

# Applications

## Source: Wikipedia

Surowiecki is a very strong advocate of the benefits of decision markets and regrets the failure of [DARPA](#)'s controversial [Policy Analysis Market](#) to get off the ground. He points to the success of public and internal corporate markets as evidence that a collection of people with varying points of view but the same motivation (to make a good guess) can produce an accurate aggregate prediction. According to Surowiecki, the aggregate predictions have been shown to be more reliable than the output of any [think tank](#). He advocates extensions of the existing futures markets even into areas such as [terrorist](#) activity and prediction markets within companies.

To illustrate its thesis, he says that his publisher is able to publish a more compelling output by relying on individual authors under one-off contracts bringing book ideas to them. In this way they are able to tap the wisdom of a much larger crowd than would be possible with an in-house writing team.

[Will Hutton](#) has argued that Surowiecki's analysis applies to value judgments as well as factual issues, with crowd decisions that "emerge of our own aggregated free will [being] astonishingly... decent". He concludes that "There's no better case for pluralism, diversity and democracy, along with a genuinely independent press."<sup>[5]</sup>

Applications of the wisdom-of-crowds effect exist in three general categories: [Prediction markets](#), [Delphi methods](#), and extensions of the [traditional opinion poll](#).

## Prediction markets

The most common application is the prediction market, a speculative or betting market created to make verifiable predictions. Surowiecki discusses the success of [prediction markets](#). Similar to [Delphi methods](#) but unlike [opinion polls](#), prediction (information) markets ask questions like, "Who do you think will win the election?" and predict outcomes rather well. Answers to the question, "Who will you vote for?" are not as predictive.

Assets are cash values tied to specific outcomes (e.g., Candidate X will win the election) or parameter (e.g., Next quarter's revenue). The current market prices are interpreted as predictions of the probability of the event or the expected value of the parameter. [NewsFutures](#) is an international prediction market that generates consensus probabilities for news events. [Consensus View](#) predicts the performance of financial markets, including stocks, futures and foreign exchange. Several companies now offer enterprise class prediction marketplaces to predict project completion dates, sales, or the market potential for new ideas.<sup>[1]</sup>

## **Delphi methods**

Delphi methods are information aggregation tools that include Hutton's notion of judgments as well as verifiable outcomes. [Dialogr](#) is a Delphi method that elicits, judges, and aggregates the collective value of ideas. [Dotmocracy](#) is an off line facilitation method that allows participants to generate ideas and recognize levels of collective agreement. [TechCast](#) is an example of a Delphi-based forecasting project since 1983. About 100 worldwide experts participate and are making specific forecasts on 70 technologies in seven fields. Many of the consensus forecasts have proven to be more accurate than forecasts made by individuals.