

Feed the Birds; Tuppence a Bag

The Politics of Capitalism 2.0: Don't Panic, Organise!



MA - New Media & Digital Culture

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INDEX

| | |
|--|--------------|
| Acknowledgement | 3 |
| Executive Summary | 4 |
| Introduction | 5-8 |
| The Public Sphere: Private People come Together as a Public | 8-24 |
| Civil Society and the Public Sphere | 8 |
| Habermas and the Public Sphere | 10 |
| Reformulations of the Public Sphere | 12 |
| Internet and the Public Sphere | 15 |
| The Net: Public Space or Public Sphere? | 16 |
| Publicity or Neo-Democracy | 19 |
| The Public Sphere and the Commons | 21 |
| Conclusion | 23 |
| Crowdfunding: The Best Way to Find Yourself is to | |
| Lose Yourself in the Service of Others | 24-32 |
| From Crowdsourcing to Crowdfunding | 24 |
| Back to Crowdfunding | 26 |
| Crowdfunding: Not Only About Funding | 27 |
| The Risks, Downsides and Issues of Crowdfunding | 29 |
| Conclusion | 32 |
| Crowfundig and the ‘Ideal’ of a Public Sphere | 32-38 |
| The tragedy of the Commons | 32 |
| Capitalism versus Community | 34 |
| From Corporations to Commons Entrepreneurs | 34 |
| Mentality Change: Crowdfunding as One of the Solutions? | 35 |
| The ‘Ideal’ Public Sphere | 36 |
| Don’t Panic, Organise! | 39-41 |
| References | 42-46 |
| Attachment 1 | 47-51 |

Acknowledgement

I want to dedicate this paper to my dad, Paul O'Connor, who sets an example for society with his mentality and goals which for me characterizes him as a 'Hippie Scientist.'¹ It's through him that I also came in contact with the concept of Crowdfunding during my internship. Moreover I would like to refer to the Disney Film *Mary Poppins* (1964), where the directors, script and music writers already pointed to the flawed capitalist system with their song *Feed the Birds* from the Sherman Brothers. In heart this song points out that we don't only have to pay attention to the 'bank', but also to our fellow-creatures.

*"Early each day to the steps of Saint Paul's
The little old bird woman comes.
In her own special way to the people she calls,
"Come, buy my bags full of crumbs.
Come feed the little birds, show them you care
And you'll be glad if you do.
Their young ones are hungry,
Their nests are so bare;
All it takes is tuppence from you."
Feed the birds, tuppence a bag,
Tuppence, tuppence, tuppence a bag.
"Feed the birds," that's what she cries,
While overhead, her birds fill the skies.
All around the cathedral the saints and apostles
Look down as she sells her wares.
Although you can't see it, you know they are smiling
Each time someone shows that he cares.
Though her words are simple and few,
Listen, listen, she's calling to you:
"Feed the birds, tuppence a bag,
Tuppence, tuppence, tuppence a bag."*

¹ For more information about Paul O'Connor and 'Hippie Scientists' look at attachment 1.

Executive Summary

The goal of this thesis is to analyze the mechanisms of crowdfunding platforms in order to evaluate if these are spaces which enable a public sphere and therefore a public opinion. With this I hope to make a contribution to the discourses about the Internet and the public sphere. First I will describe the origins and meaning(s) of the public sphere and opinion. Secondly I will research the 'democratic' value of crowdfunding: The possibilities it has to open up a new and maybe even better public sphere and with it a public opinion. I will argue for a non liberal theory of the public sphere, the commons, and how crowdfunding could enable capitalism 2.0, where a balance can exist between the government, corporations and the commons. In this way crowdfunding, when used well, could solve the issues brought up by critics of the public sphere. Whereby Crowdfunding enables a form of economical action which is not only neo-liberal but which also properly incorporates the commons.

DON'T PANIC, ORGANISE!

Kimberley O'Connor

In *The New Capitalist Manifesto: Building a Disruptively Better Business* (2010) Umair Haque, Director of Havas Media Lab, calls for an end of the capitalist system of corrupt business ideals. He pleads for a constructive capitalism, 'Capitalism 2.0', where old paradigms of wasting growth, inefficient competition, and self destructive ideals are left behind. Therefore in the book his statement 'The Death of Capitalism, Long Live Capitalism' predominates (Haque, 2010).

The contemporary shape of Capitalism is under pressure. With the current economical crises the belief and confidence in the economical system is decreasing. This economical system, which is supposed to be based on trust and benefit, has taken on a life of its own. Already for a long time capitalism doesn't fit anymore within the contemporary global society: "It is depraved into a nontransparent Moloch that navigates blindly on high returns, overshooting efficiency and cost control [Translated in English; KJO]" (Admiraal, 2010).

According to several scientists and critics like Umair Haque and Peter Barnes this gives room for alternatives, hence capitalism 2.0/3.0: the networked individual. With the explosive use of the Internet and its social networking capabilities, which gives the (networked) individuals the possibility to gain more power and know-how than ever before, it seems that 'the power of the crowd' will finally get the chance to overrule 'the powers that be'. Trend watchers foresee the power of the networked individual: possessions in themselves don't give power, but sharing them will! (Raine, 2010).

This takes us to the subject of my thesis: crowdfunding. With the economical crises it becomes even more a significant challenge for entrepreneurs to attract external know-how and capital. Many ventures remain unfunded due to a lack of collateral and unsuccessful attempts to persuade investors. The presence of information asymmetry with investors makes the financing of opportunities fraught with difficulties, because entrepreneurs contain more information about themselves and their (business) opportunities than the potential investor. Therefore investors are faced with high risks when they select an entrepreneur or business to invest in and thus are very picky and

attentive when selecting one (Shane & Cable, 2002: 364; Lambert & Schwienbacher, 2010: 2; Schwienbacher & Larralde, 2010: 3).

For this reason, some entrepreneurs are looking for alternatives and start to seek financial, intellectual, and spiritual help from individuals or groups on the Internet instead of addressing financial investors like venture capitalists, angel investors and banks. In other words, mainly under the name crowdfunding, entrepreneurs are tapping the crowd instead of specialized investors to obtain financial support (Kleemann et al., 2008; Lambert & Schwienbacher, 2010).

During *The Art of Crowdfunding* conference in Utrecht on the 26th of October in 2010 specialists and web philosophers discussed the opportunities and threats of crowdfunding. It seems that there is still a lot of skepticism and debate around the concept of crowdfunding. Some Web philosophers are scared that crowdfunding can only be seen as the next Internet hype that will disappear as fast as it surfaced, while others are more hopeful about the concept and argue that crowdfunding already existed before it had a name, it's just only now, when people are starting to look for alternative models for financing, that it is experiencing its breakthrough (Hartgers, 2010).

Either way the existence of successful crowdfunding initiatives cannot be denied. While most of these initiatives are small scaled, though *Trampoline Systems* proved that crowdfunding has its potential to raise funds not only for small projects but also for high-growth startups that up to now are typically financed by venture capitalists and business angels. This UK-based software company managed to raise £ 1 million within a year. Till now this is the largest sum of money raised through crowdfunding by one campaign (Schwienbacher & Larralde, 2010: 3).

Thus crowdfunding, when implemented correctly, can be successful, but it is also useful to look at the implications it has on society not only from an economical and political point of view but also from a social and cultural one. As noted before, crowdfunding gives the 'crowd' the possibility to contribute to the innovations of entrepreneurs, who before would be outranked and overrun by more commercial capitalistic companies, with their know-how and financial resources. So it seems that the crowd gets more possibilities to contribute and exert power. Could this also mean that networked society becomes more

democratic? In other words, do crowdfunding platforms enable a new and better public sphere and in turn a public opinion?

In this paper I would like to research the 'democratic' value of crowdfunding and which possible implications it has on the existing social and political power relations between companies, organizations and individuals in the Western society. I want to point out that with the 'democratic' value of crowdfunding I recognize the possibilities it has to open up a new and maybe even better public sphere and with it a public opinion. Further in my paper I will spend some time pointing this out.

