. However, the world around us proves the opposite: birds fly in huge coordinated formations and animals hunt together. Nature tells us that the crowd might be wise. Moreover, it can make reasonable decisions so that one individual alone would never have resolved.

In his book *The Wisdom of Crowds*, James Surowiecki introduces examples of many stories, in which the collective mind works wonders. However, he also refers to the fact that very often a lot of people working together can mess things up.

Thus, the paper will review basic points of the Surowiecki's work, provide the definition of the concept at issue, as well as determine its basic problems and features. The author will specify requirements for the crowd, which are crucial in making an appropriate justified decision and provide examples of group intelligence in different life situations.

Definition and Attributes

After reviewing Surowiecki's book, it seems appropriate to summarize the attributes of the wisdom of crowds into the following definition: it is a multidisciplinary (statistical, social, psychological) phenomenon, manifested in group thinking, in the process of which individual beliefs compensate each other forming an average uncannily accurate result.

Surowiecki (2005) identifies three major types of problems, where the wisdom of crowds manifests itself particularly clearly (p. xvii-xviii). The first one is cognition, which is related to the knowledge, searching and processing information, making decisions. The second one is coordination associated with the interaction between people. The third one relating to the management of people and organizations is cooperation.

The Main Requirements to Produce a "Better" Decision

The first requirement is a diversity of opinions. It is important that everyone in the crowd had his/her own vision of the situation (Surowiecki, 2005, p. 10). The diversity of judgments extends the range of possible solutions, as well as sheds some light on the dark corners of the problem.

Independence of the members is the second crucial feature. To minimize the conformism in the crowd, it is important that the decisions taken by its members do not depend on others, even on the authorities. When the crowd is filled with members dependent on each other's views, it is nothing more than "herd mentality" – the lack of originality, individualism and stupid following for the majority (Surowiecki, 2005, p. 254).

Decentralization is the third requirement to produce a "better" decision. There is such a thing as "tacit knowledge". That is, some people who occupy not top positions, but rather functional, know something, but cannot transfer this knowledge to the masses (Surowiecki, 2005, p. 71). The decentralization gives the opportunity to inform the people about this knowledge. After all, when decisions are made from the center, the local issues are often overlooked. Surowiecki (2005) claims that "decentralization's great strength is that it encourages independence and specialization, on the one hand, while still allowing people to coordinate their activities and solve difficult problems on the other" (p. 71).

Aggregation forms the fourth pillar of the wisdom of crowds. It is a mechanism for combining personal opinions into a collective decision. That is why it is not enough just to generate many independent, heterogeneous solutions. It is important to ensure the process of aggregation, to join separately taken ideas in a single correct solution.

Relevant information is important as well. After all, if the input data is incorrect, even independence and aggregation do not guarantee the right decision. According to Surowiecki (2005), "groups are only smart when there is a balance between the information that everyone

in the group shares and the information that each of the members of the group holds privately” (p. 255-256).

Real Life Example

I believe that everyone for once in life faced the phenomenon of the collective wisdom, and made a decision influenced by global thinking. In the Internet era, the notorious “wisdom of crowds” has acquired special power over the minds. Choosing new earphones via the Internet, I narrowed my option to two models. They both had great descriptions and characteristics (which, I believe, it is possible to regard as an expert opinion). Therefore, I decided to turn to users’ comments and feedback score. This way, public opinion determined my choice of earphones. Generally, group decision was useful in this situation, because it complied with the basic requirements set by Surowiecki: diversity of opinions was ensured by the number of comments and feedbacks; independence of commentators was guaranteed by anonymity; decentralization was assured by the very nature of the Internet and internationality of the website; aggregation was performed by visualized scale of feedbacks in the form of awarded stars. Thus, I believe e-commerce nowadays serves as a good example of the kingdom of the wisdom of crowds. However, it is necessary not to take well-executed sales pitch for group opinion.

Failures of Group Intelligence

The author illustrates failure of wisdom of crowds based on the example of the intelligence community. The problem was manifested in failure to consider information on terrorist attack as serious warning, because the group of analysts did not take it seriously. The essence of the issue, according to Surowiecki (2005), was the wrong type of decentralization (p. 68). Moreover, the intelligence community lacked real mechanisms of aggregation of information and judgments. Probably, consideration of information by another team of analysts would prevent the tragic consequences. Thus, the author believes that the best tool for assessing the information collected by the intelligence community is not centralized, but aggregated collective mind.

Another example is associated with taxation, which represents cooperation problems. All enjoy the benefits funded by taxes, but not everyone wants to pay them. Seeing other people getting away with tax evasion makes people think of committing the same violation. In this case, the crowd fails to meet the requirement of independence of opinions, because everyone sees the behavior and omissions of others. Thus, they form their strategy based on actions of surrounding society. In other words, the concept of herd mentality manifests itself here: if others don’t pay taxes, I will not too. And here is where people stop thinking that if everyone stops paying taxes, then all the public services will not be available.

Unnecessariness of “Chasing the Expert”

An expert opinion, no matter how smart it is, is a subjective one. Each person perceives the world from his own perspective. In the judgments, even an expert can choose favorable for himself position and stick to it. On the other hand, the expert knowledge itself may be insufficient.

If the crowd meets all the requirements mentioned in the present work, its subjectivity is shut out. Therefore, the author considers the opinion of the crowd to be more justified in making decisions. However, it is worth noting that any person should not blindly believe neither expert nor group intelligence, especially if he/she possesses irrefutable facts. For example, one will not believe the GPS navigation device, which shows a road there, where the driver sees a dead end.

Conclusion

Having analyzed the provisions of Surowiecki regarding the wisdom of crowds, it is determined that theoretically group intelligence is a powerful device in decision-making process. However, in practice it is very difficult to ensure that all the relevant conditions are

observed: either the group is too homogeneous, or people in this group are too dependent on each other, or they uncritically obey to the leader, or there is no mechanism for integrating the separate individual intellects together. In general, the “wise crowd” is a very rare, fragile and vulnerable formation. In this context, the thesis about the wisdom of the crowd looks too bold. The crowd really turns out to be wiser than a separate individual in ideal conditions, given fortunate combination of circumstances. However, as the requirements mentioned in the second section are not observed, so far the crowd rarely shows its wisdom.

References

Surowiecki, J. (2005). *The wisdom of crowds*. New York, NY: Knopf Doubleday Publishing Group.