

A TALE OF TWO MODELS OF COLLECTIVE ACCURACY: GENERATED AND INTERPRETED SIGNALS

Scott E Page and Lu Hong

University of Michigan
spage@umich.edu

ABSTRACT

In this paper, we contrast two models that purport to explain collective accuracy in forecasts. The first model relies on generated signals, in which individuals see the true value plus an error term. Collective accuracy arises from the cancellation of errors. The second model relies on interpreted signals in which individuals rely on distinct attributes, filters, or models. In this class of models, collective accuracy arises through summation of partial understandings. Not only to these two formal models provide distinct theoretical underpinnings, they also suggest quite different optimal weighting schemes.