I think it is of scientific and cultural importance to study the debates and phenomenon's around new media platforms like crowdfunding platforms in order to get more insight about its concept and implications. Moreover it is important to study these implications in order to adapt to possible ethical, political and epistemological questions it raises. In this paper I want to spend my time with the question if crowdfunding platforms could possibly enable a new and better public sphere and opinion. Here it is important to make an attempt to convince critics of the public sphere that crowdfunding could have the power to create a better public sphere, because there is much resistance for the possibilities of a public sphere and moreover for the concept itself. It is therefore also important to include similar concepts as the public sphere in my argument in order to clarify if with crowdfunding we really should speak of a public sphere or that we maybe should formulate a new or alternative concept to describe the development of a public opinion. As noted before we also have to take into account and discuss the conception of democracy since public opinion lies at the heart of democratic theory (Key, 1961: 35).

Although I will have a positive view of the potentials of crowdfunding platforms as a means to become closer to a public sphere and with it a public opinion in this debate, I also need to give a warning and will emphasize the difficulties and hazards of the contemporary digital culture which is always subjected to change and often leads to many uncertainties. Therefore when I'm trying to convince skeptics for the possibilities of a public sphere in a society that is more and more subjected to digital technologies, this doesn't mean that we will actually realize these potentials through platforms such as crowdfunding platforms. Some tools which can at first be perfect to realize these potentials can at times become our worst enemy in achieving this purpose. What I mean to advocate here is that the supposed freedom of crowdfunding platforms can in time, or

may already be, subjected to higher powers such as government intervention like censoring and commercial manipulation. Thus, my paper will function as a stepping stone for further research and future insights, as societies are constantly changing and with it our understanding of the world.

The Public Sphere: Private People come Together as a Public

Every application of the concept of the public sphere involves a tension between sociological description and normative prescription. This productive tension - which spans the gap between actual and potential - is what has rendered the concept so fruitful and useful, and what promises that the concept will continue to provoke both interest and insight for many years to come (Murphy III, 2012).

It is still important to pay interest and mention the views of Jürgen Habermas about the public sphere in our contemporary digital culture, because he doesn't mainly use the terms for political purposes, but also uses it as an indication for a common cultural sphere. Thus the term is not only deployable in politics but also in every area of societal life. Therefore in this chapter I want to give an overview of the concept of the public sphere in order to argue that it could flourish in crowdfunding platforms. First I will give a short history on how the term came into being for Habermas through the idea of a civil society. Then I will give a more precise definition of the term through the eyes of Habermas and its critics. Finally I will argue how I will deploy the term for my research.

Civil Society and the Public Sphere

As a concept, civil society is essentially an intellectual product of 18th century Europe in which citizens sought to define their place in society independent of the aristocratic state at a time when the certainty of a status-based social order began to suffer irreversible decline (Anheier, 2004).

Particularly since the end of the Cold war there has been a renewed interest in civil society as a means for radical political action, and is taken up as a central term in modern social science discourse that revalues the boundaries of advocacy, policy-making and the academy. It is argued that a strong civil society can revalue democracy, make the

economy grow and resolve social problems in a post-industrial global society (Anheier, 2004)(Hall et al., 1999).

The nature and characteristics of a civil society are very different in communities and countries around the world and depend upon the historical, political, economical, cultural, and social traditions they hold. Though it is agreed that civil society tries to distinct and/or separates itself from political (the state) and economical (the market) society and can be broadly understood as the space in society where collective citizen action takes place.

While it is evident that there are various concepts and approaches that emphasize on different aspects and/or elements of civil society, three aspects mentioned by twentieth-century analysts are often seen as crucial components for understanding the term (Felming, 2000:1-2)(Anheier, 2004).

The first is the emphasis on the cultural and symbolic dimension of civil society meaning that it doesn't only equip and/or transmit existing practices and beliefs, but that it also pays attention to the creation of collective identities, ethical values, and alliances (Fleming, 2000:2).

The second contribution is the emphasis on the creative and dynamic aspects of civil society with its social movement that enable new social projects and concerns that in turn generate new values and collective identities. Here, society does not only seek to reform the polity, but also the institutions of civil society itself (2).

The last contribution is important for this thesis and is developed primarily by Jürgen Habermas and his followers which is surrounded by the conception of the 'public sphere'.² He defines civil society as a place where members of the society come together for deliberation about common concerns for the public, opposing the systematizing effects of the state and the economy. The autonomous discourse on laws, policies, norms, and values generates 'politically' relevant public opinion (2).

² It is important to note that Habermas was not the originator of the notion of 'civil society' or the idea of the 'public'/'public sphere'. Habermas merely reconstructed these notions, - forthcoming from philosophical and sociological discussions since the Age of Enlightenment culminating in Hegel and Marx - ultimately becoming central to Habermasian theory (Gunaratne, 2003)

Habermas and the Public Sphere

Habermas was part of the second generation of the Frankfurter Schule, a circle of German-Jewish academics who kept themselves busy with critical theory, which stresses the examination and critique of society and culture, using knowledge across the social sciences and humanities. This way they sought to diagnose and maybe even cure, as what they called, the 'ills of society', for them particularly known as fascism and capitalism (Bronner, 2011: 1-7).

Habermas became widely known for his theory about the public sphere, the English translation for the German term *Öffentlichkeit*. He coined this theory in his book *Strukturwandel der Öffentlichkeit (1962)*. Here he analyses the last centuries of the West-European history and acts out an ideal for a public sphere (Stappers, 1990). In his magnum opus *The Structural Transformation of the Public Sphere (1989)* he argues that in European society in the middle ages there was no question of a public sphere unique and/or distinct from a private sphere (103). This however changed in the 18th century when the political structure of the society transformed due to the enlightenment and the rise of capitalist modes of production, leading to the collapse of the feudal system and the arrival of the bourgeois culture. Contrary to the middle ages a distinction and/or boundary was made between state and private life where the space between these two spheres began to be known as the public sphere (Ubayasiri, 2007:5).

Öffentlichkeit, literally translated as 'publicness', communicates two coherent purposes, one includes the notion of 'the public' as a physical entity, and the other involves the concept of 'openness' or 'publicity.' The concept thus not only imply intellectual exchange, but also implies the forming of a public through various means of communication. Here it is important to notice that the term does not only include the physical public but also the democratic transparency implicit in public discourse. Because of its ambiguity, the term encompasses both rational open discourse as the sovereignty of the public (Murphy, 2012).

Habermas defines the public sphere as a domain or network for communication, information and views that transform into a public opinion. For an ideal public sphere, Habermas argues, it is important that it is a domain where rational discussions can be held free from power and control. Habermas' original conception of the public sphere embodies

a strictly 'bourgeois' public sphere that was restricted in terms of class and gender (Fraser, 1992).

In this conception of the public sphere Habermas defines three elements that are of main interest; First, that it is a domain for rational discussion where a public opinion can be formed. The second element focuses on the accessibility of the public sphere in the sense that it has free access for citizens and individuals who had previously been excluded. Therefore Habermas points out the importance of print media to engender literacy and 'public' information. Finally, the public sphere is determined by the argument and not the social status of the speaker (Poor, 2005). Thus, in short, a public sphere depends upon the quality of discourse and the quantity of participation.

In his later works, particularly in his magnum opus, Habermas describes a transformation of the public sphere that is mostly aimed at continual expansion including more and more participants. While he argues that as a result this will bring a degeneration in the quality of discourse, he also points out that for democracy and the nature of large-scale social organization it is impossible to go back to an elitist public sphere. The development of large corporations, the problematization of consumption, and the rise of a social welfare state and mass democracy all tend to this. Though an altered public sphere is still needed as a mode for societal integration. Similar as state power and market economies, public discourse - also called communicative action by Habermas in his later works - contributes to the coordination of human life. However money and power offer no intrinsic openings to reason and will also attend to domination and simplicity. Thus, state and economy are both important as potentially dangerous for the existence of a democratic public sphere (Calhoun, 1992: 3-8).

