

## The Wisdom of Crowds Book

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★★★★★ **Interesting & stimulating**, 25 April 2005

By [J. E. Davidson](#)

This book confounded my expectations. I generally dislike books like this but this one is interesting, provocative and stimulating. I do not wholly agree with the central thesis but even in the sections that I disagreed with there was enough interesting material to hold my attention, it was refreshing to need to question one's assumptions and to think about the points being made.

What is the Wisdom of Crowds?

The book defines it rather loosely suggesting that groups make better decisions if certain conditions are met. The conditions are: diversity (to ensure that different information is used to make the decision), independence and (a certain type of) decentralisation (to ensure that no one person is dictating the decision and that people are using their own private information) together with a way of summarising the different opinions into a collective view.

This loose definition allows the book to address a huge range of topics. It does not build a coherent case attempting to support and justify the central thesis. Instead it relies on a more anecdotal approach - examining situations where crowds can be wiser and situations where they fail to be wise - it is a biography of an idea rather than a manifesto.

To provide some structure three different types of problem are identified: cognition problems, co-ordination problems and co-operation problems. However, even within these broad areas large and rather diverse sets of problems are examined. To assist in the analysis a wide range of techniques are utilised including psychology, statistics and game theory.

The book makes great play of the ideas being counterintuitive and surprising; in some of the examples this is true, in others it seems to be seriously stretching the point. For example, the story about finding the lost submarine is interesting and surprising, as is the speed with which the market identified the company at fault for the Space Shuttle disaster. Less surprising are the examples which boil down to applied game theory, statistics or the fundamental nature of markets.

The most important (practical) problem with the thesis is that the conditions required for the wisdom of crowds to apply are very difficult to meet. The book recognises this and devotes considerable space to situations where crowds fail to be wise because of this. For me, these are probably the best sections of the book. It is very clear that the wisdom of crowds does not mean management by committee (as committees almost always fail to meet the necessary conditions). It is also very sharp on the culture of the 'expert' and is very clear about the need for dissent and the importance of (intellectual) diversity. The section on NASA is chilling and excellent.

In spite of the issues this is still a fascinating book. There is a huge range of stories and examples about how the wisdom of crowds can work and how it can fail spectacularly. I found it a thoroughly engaging and interesting book.