The Top Pickers vs. the Pack

Sites Want Users to Buy Into the 'Genius' Factor

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James Acevedo is a "genius," though he admits no one at the elementary school in Ridgewood, N.J., where he teaches third grade, knows it.

But the Web site where he competes nightly, PicksPal.com, was so taken by his record at forecasting sporting events that it included him last month in a newly compiled list of 30 super-achievers culled from about 100,000 members and began selling their "genius picks" to the public.

"It's sort of self-gratifying to find that there's actually something to my gut feeling," said Acevedo, 26.

This new feature places PicksPal among a small number of Web sites seeking to turn the wisdom of the Internet on its head by sifting through its vast number of users to identify a handful of experts. If this novel approach withstands scrutiny, the reverberations could extend well beyond sports betting to include stock trading, popular culture and other realms.

For the past decade, much of the Internet has been animated by the "wisdom of crowds," the notion that the tremendous masses drawn to the Web can together provide collective knowledge that outperforms even that of experts. By marshaling the knowledge and tastes of millions of people, the Web has fundamentally changed the way people can gain knowledge about their world.

This group wisdom, for instance, underpins the link-analysis formula Google Inc. uses to rank search results. It influences the book recommendations offered by Amazon.com. It is also reflected in the votes of thousands of users who select the videos featured on YouTube, the articles showcased on the news aggregating site Digg.com and the ratings awarded movies on IMDB.com.

But this wisdom of the crowd could be outsmarted by what Michael Arrington, editor of the TechCrunch blog, recently dubbed the "wisdom of the few." Sites like PicksPal rely on input from the masses chiefly as a venue for auditioning prospective experts, on the theory that these virtuosos could provide even more accurate information and predictions than the crowd.

"If you figure out which ones did the best and get rid of the ones who have no idea, you'd do even better. Distill it down to the people who really know," Arrington said.

While generations have looked to pundits for guidance, it has often taken a long time for their expertise to be recognized, and many have remained in obscurity. Now the Internet promises new ways to discover those who might otherwise get overlooked. And it can do so with breathtaking speed. Some business professors remain skeptical, warning that luck can often be mistaken for expertise. But as more Web sites try to find ways to tap the expertise of smart people, a great debate is shaping up between two competing models for harnessing the human mind.

One pioneer of the wisdom of the few is Marketocracy, a site that has been recruiting Internet users to manage model stock portfolios and evaluating their performance for more than three years. Marketocracy tries to identify the top stock investors out of 55,000 users who manage portfolios by evaluating both their long- and short-term performance. Each month, the virtual portfolios of the 100 best investors are converted into a mutual fund that is sold to the public for real money.

"We think investing is a skill that's hard to find. When you find it, that's where you want to put your money," said Chief Marketing Officer Mark Taguchi. The fund has outperformed the S&P 500 in four of the five previous years and is roughly even so far this year.

Newcomer SocialPicks.com seeks to fare even better by combining stock picking with social networking. To develop a reputation as an elite stock trader, a user must not only demonstrate high rates of return and accuracy, but also post analyses that others deem to be exceptionally insightful, said chief executive Weiting Liu. SocialPicks is still being tested, with full release not expected for at least two months.

So far, sports and stocks present fertile ground for these online experiments at identifying experts, much as they were for the wisdom of the crowd a decade ago, when the Web was still young. And like the wisdom of the crowd, the wisdom of the few is likely headed beyond sports and stocks, as the Web holds the potential to identify savants in many fields.

Exactly where this approach might turn next is unclear, but PicksPal is preparing an entertainment site designed to find people skilled at predicting movie blockbusters and busts, celebrity magazine covers, Academy Award winners -- even Jessica Simpson's future love interests.

Tom Jessiman, the founder of PicksPal, said he resolved to develop a way of finding individual expertise after he soured on conventional sports pundits while working at CBS Sportsline.com.

"I thought there's got to be people out there driving cabs in D.C. and lobstermen in Maine and on an oil rig somewhere that are better than these guys. I

wanted to find out where these guys really are," he recalled.

Jessiman launched his site a year ago hoping to attract large numbers of contestants passionate about betting on sports, not for money but for points that translate into prizes and bragging rights. His plan all along was to use this pool of players as a way to fish out experts and then sell their predictions. He initially thought the experts would vary week to week as their fortunes shifted.

"But a very small set of people keep winning," Jessiman said. "It kind of blew me away."

Last month, PicksPal began identifying the 30 most successful players over the previous five weeks. Whenever these experts together place enough of their accumulated points on a specific bet, it qualifies as a "genius pick" and is offered to the public for $19.95. Jessiman said the genius picks, which average five a day, are hitting 70 percent of the time.

Acevedo began competing on PicksPal in March and established his genius credentials by finishing as a weekly winner on the site last month. He admitted he was surprised he had outperformed so many others. His fellow teachers, mostly young women, have little serious interest in sports, he said, and no idea of his swelling Internet reputation.

A longtime sports fan whose tastes run from English soccer to NASCAR, Acevedo said he brings the same intuitive approach to sports picking as he did to his recent studies at Ramapo College in New Jersey, where he majored in philosophy and literature. "I go with my gut," he said. "It doesn't feel like I'm a genius."

The notion of separating the best from the rest is heresy for those who advocate the wisdom of crowds. According to its proponents, a large number of diverse, independent individuals will typically outdo experts because even experts lack perfect information and make mistakes. But with a crowd, the many small pieces of information and perspectives held by individuals come together to form a more complete picture while the mistakes can cancel each other out.

In a classic example cited by James Surowiecki in his recent book, "The Wisdom of Crowds," a professor asked 56 members of his class to estimate the number of jellybeans in a jar. The average of the guesses came to 850, only 21 beans off, and was better than the individual estimates of all but one of the students.

Justin Wolfers, a business professor at the University of Pennsylvania's Wharton School, said collective wisdom -- reflected for instance in the stock prices set jointly by millions of knowledgeable investors in the open market, and in sports betting lines determined by large groups of avid gamblers -- is more likely to be accurate than Web sites claiming to feature experts. Someone must have a track record stretching back decades before it is statistically possible to conclude whether success results from talent or random chance, he said.

"Folks who look like experts today are very likely to be lucky," Wolfers said. "If they're conditioning it only on past history, it's likely to be a lost cause."

Jessiman said he tries to rule out flukes at PicksPal by requiring that his experts play actively in three of the most recent five weeks.

At Marketocracy, Taguchi said the site tries to limit the role of luck by selecting the best investors based on factors including overall performance, percentage of accurate picks, the speed at which they cut off losers and the markets and sectors in which they are active.

Even if sites are able to identify expertise, several business professors questioned why experts would donate their wisdom to the Web rather than striking out on their own to make money.

"If they're really consistent, it's kind of hard to see how the sites will survive. The experts will leave," said Robin Hanson, an economics professor at George Mason University.

But Acevedo said he has no plans of abandoning his place at the front of a classroom and heading to Las Vegas. He said he has never gambled on sports with real money except for several visits to the racetrack.

"If I caved in and started making real bets or looked for a bookie, I'm afraid I'd go downhill right away," he said. "I'd be thinking about the money instead of going with what I feel."