Habermas argues that with mass consumption and mass media a 'refeudalization' of society came about, as private organizations began to require public power and the state penetrated the private realm. In turn the boundaries between public and private began to be blurred and rational-critical debate gave way to the consumption of culture (21):

In the course of our century, the bourgeois forms of sociability have found substitutes that have one tendency in common despite their regional and national diversity: abstinence from literary and political debate. On the new model the

convivial discussion among individuals gave way to more or less noncommittal group activities (Habermas, 1989: 163).

This culture is mostly aimed at joint consumption rather than active participation. A public sphere didn't emerge from such a situation, because rational-critical debate has mostly been replaced by consumption where "the world fashioned by the mass media is a public sphere in appearance only" (171). Here the public sphere has turned into an arena for advertising rather than a domain for rational and critical discourse, and loses its internal democratic function (Calhoun, 1992: 23-27).

Habermas argues that there is no way back to the old bourgeois public sphere because the change in social conditions has made this impossible. Therefore he tries to create a democratic public discourse which can preserve critical reason in a culture where there is no clear boundaries between state and society. He finds his solution in internally democratizing institutions and organizations in order to make publicity transparent, reasoned, and progressive instead of turning it into a field for manipulation and popular opinion (27-28).

Reformulations of the Public Sphere

There are various scientific works that have built upon and/or reformulated Habermas' notion of the public sphere which ensured a large collection of literature about the subject. Many scholars recognized that Habermas' notion of the public sphere was incomplete and therefore reconceptualized his ideas in order to adapt it to the complexities of contemporary society and for using it to examine online public spheres.

One addition that was made to the public sphere theory is the notion of multiple publics, discussed by theorist like R. Asen & D. Brouwer (2001), P. Dahlgren (2001), and N. Fraser (1992). The importance of this notion lays in the complexity of the Internet and the large number of people who use it. It is questionable that a single public sphere can function on the Internet when dealing with such a diverse group of people, because it would be very difficult to deliberate. Working with multiple publics with different interests, morals and values, allows smaller and thus more workable, public spheres on the Internet (Poor, 2005).

Fraser, and many others like C. Squires, discuss counter-publics as an addition to the idea of multiple publics: “in order to signal that they are parallel discursive arenas where members of subordinated social groups invent and circulate counter-discourses, which in turn permit them to formulate oppositional interpretations of their identities, interests, and need” (Fraser 1990: 67). So counter-public spheres are in opposition to the primary public sphere.

N. Garnham also recognizes the existence of multiple publics “each organized around its own political structure, media systems, and sets of norms and interests” (1992: 371), but he also lays an emphasis on the existence of one overarching and or dominant public sphere (371). P. Dahlgren also finds that publics are organized around various issues, but he calls these publics ‘issue publics’, for example based on gender, identity and political affiliation (2001). L. Dahlberg recognizes these publics on the Internet: “the Internet is facilitating discourse that replicates the basic structure of rational-critical debate and that in various ways approximates the requirements of the public sphere” (2001). Though, he thinks that these discourses can’t match or achieve the requirements of the public sphere.

Jodi Dean doesn’t agree with the attempt to reformulate the public sphere of Habermas by adding an ‘s’. She doesn’t like the idea of subaltern oppositional counter publics that follow the normative terms of the public sphere but try to avoid its exclusionary dimensions, because:

If the groups all have the same norms, then they are part of one public in the Habermasian sense; if they do not have the same norms, if they are exclusive, partial, oriented around specific concerns and interests, then they are not publics but different sorts of groups - interest groups, say” (2003: 96-97).

Groups aren’t supposed to be publics, because it is in their exclusivity that they form group-ness (97).

Z. Papacharissi recognizes three paradoxes in the existence of an online public sphere. First, while the Internet facilitates a great amount of information storage, it is unlikely that access and literacy will be equal. Second, while the Internet allows for quicker and easier global communication than previous technologies, it is questionable if it is accessible for all

audiences. Finally, Papacharissi argues that in the end any online public sphere will become corrupted by commercialism like Habermas' bourgeois public sphere (2002: 8-11).

Fernback and Thompson also hold paradox thoughts when looking at the democratic potential of virtual communities. They argue that online communication can actually strengthen civil society, but that a virtual public sphere will only serve a cathartic role, meaning that it serves mainly on the public's feeling of being involved rather than on its actual participation. They conclude that the disadvantages of an online public sphere outweigh the advantages: "Indeed, each of the 'advantages' could be construed as disadvantage: Appearances do matter; conversation should not be based on solely efficiency; and some ideas are more useful than others" (1995).

Rheingold finds Fernback and Thompson's conclusion premature. He argues that electronic media offers the possibilities for free publishing and communication which are fundamental for democracy. However he does recognize the hazards of the Internet. He argues that when the net is dominated by a small number of commercial interests it definitely can exert political power and therefore can undermine democracy. However he holds an utopian vision in that "this technology, if properly understood and defended by enough citizens, does have democratizing potential in the way that alphabets and printing presses had democratizing potential" (Rheingold, 1994: 298). Still he stresses that we always have to incorporate the fears of the critics: "We owe it to ourselves and future generations to look closely at what the enthusiasts fail to tell us, and to listen attentively to what the skeptics fear" (295).

It's thus apparent that since the development of the digital culture through the Internet and in turn the existence of a global society, even more scholars try to adapt and or criticize the notion of the public sphere and reformulate or analyze it in order to understand social networks on the Internet, particularly about their functionality. They favor the theory in its ability to identify and make a distinction between economy, state, and democratic associations, which are essential to democratic and critical theory (Poore, 2005)(Fraser, 1990: 57). Unfortunately their findings are mostly varied. One common report is that the Internet potentially can contribute to a public sphere, but that there is no guarantee that this will be the case. We need to keep in mind that the Internet is a network of networks, and that it is continually changing. So to say that there exists a public sphere on 'the

Internet' is an intuitive statement. Therefore if somebody wants to propose a public sphere on the Internet, it better be empirically grounded (Poor, 2005).

With this in mind, Dahlberg formulated six criteria that an online space must comply with before it even can be considered as a public sphere:

Dahlberg, 2001

| | |
|---|--|
| 1 | Autonomy from state en economic power |
| 2 | Thematization and critique of criticizable moral: computer-mediated communication [needs to] encourage a pattern of discussion that clearly parallels the rational, dialogic form of conversation required within the public sphere. |
| 3 | Reflexivity: the process of standing back from, critically reflecting upon, and changing one's position when faced by 'the better argument'. |
| 4 | Ideal role-taking: participants attempting to put themselves in the position of the other so as to come to an understanding of the other's perspective. |
| 5 | Sincerity: participants must make a sincere effort to make known all relevant information an their true intentions, interests, needs, and desires. |
| 6 | Discursive equality and inclusion in online discourses. |

With these conditions he focuses mainly on a single public sphere instead of multiple public spheres. Though he does recognize that further research such as case studies are invaluable to prevent generalizability (2001). Therefore his criteria still can be useful in assessing if certain online spaces have the ability to create a public sphere. My goal is to analyze the mechanisms of crowdfunding platforms in order to evaluate if these are spaces which enable a public sphere and therefore a public opinion. In turn I hope to make a contribution to the discourses about the Internet and the public sphere.

Internet and the Public Sphere

If one accepts the claims of the optimists, the [...] [Internet] seems to match all the basic requirements of Habermas's normative theory of the democratic public sphere: it is a universal, anti-hierarchical, complex, and demanding mode of interaction. Because it offers universal access, uncoerced communication, freedom of expression, an unrestricted agenda, participation outside of traditional political

institutions and generates public opinion through processes of discussion, the Internet looks like the most ideal speech situation (Buchstein, 1997: 250).

With the Internet it seems that long aspired expectations of an 'ideal' public sphere are nearly attained. The contemporary techno-culture seems to embody the ideals of democracy by granting access to information to ever greater numbers of people and giving them the possibility to register their thoughts and opinions in political discussions. People get the chance to participate as equals in processes of collective will formation. In other words, new media technologies give a promise to further democratization of post-industrial society which is for instance visible in the explosion of political groups and activism online. The Internet provides another domain for political deliberation and thus could function as a facility that promotes democratic exchange of ideas and opinions (Papacharissi, 2002: 9-11).

