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CROWDFUNDING

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1 What is Crowdfunding

1.1 History

History

Crowdfunding is nothing new

- “La Liberté éclairant le monde”
- designed by Frédéric Auguste Bartholdi, built by Gustave Eiffel and given to the young USA
- Lack of funding for the pedestal in 1885
- Publisher Joseph Pulitzer of the “New York World” attracted donations from more than 120'000 contributors, most of whom gave less than a dollar.



Definition

Definition 1 ∴ Crowdfunding ∴

Crowdfunding is sourcing funding from many contributors

Different styles of Crowdfunding:

1. equity
2. product
3. sponsoring

Modern History

- Product crowdfunding / Rewards based crowdfunding — eg. Pebble Watch, Ubuntu Phone
- Debt based crowdfunding (P2P lending) — eg. Lending Club
- Donation based crowdfunding — eg. GoFundMe
- Equity crowdfunding
- mini-IPO

2 Science and Progress

2.1 History

Science is the motor of welfare

- thermodynamics → steam engine → first industrial revolution → crash of LSE of 1850
- the internal combustion engine, electricity and magnetism → new wave of prosperity → crash of 1929
- the transistor and computer → globalisation → Internet bubble, Global Meltdown
- the next wave is being build around four axis:
 - artificial intelligence and big data
 - quantum computing
 - biotechnology and
 - nano-technology

3 The real role of Crowdfunding

3.1 Society Types and their importance

The Kardashev scale

Where are we on our long journey?

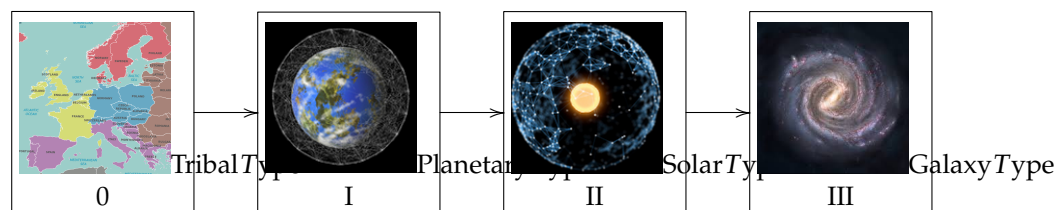


Figure 1: A theory about development of intelligent societies — see eg. ?.

3.2 How Crowdfunding can help to move to the next stage

Crowdfunding as an enabler towards a Type I society

- Misconception about ownership of deposits in banks

- Crowdfunding reflects the values of the society
- Crowdfunding is one of those many signs of a Type I society

Bitcoin

Bitcoin and Crowdfunding have a lot in common

- ... is since 2008 is a distributed ledger system with no bank in between
- ... is an engine to create trust in a trust-less world
- ... is a step in democratizing money

In short they are engines to evolve to a more compassionate society and hence a little step in the direction of a Type I society

But

- are the masses always right?
- Crowdfunding can finance contradicting values

The next steps

- decentralized mortgages
- decentralized ownership registers
- decentralized money
- decentralized equity and product funding

Does all this make banks redundant?

As long as humans as biological entities exist, there will be a need for:

- a trusted partner to diversify your portfolio
- an ecosystem to find relevant investments for you
- an ecosystem to help you started in your environment
- a provider of insurance, hedging, etc.
- a trusted partner to do customer due diligence, to check for anti-money laundering, fraud, funding of criminal activities, etc.
- a rock in the shore if crowdfunding becomes a victim of its own success

In fact ...

- Banks are the natural organizations to organize crowdfunding
- a bank has all it takes to allow P2P lending and crowdfunding to co-exist with its own service through its balance sheet
- transparency and honesty will be key, but ... crowdfunding is part of the future of banks

4 What can Crowdfunding do for you

4.1 Advantages

Advantages

1. direct access to customer, customer engagement
2. “free” publicity and PR
3. remain in charge
4. get direct feedback from your market
5. ...

4.2 Disadvantages

Reasons NOT to use Crowdfunding

1. risk of failure and the shame it entails
2. arrogance (“I know all and don’t need the money”)
3. inability to engage (or do something unpopular)

4.3 Tips

Remember that ...

1. G. Galilei did not invent the telescope
2. C. Columbus did not “discover” the “Americas”
3. T. Edison did not invent the light-bulb
4. G. Bell did not invent the telephone
5. Prof. Markovitz did not have the best solution for a portfolio theory — see eg. De Brouwer (2012)
6. Prof. Higgs did not first describe the “Higgs Boson”
7. etc.

Tips

1. If you want a million help a million people
2. Create something cool or engage and show the Greater Good in what you do
3. Never ask for charity
4. Connect to your audience
5. Follow through and never give up, your idea is great!
6. provide mugs but better relate rewards to the product or service; real participation is even better
7. Run a campaign to gain trust!

5 Conclusion

Conclusion

1. Crowdfunding is part of a movement that cannot be stopped
2. Crowdfunding is part of a movement that will change our world
3. Banks have to re-invent themselves to survive in the long term, but they have a pole-position and a real role to play

1 Appendices

1.1 Copyright

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Bibliography

Bibliography

References

De Brouwer, P. J. S. (2012). *Maslowian Portfolio Theory, a Coherent Approach to Strategic Asset Allocation*. Brussels: VUBPress.

1.2 Nomenclature

Nomenclature

Nomenclature

IPO	Initial Public Offering, page 2
LSE	London Stock Exchange, page 3
P2P	peer to peer, page 2
PR	Public Relations, page 5