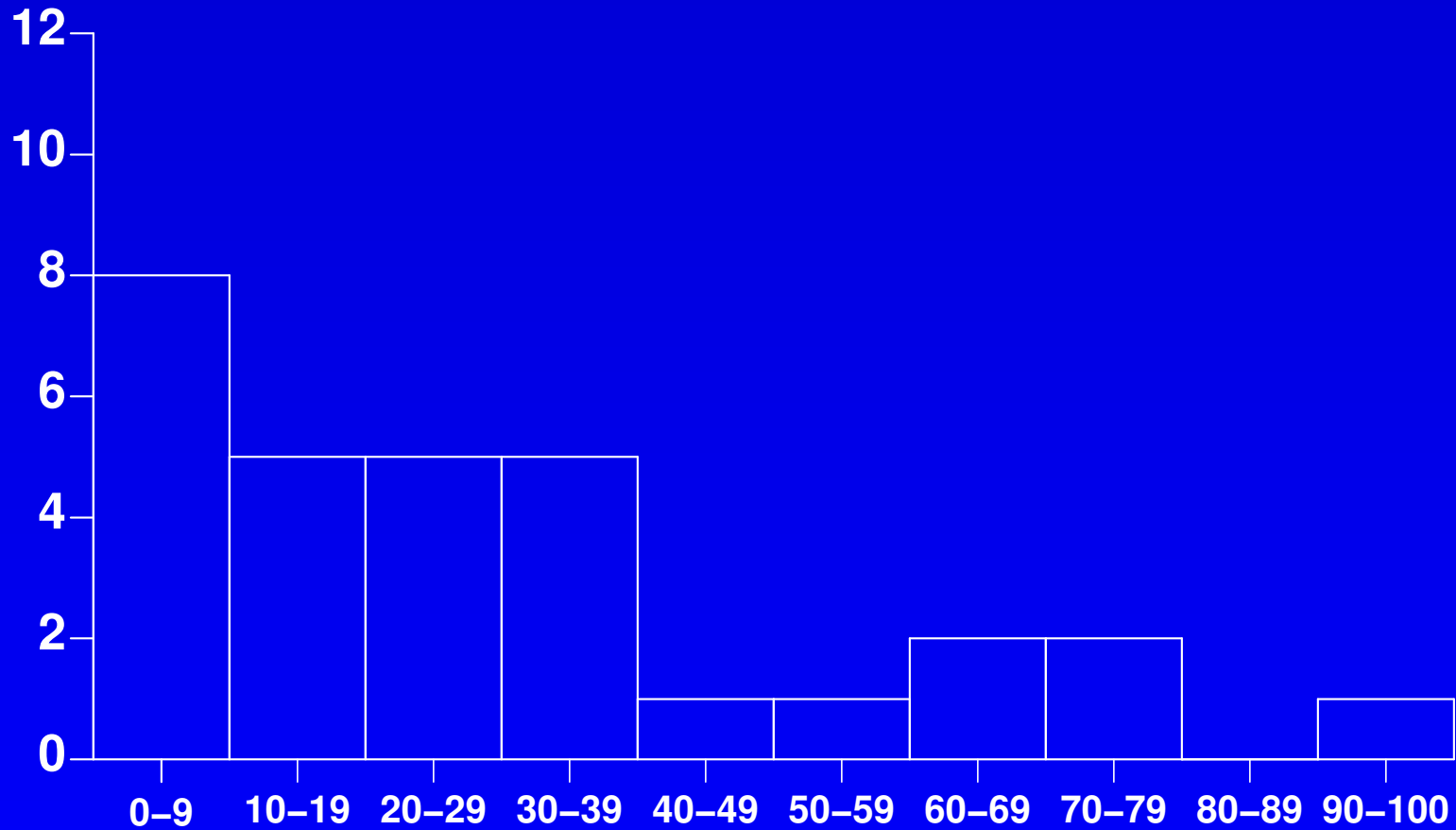


Guess Two-Thirds of the Average

- Choose a number between 0 and 100.
- A prize of \$10 will be split equally between all students whose number is closest to $\frac{2}{3}$ of the average of the numbers chosen (the mean number). (That's $\frac{2}{3} \times$ the mean.)
- What should you choose?
- Write down your answer.
- What is the equilibrium choice?

Results:



Two-Thirds Of Mean vote, Lecture 1, SGTM, 2004

In detail:

- The mean of the 30 numbers chosen was 28.34
Two-thirds of the mean was 18.9
One person chose 17.6: and the winner is

Tom Lord

who receives \$10 from me. (The runner up chose 21.)

- Five chose *above* 50, the random mean
Three chose about 33 (i.e., about $\frac{2}{3}$ of 50)
Two chose about 22 (i.e., about $\frac{2}{3}$ of 33)
One chose about 15 (i.e. about $\frac{2}{3}$ of 22)
Three chose about 10 (i.e., about $\frac{2}{3}$ of 15)
None chose 7 (i.e., about $\frac{2}{3}$ of 10)
Five chose 1 or less.
One chose 100.

John Maynard Keynes' "Beauty Contest":

“...professional investment may be likened to those newspaper competitions in which the competitors have to pick out the six prettiest faces from a hundred photographs, the prize being awarded to the competitor whose choice most nearly corresponds to **the average preferences of the competitors as a whole**; so that each competitor has to pick, not those faces which he himself finds prettiest, but those which he thinks likeliest to catch the fancy of the other competitors, all of whom are looking at the problem from the same point of view.

It is not a case of choosing those which, to the best of one's judgment, are really **the prettiest**, nor even those which **average opinion genuinely thinks the prettiest**.

We have reached the third degree where we devote our intelligences to anticipating **what average opinion expects the average opinion to be.**”

(The General Theory, p.156, 1936.)