On the other hand many scholars are also skeptical about the democratic potentials of new media technologies, especially the Net, and question the universal accessibility of the technologies and the possibility of fragmented, nonsensical, and enraged discussion - also known as 'flaming' - which drift us further away from, instead of revitalizing, the public sphere.

We therefore have to determine whether we can call the Internet a public sphere and on which occasion. In turn we have to ask ourselves the question if the Internet can promote rational discourse and if so, does it reflect several public spheres co-existing online? Are the discourses online dominated by chaos or consensus? And will the potential of the Internet to serve democracy eventually be absorbed by a mass commercial culture?

We can deal with these questions by taking a closer look at the utopian and dystopian visions about the promise of the Internet as a public sphere. As already mentioned, most scholars, like Dahlberg and Papacharissi, feel that there is a possibility of the existence of a public sphere online, but question if it will be attained. The online space must comply to many criteria and there are many paradoxes in the existence of an online public sphere.

The Net: Public Space or Public Sphere?

The Internet offers multiple networks of communication which enables easier access to information; "hardwiring the collective consciousness" (Barlow, 1995). It affords a domain

for individual expression and creates the possibility for individuals and groups to reach out to the world and reform public affairs and in turn connect the government to citizens (Papacharissi, 2002: 13-14).

Though, many critics like Pavlik, Williams and Dyson argue that a virtual public sphere is merely an illusion of openness, and even if online information is equal and universal we have to question the possibilities of accessing and managing large volumes of information. It is evident that one has to possess the skills and time to track, go through, and filter the information (Jones 1997).

We as a society haven't learned 'Net literacy' yet. We take a story's appearance online, as well as in print, as proof that it has been subjected to rigorous journalistic standards, but there's so much stuff out there that no one has the time to contradict all the errors (Dyson, 1998: 50-51).

Brook and Boal even go further by contrasting face-to-face interaction to the the fragmentation of technology. They argue that the Internet is similar to a television screen injecting an overdoses of information into our brains. So to them the Net isn't a domain for rational discussion but "a television which injects banalities into passive consumer-junkies" (1995: vii). Žižek also adds the problem of commercialization hiding behind the supposed openness of the Internet. Unmasking this fact doesn't change anything, because people are very aware that they feed advertisers, but they do it anyway. He argues that we don't obtain any new or usable information on the Internet, because ideology affects what we do, not what we know (1999). We therefore also have to question if participation online and online public debate is more about the sense of activity rather than actual civic involvement:

The expression of political opinion online leave one with an empowering feeling. The power of the words and their ability to effect change, however, is limited in the current political spectrum. In a political system where the role of the public is limited, the effect of these online opinions on policy making is questionable (Papacharissi, 2002: 16).

Papacharissi recognizes the paradoxes of the existence of a public sphere online and argues that if there exists one, that it isn't comparable to earlier described public

discourses in society. The virtual network with its hackers and Internet activists creates a new kind of political activism restructuring political processes (2002: 18). Poster agrees arguing that new kinds of power relations occur online creating new politics on the Internet (Boeder, 2005). However Papacharissi also points out that participation isn't the key determinant for democracy; participation doesn't necessarily support democracy (2002: 18). Kellner explains this vision by describing the ideology of techno-capitalism, where new technologies like the Internet can be used as instruments of domination as much as for democratization. New technologies create a new type of public sphere where there exists a synthesis of capital and technology. Here technology plays an important role in politics and helps preserve the superiority of capitalist structures. It depends on how much these two take into account the participating society in their politics whether we actually can talk about (a) public sphere(s) (Boeder, 2005).

Critics like Lyotard and Schudson also question the democratic value of a public sphere. Lyotard argues that individuality, disagreement and anarchy, instead of rational agreement, lead to real democratic emancipation. Schudson adds that there is little to no evidence that an ideal public sphere ever existed arguing that public discourse is too large and chaotic to be civil (1984: 11). Moreover Ubayasiri questions whether the possibility of anonymity on the Web is undermining the integrity of the argument impeding the establishment of a Habermasian public sphere. He argues that making bold claims doesn't always undermine public discourse, because it could also be a breakthrough on a tempered argument. Thus, the claims made also could mean a creative approach on a subject and in turn enhance greater debate. On the other side, anonymity could also increase extremist comments, manifesting extreme political reactions; "a tyranny of the masses" (2007: 10). Ubayasiri therefore suggests rational monitoring of public spheres, but also remarks that this type of 'control' can undermine the freedom on the Internet and in turn the structure of the public sphere. It is therefore important to balance freedom and moderation (11).

So while it is evident that political discourse exist online, it is not as certain if this leads to more democratic debate and has implications on political processes. The Net provides a public space, but does it constitute a public sphere? It is therefore important to analyze the diversity, content, and impact of online discourses before we can speak of a public sphere that enhances democracy (18). Within the online networks there exists systems within systems that each try to undermine the integrity, accountability, and authority of the other.

Papacharissi emphasizes on the hopes of an ideal public sphere. Like Garnhem, he finds it important to still strive towards a public sphere online and therefore argues that we have to place importance to the greater impact of political deliberation online and in turn determine whether the Net can “transcend from public space to a public, virtual sphere” (2002: 24).

The value of the virtual sphere lies in the fact that it encompasses the hope, speculation, and dreams of what could be. It is a vision, but not yet reality. [...]. As a vision, it inspires, but has not yet managed to transform political and social structures (23).

Publicity or Neo-Democracy?

In *Why the Net is not a Public Sphere* (2003) Jodi Dean argues that the public sphere isn't only inapplicable to the Net, but it also damages democratic ambitions. She argues that the technologies, agents and practices of digital democracy embody the power relations of contemporary capitalism. She argues the notion of communicative capitalism; Consumerism by the privileging of the individual self over group interests. The profusion of screens and spectacles and the speed and interconnectivity of digital networks undermines democratic politics for most citizens (Dean, 2002: 3).

Dean supports the notion of networks with a political architecture which could center democratic practices in conflict and contestation: “the real significance of digital democracy lies in the role played by citizens as consumers of an ever-expanding array of new ICT hardware and software and the infotainment products and services they deliver “ (14). She finds it both constitutive and destructive for public life that democracy rests on the access of information. With the Internet a great amount of information is accessible and therefore public knowledge. In most theories, like the public sphere, democracy is inevitably bound to the accessibility of information and the forthcoming public information. While she acknowledges the democratic feature of knowledge and information she point out that information networks also threaten democratic forms of life: “the presumed value of information...morphs political action into compliant practices of consumption: Good citizens must have magazines, televisions, Internet access” (35). Moreover she argues that the ideology of publicity with its sensational and often conflicting information creates the suspicious subject: “The speed of networked

communications [...] gives many of us the sense of being forever behind, of forever lacking what everyone else has. The promise of information gives us the sense of always uninformed, unsure, never quite certain...” (148). Therefore, according to Dean, the accessibility and the constant flow of information becomes a lack of information. Thus in contrast to Habermasian theory where the accessibility and flow of information supports public opinion, with Dean this is exactly the aspect that erodes efficient democracy (133).

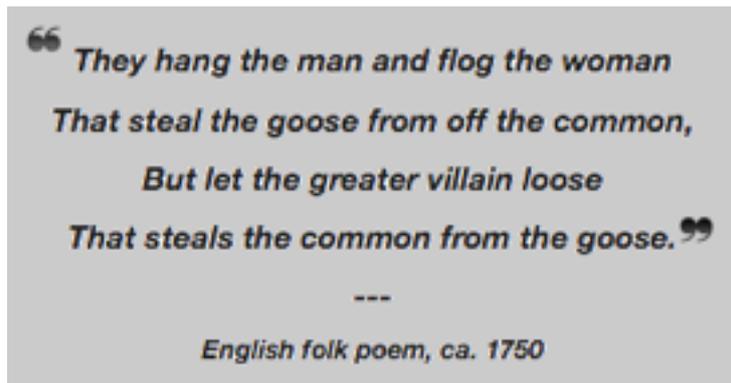
However, Dean is not totally skeptical about the democratic potentials of the network society. She recognizes a realm of non-commercial networked interaction which enables new democratic practices which she calls ‘neo-democracies’ (166) in which hegemony, decisiveness, and credibility predominates.

