

DR. PHILIPPE J.S. DE BROUWER

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THE BARE MINIMUM ABOUT CROWD  
FUNDING

STRATEGIC INNOVATION AND ARTIFICIAL INTELLIGENCE - PURPLE EDITION

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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:

- A. equity
- B. product
- C. 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?*

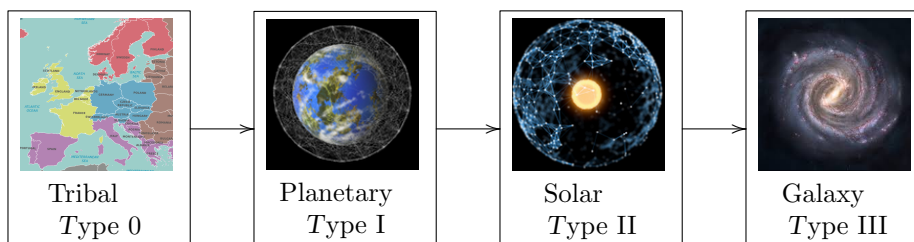


Figure 1: A theory about development of intelligent societies — see eg. Kaku, 2009.

## **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

### **Questions**

- Are the masses always right?
- Should we have ethical concerns (what should be allowed and what not?)

### **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**

- A. direct access to customer, customer engagement
- B. “free” publicity and PR
- C. remain in charge
- D. get direct feedback from your market
- E. ...

### **4.2 Disadvantages**

**Reasons NOT to use Crowdfunding**

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

### **4.3 Tips**

**Remember that ...**

- A. Galileo Galilei did not invent the telescope in 1609 – he improved the idea of Hans Lippershey (1608)
- B. Christopher Columbus did not “discover” the “Americas” in 1492 – the first people arrived 15,000 years ago (26,000), the Vikings in 1021
- C. Thomas Edison did not invent the light-bulb in 1879 [the carbon filament light bulb] – Joseph Swan, created the first successful electric lamp and gave public demonstrations of it in late 1878 and early 1879

- D. Graham Bell did not invent the telephone in 1876 – Innocenzo Manzetti planned the device in 1844, and may have made one in 1864
- E. Prof. Markovitz did not have the best solution for a portfolio theory — see eg. De Brouwer, [2012](#)
- F. Prof. Higgs did not first describe the “Higgs Boson” in 19 October 1964 – Francois Englert first published the idea in August 1964, and so did 4 other the same year.
- G. etc.

### **Tips**

- A. If you want a million help a million people
- B. Create something cool or engage and show the Greater Good in what you do
- C. Never ask for charity
- D. Connect to your audience
- E. Follow through and never give up, your idea is great!
- F. provide mugs but better relate rewards to the product or service; real participation is even better
- G. Run a campaign to gain trust!

## **5 Conclusion**

### **Conclusion**

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

## **A Appendices**

### **A.1 Copyright**

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## References

- De Brouwer, Philippe J. S. (2012). *Maslowian Portfolio Theory, a Coherent Approach to Strategic Asset Allocation*. Brussels: VUBPress.
- Kaku, Michio (2009). *Physics of the impossible: A scientific exploration into the world of phasers, force fields, teleportation, and time travel*. Anchor.

## Nomenclature

- IPO    Initial Public Offering
- LSE    London Stock Exchange
- P2P    peer to peer
- PR     Public Relations