As an example of neo-democracy Dean mentions the rise of issue networks, a concept extensively applied by the sociologist Noortje Marres (2003). In issue networks the connections between “passive and active, powerful and less powerful political actors, who may or may not agree” (Mariamz, 2011) are considered in contrast to social networks, which only imply positive and friendly connections. Another example Dean gives is the networked social movements, which disrupt the developments of major organizations that predominate global communicative capitalism. These movements try to disrupt the “endless reflexive circuits of discussion” (174) by persuasive action in the hope of affecting returning outcomes.

It is important to mention Deans skepticism to the phenomenon of publicity and its connections with democracy in order to recognize the difficulties of Habermasian theory and democracy in contemporary network society. However, while Dean makes an excellent point in arguing that an overflow of - often divergent - information, threatens the democratic value of publicity (inclusivity, equality, rationality and transparency), she doesn’t assess or analyses more local forms of public spheres. In other words, she only criticizes against the literally imposed (bourgeois) public sphere where she lags to critically analyze the (modern) ideas of multiple public spheres and counter publics in networked communication and information society, because she doesn’t recognize them as such. Moreover the public sphere doesn’t only impose democracy by the access and flow of information, but also the existence of rational and critical discourse/debate. Who says that rational and critical debate doesn’t also incorporate a moment where ideas and visions collapse in order to come to a consensus? I think that Habermas recognized the

constant change of society and therefore didn't want to literally ground the public sphere, but that he wanted to create a concept that embodies the development of democracy. While it is evident that there is a small chance that we really can consider ourselves equal and informed, we need to strive to create a domain where an ideal public sphere and opinion can come into being.

The Public Sphere and the Commons



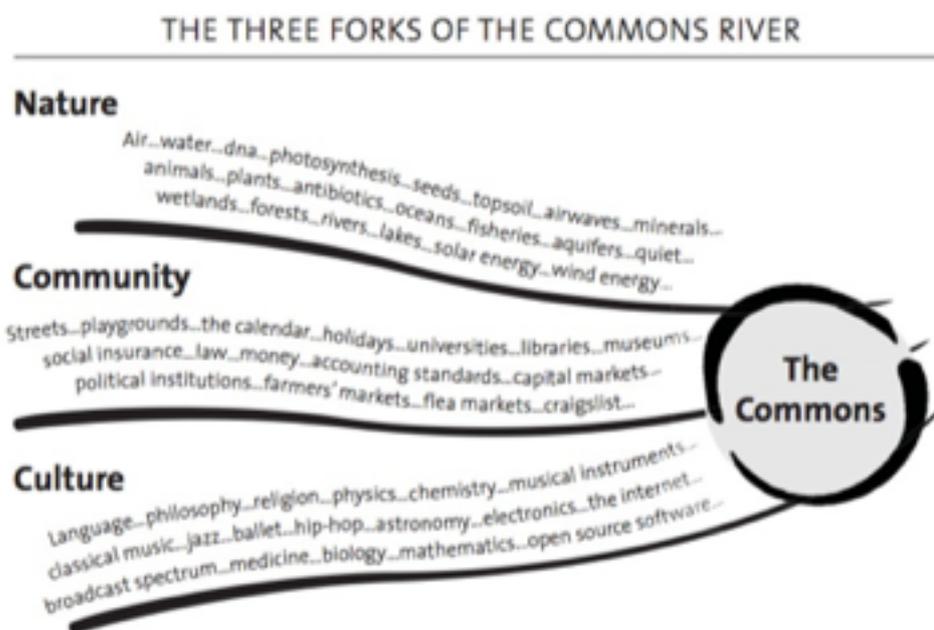
With this knowledge I would like to stress a non-liberal theory of the public sphere, the commons. I think this concept plays an important role in redefining capitalism for the 21st digital society and can help, when used well, solving the issues which are raised by critics of the Habermasian public sphere, especially by Dean.

In *Capitalism 3.0: A Guide to Reclaiming the Commons* (2006), Peter Barnes effectively points out the main principle of the commons:

It refers to all the gifts we inherit or create together. They're all gifts, and they're all shared. A gift is something we receive, as opposed to something we earn. A shared gift is one we receive as members of a community, as opposed to individually. Examples of such gifts include air, water, ecosystems, languages, music, holidays, money, law, mathematics, parks, the Internet, and much more. These diverse gifts are like a river with three tributaries: nature, community and culture (Barnes, 2006: 4-5).

Barnes explains how this river precedes and surrounds capitalism, it adds immense value to it and our well-being and quality of life, because we literally can't live without it (Barnes, 2006: 6).

Barnes, 2006: 5



There is a lot of scientific interest in what contributes to human well-being and the quality of life. Therefore a large range of disciplines spend their time in researching this. In the popular press, human well-being and the quality of life often takes part in the discourse surrounding economic prosperity and sustainability. These aspects are often compared to economic growth under the assumption that consumption and income leads to better welfare (Costanza, 2008).

However already in 1860 John Ruskin observed that the same economic system which brings wealth can also create, what he called, 'illth'. He describes illth as poverty, illness, pollution, and despair. An economic system can make life comfortable for some, but does so at the discomfort of others. Modern economist call this 'negative externalities' (Ruskin, 1860). The interesting part of the economic system is that sometimes it brings negative externalities without actually meeting human needs. Peter Barnes describes this as a 'thneed'; a word he borrowed from the children's fable *The Lorax* (1972), which can be described as a thing we want, but don't really need. Barnes sees thneeds as the dark

side of capitalism which isn't addressed by economists, since they assume that all demand is valuable, as long as it's backed by money. It is because of these needs that we don't recognize that economic growth and prosperity doesn't always mean a growth in welfare and human well-being. Barnes therefore stresses that it's time that we stop being blind and acknowledge that humans have needs and desires which cannot be backed by money. Of course it is not always possible to fulfill these needs directly, but as long as we leave room for them to be filled in non-monetary ways, we are already a step ahead (Barnes, 2006: 13):

If these needs were the path to happiness, most [people] would be delirious by now. But the accumulation of goods is only one means among many in the pursuit of human satisfaction. Everyone except economists seems to know this (Barnes, 2006: 29).

With these insights Barnes also lays emphasis on another interesting cultural quality of the commons: as a society we feel the obligation to preserve them so that our future generations can live on, and live well, just like us. Thus, as Barnes already pointed out to us, the commons possesses a moral factor which doesn't apply to any other economic assets. So, with the commons, even when there is no return to capital it has to be preserved (Barnes, 2006: 6).

Conclusion

In my attempt to analyze crowdfunding platforms I thus want to reconsider the very distinction between public and private spheres; the 'capitalist' account of property that presupposes clear separations between interest. Like Michael Hardt and Antonio Negri I want to argue that economic value is not founded upon exclusive possession, but upon collective potentialities, meaning that informational materiality is valuable for that it is shared. A public sphere and the democratic value it has must be looked at in a different angle with the help of the commons. An ideal public sphere is a domain where human well-being and quality of life is being supported by balancing the state, corporations, and the commons.

In my opinion crowdfunding pays attention to the problems of the public sphere criticized by scholars like Dean. Crowdfunding recognizes the importance of the commons and

tries to pursue the possibilities of free speech and action. Therefore I think that crowdfunding - if implemented correctly - can be seen as a way of economical action which is not only neo-liberal, but also takes into account the commons.

This is why it is important to analyze crowdfunding platforms in how they function, and which norms, values and goals they hold in order to determine if they reach or maybe even embody the 'ideal' of a public sphere which pays attention to the balancing of the commons with the state and corporations. In the next chapter I will therefore give a history of the concept of crowdfunding and its functionalities, goals, risks and issues and evaluate if crowdfunding platforms can contribute to an ideal public sphere. Subsequently I will discuss in which way it affects existing cultural and political power relations.

Crowdfunding: The Best Way to Find Yourself is to Lose Yourself in the Service of Others

In order to determine the democratic value of crowdfunding platforms and its possibility to create a(n) (ideal) public sphere, it is important that we take a closer look in how they function and which norms, values and goals they hold. Therefore in this chapter I will provide a description of crowdfunding, its origin, and discuss existing projects and researches on the topic. Subsequently I will make an attempt to study the (possible) implications of the concept in the field of social, political and economical power relations. Think about the relationship between big businesses and small (independent) business ventures, and the influence of individuals on companies by means of user generated content and crowdsourcing, and how this all contributes to the 'reinvention' of capitalism. In the course of this study I will also give some attention to the issues and problematics that come with crowdfunding.

From Crowdsourcing to Crowdfunding

De definition of crowdfunding on *Wikipedia* is as follows:

Crowdfunding (sometimes called crowd financing, crowd sourced capital, or street performer protocols), inspired by crowdsourcing, describes the collective cooperation, attention and trust by people who network and pool their money and

other resources together, usually via the Internet, to support efforts initiated by other people or organizations (*Wikipedia*).

Indeed when we want to describe the meaning and origins of crowdfunding it is important to look at its roots and inspiration in the broader concept crowdsourcing. This term was first coined on June 2006 in *Wired Magazine* in an article written by Jeff Howe who defined the concept as “the act of taking a job traditionally performed by a designated agent (usually employee) and outsourcing it to an undefined, generally large group of people in the form of an open call” (Howe, 2006). However, a more precise and commonly used starting point for describing crowdsourcing is later given by Kleemann et al. in the online journal *STI-Studies*:

Crowdsourcing takes place when a profit oriented firm outsources specific tasks essential for the making or sale of its product to the general public (the crowd) in the form of an open call over the internet, with the intention of animating individuals to make a [voluntary] contribution to the firm’s production process for free or for significantly less than that contribution is worth to the firm (Kleemann et al., 2008: 6).

In other words the tasks that are traditionally performed by the employees in a business are now, by means of crowdsourcing, increasingly performed by an external group of people and individuals who are willing to use their spare time (and money) for these tasks.

In his following book *Crowdsourcing: Why the Power of the Crowd is Driving the Future of Business?* (2008) Howe describes the four trends that lay at the foundation of crowdsourcing. First of all, individuals are more productive when they are working on tasks that contribute to economic production if they are performed in their spare time and are not considered as part of their jobs (Geerts, 2009: 2). This corresponds with the prediction of futurist Alvin Toffler in 1980 that consumers will become prosumers; consumers as content producers. The second trend is the development of open source software which inspired many entrepreneurs to be more transparent and collaborative. Here we have to keep in mind that open-source practices differ from crowdsourcing in the sense that with open-source, the idea belongs to the crowd who can exploit it individually, while with crowdsourcing, the idea ultimately belongs to the company who has the only right to exploit it. This distinction is even more tangible when we relate open-

source with crowdfunding, because capital cannot be shared for the reason that it is not economically seen as a public good. The third trend that lays at the foundation of crowdsourcing is the easier accessibility to information and decreasing production costs. And last but not least is the emergence of online communities out of which brought about the networked individual (Geerts, 2009: 2). The Web as participatory platform is crucial for entrepreneurs to simply reach networks of individuals (Brabham, 2008; Kleemann et al., 2008). This also corresponds to the study of Lee et al., who identify openness, collaboration, and participation as the three properties of Web 2.0 that can enhance the ability of entrepreneurs to tap the crowd (Lee et al., 2008).

Back to Crowdfunding

Crowdfunding, inspired by crowdsourcing, is a concept where the objective is to collect money for investment by using social networks, particularly through the Internet, to attract the crowd. Easier said, entrepreneurs 'tap the crowd' by persuading them to invest in their entrepreneurial initiative (Schwienbacher & Larralde, 2010: 4). Crowdfunding is therefore a subset of crowdsourcing since the latter also encompasses financial help in the pursued of intellectual gain. However the interaction with the crowd by means of crowdfunding can differ from crowdsourcing.

Lambert and Schwienbacher give a conceptual and refined definition of crowdfunding by translating the definition of crowdsourcing by Kleemann et al. into crowdfunding:

Crowdfunding involves an open call, essentially through the Internet, for the provision of financial resources either in form of donation or in exchange for some form of reward and/or voting rights in order to support initiatives for specific purposes (Lambert & Schwienbacher, 2010: 6).

A lot of different and diverse initiatives are set up under the name of crowdfunding. The first initiative came from the Netherlands and is a platform named *Sellaband*. Here unknown artists and bands can raise money for the recording of their album. So called fans of a band can pay or invest \$10,- in a band or artist and when an artist or band has enough of these followers, a studio can be rented and a producer is hired.

But crowdfunding can also be applied to politics; a famous example is the presidential campaign of Barack Obama. While political financiers in the US traditionally are big companies or rich individuals, Obama succeeded to raise money from more than 1,5 million Americans through his own website. These Americans were just 'regular' people who wanted to donate some money to Obama to start his campaign. Almost 40% of his campaign was paid by these Americans, which was not possible without the revolutionary skills of the Internet.

A very popular medium where crowdfunding also is regularly applied to is film. With crowdfunding films can be made 100% independently. So no longer the producers or financiers have the say about what type of (commercial) movie has to be made while forcing tight deadlines to save time and money. An example of a film which was able to be made independently through crowdfunding is *The Age of Stupid* (2009). The makers were able to produce their own film, without any external interference, and thus could distribute it according to their will.

Also a rather creative and interesting crowdfunding platform which I cannot help but mention is *My Free implants*. This platform creates an alternative to traditional cosmetic surgery financing methods. On the platform women can raise money to fund their breast implant procedure. Here the social aspect of the platform is of real importance, because it turned out that the woman with the least inhibitions funded their breasts the quickest. Through chatting and sending nude photos and videos of themselves they were able to persuade many to invest in their breasts. The bigger the donations given, the more rewards the investor got in return in the shape of steamy pictures and videos and x-rated chats.

Last but not least we cannot forget the already mentioned crowdfunding initiative of *Trampoline Systems* who were able to raise £ 1 million within one year and showed that not only small companies but also high-growth startups are able to successfully raise a proper amount of money through crowdfunding.

Crowdfunding: Not Only About Funding

But not only raising money is an important motivation for entrepreneurs to opt for crowdfunding. While it is the most important cause, there are also other reasons to apply it: through crowdfunding the entrepreneurial initiative can get more public attention and

can receive validation (signals of market potential) before the entrepreneur brings his product or invention to the market. Entrepreneurs use a wide range of social media when applying crowdfunding which allows them to directly approach the crowd next to exclusively posting content on the Internet (Schwienbacher & Larralde, 2010: 5).

Also, crowds can at times be more efficient than individuals or small teams. According to Brabham, the efficiency of the crowd depends on its composition; the more diverse the crowd is, the more efficient they are. The wisdom of the crowd thus can be stronger than the powers that be (Schwienbacher & Larralde, 2010: 7).

So entrepreneurs can benefit from crowdfunding their project because crowd-funders add value to it by offering their know-how next to their investment while mostly they do not have the rights to take part in the process of decision-making. Banks can loan money but do not give added value, and angel investors can invest in a project and give added know-how but most of the time this also means that they can take over the project by influencing the decision-making process because they own a large amount of the shares. Moreover it is discussed that with crowdfunding the so called investment gap between the 3 f's (friends, family and fools), who generally don't invest more money than €50.000,-, and angel investors, who generally don't invest less money than €150.000, can be bridged (Hartgers, 2010; Ten Kate, 2010).

But, what about the individual or consumer? Why should they crowdfund a project? According to a study by Lambert and Schwienbacher (2010) most projects financed by crowdfunding do not provide any compensation to their funders, but rather live from their donations. Thus probably other considerations than financial ones are taken into account by investors to fund a project. Kleemann et al. (2008) therefore argue that crowdfunders have either extrinsic or intrinsic motivations when investing in a project. Where extrinsic motivations refer to an external reward from the company or entrepreneur such as money or goods, learning, recognition and/or career benefits, intrinsic motivations refer to the pleasure and fun of supporting a project. So next to receiving money, the willingness to improve one's skills and have fun can be a motivation to fund a project, because often there is the opportunity for the crowdfunder to offer their know-how next to their donation or investment (Schwienbacher & Larralde, 2010: 8). Moreover, Franke and Klausberger (2008) argue that consumers are more willingly to invest, donate, or participate in a project when they see it as fair to them in the sense that it is important whether the

investor or donator receives rewards, obtains rights in the decision-making process and/or has intellectual rights over their offered ideas and know-how.

The Risks, Downsides and Issues of Crowdfunding

Next to the many opportunities and rewards crowdfunding can give to both the entrepreneur or company and the consumer, there are also a lot of issues and risks concerning this initiative.

The first and most important issue that influences the success of crowdfunding is the issue concerning transparency. It is important as a company or entrepreneur to be transparent to the crowd in order to give crowdfunding its power. Otherwise it can become difficult for potential funders to put their trust in a company or entrepreneur, because there often doesn't exist any direct contact between the investor and the entrepreneur.

This is especially the case when geographic boundaries are expanded through the use of the Internet, for one striking feature of crowdfunding is its broad geographic distribution of investors. Most theories make the case that entrepreneurs and investors are co-located due to distance-sensitive costs. With crowdfunding the distribution of investors over geographic location is broadened up due to extensive profiling and promotion of the entrepreneurial initiative on the Internet and through social media. Therefore, crowdfunding platforms eliminate most distance related economic frictions. However, they do not eliminate frictions concerning the type of information about the entrepreneurs most likely held by personally connected individuals. Distant investors thus rely on information revealed in the investment decisions of early stage investors like friends and family, because they can signal the entrepreneurial commitment to the venture. Distant investors seem to think that if friends and family believe in the project and in the entrepreneur, the project has more chance to be successful (Agrawal et al., 2011: 11-18).

One example of inequality and mistrust due to the lack of transparency is a recent discovery about one of the most popular crowdfunding platforms in the world, Kickstarter. It turns out the platform hides failure from their users. They include robot meta tags to keep search engines from indexing failed crowdfunding projects. You can only find the failed projects when you are already aware of them and search them by name. This

means that this crowdfunding platform isn't totally transparent to their users because they mislead them into thinking that their input always leads to success (Misener, 2012). Instead the less known platform Indiegogo reveals their failed projects on their page. This platform has in this way a handicap on Kickstarter, because it turns out that funders prefer Kickstarter because the platform is more popular and 'successful' (Hambrock, 2012). This new discovery can endanger the investors trust in the platform and in the system as a whole, and creates doubts if their investment is put to good use.

In the case of transparency, we also have to ask ourselves the question if a company or entrepreneur does really want to be as transparent as needed to make crowdfunding successful. How safe is it to put everything out in the open when anyone can steal the idea away.

This directly brings us to another issue: How much should crowdfunders have their say about the project they support. This issue not only questions the legitimacy of such investors to control a company, but also the entrepreneurs creative input and the trust funders have to give to the entrepreneurs to run their own project.

First it is important to keep in mind that crowdfunders do not (always) have the skills and knowledge to make the rights decisions. Also it becomes quite unmanageable to make any managerial decisions with a numerous amount of funders bringing in only a small amount of money and thus having only limited power on the company. Only when a majority of these numerous funders all have the same idea in mind for the project a decision can be made, which in most cases is rather unlikely.

Second, if it is thus more likely that the company or entrepreneur makes the decisions without giving the funders their say about the project, it becomes very important for the funders that the project they decide to invest in is run by a team that has the knowledge and skills to make these decisions. But also for the entrepreneur it is important that the project is run correctly for it is his or her dream that it becomes successful. Already with angel investors, who mostly have the knowledge and skills to have their say in the decision making progress, some projects can turn out badly because entrepreneurs and their investors have different ideas about how the project should be set up and sometimes it also turns out that the investors do not always have the knowledge they think they have to lead the project. But this is also the case the other way around; some

entrepreneurs or teams do not have the skills and knowledge they think they have to make their project successful and then it is very convenient when there are investors correcting them. So not only for the investors, but also for the entrepreneurs - if they want to run their project correctly - it is important to question how much power either of the two has to have to make a project successful. This of course depends on what kind of project, investor and entrepreneur we are dealing with. Also, with crowdfunding projects where the funders do not have their say, funders still can share their know-how and ideas which still could help and influence the project if the entrepreneur is open for it and knows how to select the good ideas from the bad ones.

Finally, a very important issue concerning crowdfunding is the legal limitations which it brings to fund a project. While the use of the Internet to create an open call can be very resourceful for crowdsourcing, for crowdfunding it can become very problematic because of some complex legal issues which have to be dealt with. This is especially the case when it involves the offering of equity to the crowd. National regulations usually limit the extent to which companies are allowed to publicly advertise their security offerings, limiting it only to qualified investors and acquaintances of the entrepreneur. Companies are only allowed to extend their scope if they receive prior authorization from their national securities regulator. Moreover, in most countries there is also a limitation to how many private investors a company is allowed to have. For instance, imposed by French law a company can not have more than 100 shareholders. This also creates important legal limitation to a crowdfunding initiative, where solving these issues often takes significant time and legal costs in order to have the initiative in line with the national regulation for issuing equity privately. It is thus important that an entrepreneur prepares a detailed mechanism in order to avoid any problems. Therefore, with crowdfunding, entrepreneurs mostly choose to offer the participating crowd rewards such as a product or membership instead of making them a shareholder (Lambert & Schwienbacher, 2010: 5; Schwienbacher & Larralde, 2010: 12).

So we have to keep in mind that there is no such thing as a free lunch and that crowdfunding also has its pitfalls: transparency, the rights the investors get, and financial regulations can be major barriers for the success of the crowdfunding initiative.

Conclusion

As a conclusion to this chapter it can be said that crowdfunding, while keeping in mind that it also has its risks, inspirationally speaking, represents the will of the people to put their trust in a project by investing or donating money into it. Does this trust through rational and critical evaluation by individuals of a crowdfunding initiative create a public sphere in itself? Does there exist a democratic politics within the entrepreneurial business, where the individuals debate as a public about the innovation creating a public opinion? And finally, does this public opinion influence the political deliberation of the business itself? In order to find the answers to these questions it is important to compare the concept and possibilities of crowdfunding to the concept and/or ideas of the public sphere.

Crowdfunding and the ‘Ideal’ of a Public Sphere

The tragedy of the Commons

Earlier I described a non-liberal theory of the public sphere, the commons, where I wanted to stress upon a different angle of the public sphere as a domain where human well-being and quality of life is being supported by balancing the state, corporations, and the commons. From this point of view we have to consider the issues of democracy and how crowdfunding could contribute to a new era of politics and democratic practices; the politics of Capitalism 2.0.

Peter Barnes compares the economic operating system to the rules of the board game *Monopoly* (8). He argues that the board game is almost a simulacrum of capitalism: “At the beginning of the game, players move around a commons and try to privatize as much as they can. The player who privatizes the most invariably wins” (102). However, Barnes also describes two features of the game that differ from contemporary capitalism: “All players start with the same amount of capital and all receive [...] [money] each time they circle the board” (102). The game wouldn’t be fair nor exciting if the players weren’t treated equally. If one of the players owned more capital at the beginning of the game and/or received more money when he or she circled the board, this player probably would win most of the time. But in contemporary capitalism this unequal scale is rather customary: the top 5 to 10 percent of the population owns more property than the remaining population.

The economic operating system is based on a number of assumptions that were created when the world wasn't yet overshadowed by so many humans and their built infrastructure. In this 'empty world' building capital was the main interest and people didn't have to worry about social and environmental factors, because they were barely affected by this main aim and therefore still easily solvable. So building capital, as in improving and increasing marketed goods, as the main aim in order to improve welfare was logical for this empty world community.

But this 'empty world' doesn't longer exists and now we live in a world full of people and their built capital infrastructure. Here building capital does substantially affect social and environmental 'externalities' and therefore we need to reinvent capitalism or the economical system in order to accomplish its main goals: improving human well-being and quality of life.³ While building capital does contribute to these factors, it certainly does not fulfill these entirely in a world where building capital also 'destroys' most other factors which contributes to this aim. Economic efficiency incorporates all resources that affect human well-being and not only marketed goods and services. But contemporary economy doesn't leave enough space for non-marketed natural and social capital and therefore does more harm to society than that it actually contributes to it (Costanza, 2009*).

In *Small is Beautiful* (1973), Schumacher argues that capitalism isn't anymore in sync with contemporary society. While in the past it seemed a fruitful system, today it rather became our central problem than our salvation. Now the system eliminates many social arrangements that bind us together as communities - which enriches human well-being and quality of life - instead of supporting it. Therefore Schumacher thinks that we need to modify capitalism and adapt it to the 21st century (Schumacher, 1973).

The main aim is needing to find a balance between the government, corporations and the commons. Now the corporations are 'the big boys' and the commons are constantly overshadowed by them and therefore must rely on the government. But governments more often tend to strengthen corporations instead of substantially supporting the

³ For improving the well-being and quality of life of humans and society we need a government that recognizes its people as the sovereign of government, that secures for them the full complement of human rights, and effectively solves or mitigates societal problems for their benefit - True Democracy (Quality of Laws, 2008)

commons. Garrett Harding calls this the 'Tragedy of the Commons' whereby people will always overuse a commons because it's in their self-interest to do so.

Capitalism versus Community

So why is there just minimal concern for the commons? Because it is overshadowed by the economic universe: it's everywhere, but we just don't see it. There are two reasons for our blindness. One is that much of the commons is literally invisible. We can not see the air, the atmosphere, etc. Another, more important, reason for our blindness is that we are too much focused on money. The glister of money blinds us for the real important deal, the commons: "We ignore common wealth because it lacks tags and property rights" (Barnes, 2006: 67).

So, as it seems, capitalism and community aren't natural allies. Capitalism focuses on the pursuit of self-interest whereas community is about togetherness and supporting one another. The commons isn't driven by monetary gain, but by social connection and obligation. Both are important for the economy, because they both contribute to human well-being and quality of life. But capitalism is the 'big boy' here and overshadows the commons with an enormous amount of private wealth which, ironically enough, was mostly taken from the commons. Moreover, a great deal of this wealth adds little to nothing to our happiness.

From Corporations to Commons Entrepreneurs

Still, even with the present financial crisis which supposedly should have taken care of our ignorance, corporations keep taking from the commons and almost don't give anything in return. With the power corporations have we are rather consumers of culture than actual participants. The problem with big corporations is that they are automatically designed to maximize profit, and profit never reaches a level of profitability at which they decide to stop. As Marx pointed out, the accumulation of profit (= Capital) becomes a goal by itself. Also, and not the least because of this, these corporations are only getting bigger, financially stronger, and more powerful. They give us an overdoses thneeds and our commons are getting scarce. As economist Joshua Farley has noted: "If we want more fish on our dinner plates, the scarce factor isn't fishing boats, it's fish. If we want more timber, the scarce factor isn't sawmills, it's trees". Profit-maximizing corporations are getting out of control and their property and profit is distributed in a very unequal way.

Unfortunately it's highly unlikely that we can reprogram corporations and make them drive by something other than profit. Corporations are built to make money, and the society is built on desiring money. In order to survive in time, organizations need to make more money than they spend. But making profit isn't the same as maximizing profit, and it thus should be possible to find a new way in which corporations and organizations can be built that still drive on profit, but not aim at the maximization of profit. Managers of companies are ultimately relying on shareholders, so if shareholders would demand social responsibility and invest in that way, managers would ultimately have to adapt to new standards.

“The rational herdsman concludes that the only sensible course for him to pursue is to add another animal to his herd. And another... but this is the conclusion reached by each and every rational herdsman sharing a commons. Therein is the tragedy. Each man is locked into a system that compels him to increase his herd without limit - in a world that is limited. Ruin is the destination toward which all men rush, each pursuing his own best interest...”

Garrett Hardin, 1968

Mentality Change: Crowdfunding as One of the Solutions?

That brings us back to crowdfunding as one of the solutions to change the economical system and embodying a common cultural sphere. Already many consumers aren't cooperating any more with the marketing system of corporations. With the help of social technologies such as blogs, social networking sites and user-generated content sites consumers can draw power from one another and define their own perspectives outside of the ones corporations are pushing on to us. This change in power relations already helps tilting the power from companies to consumers or individuals. Now, for companies to really gain customers, it is important that they tap the wishes and needs of potential customers and are willing to relinquish some of their control to them. It is important that companies thus open themselves up for external input.

Next to this, in order to create an efficient economic system, companies need to take into account the importance of the commons. Because corporations are driven by maximizing

profit, it is important to create shareholders that demand social responsibility in order to reinvent corporations which also leave room for the commons. But where do we find shareholders that demand social responsibility? Again, one of the answers could be crowdfunding. When using crowdfunding we already established that investors are mostly not investing for return on investment, but for intrinsic and extrinsic motivations. They need to have the feeling that they contributed to something and that their input is acknowledged. Crowdfunding also makes it possible that the community works together with capitalism.

Crowdfunding also gives room for entrepreneurs which will be more likely to feed the commons due to social responsible shareholders. Peter Barnes calls them *commons entrepreneurs*:

A commons entrepreneur, like a private entrepreneur, is a visionary, a catalyst, a starter. You see a need that isn't being met, and a way to meet it. You bring people together, come up with a plan, and make it happen. Sometimes it works,, sometimes it doesn't. The difference is, a commons entrepreneur doesn't get stock. You're motivated by a different force, a desire to give back. You aren't selfless; you enjoy success, recognition, and even money. But on balance, your desire to contribute to shared wealth outweighs your desire to accumulate private wealth. Accordingly, you choose the commons over the corporate sector (Barnes, 2006: 158-159)

So with entrepreneurs like these the economic system, corporations, government and the commons, will be more balanced and therefore efficient. Which will improve the human well-being and quality of life. With crowdfunding it becomes possible to create an economic life that is more comparable to our biological environment: smaller companies, a richer ecology and less leverage. Nicholas Taleb describes this new and improved economic environment as “A world in which entrepreneurs, not bankers, take the risks and companies are born and die every day without making the news” (Taleb, 2009).

The 'Ideal' Public Sphere

Thus, successful or ideal crowdfunding initiatives are based upon the idea that it is a sphere that is accessible to anyone and which gives the space for anyone to come

together and assemble, express themselves and form their opinion. While, initially speaking, crowdfunding seems to be based upon the idea to collect money from individuals, citizens, and groups who believe in the innovations and goals of the entrepreneur, it is proven that these people contribute or help the entrepreneur not only for extrinsic but also intrinsic reasons and want to get the possibility to contribute to society. Crowdfunding then means bringing together a crowd, the public, and use their know-how, skills, wisdom and/or possessions to create an initiative that is supposed to be supported by society. It is therefore important that the entrepreneurs, in promoting their innovation or initiative, are open and transparent about their ideas and goals in order to attract the crowd.

So Crowdfunding platforms, where crowdfunding initiatives can be promoted, create a political culture for free debate; forums where entrepreneurs can promote their initiatives, where people (voluntary) can react and debate about the importance and success rate of the initiatives, and make adaptations (prosumers or content producers) when necessary.⁴ Crowdfunding platforms thus support citizens' demand for accountability and participation in the public sphere. These platforms create forums where people can debate freely about everyday issues and issues of common concern. The crowdfunding initiatives are promoted by entrepreneurs that are independent from political and corporate interests, because they act freely, and are transparent and open about their ideas and visions for their innovations. On the crowdfunding platforms, the public is free to assemble and express their opinion, which thus creates an online sphere for discourse and action.

Crowdfunding and the balancing of the commons with the state and economy also assesses the issues discussed by critics of the public sphere. Through legal rules and the need of being transparent to their public, the platforms filter the information needed for funders to decide whether they want to participate in the project. Too much information, or deception, is punished by law and a lack of information opposes transparency and the willingness and ability of funders to decide to give their trust into a project. This takes care of the critiques by Pavlik, Williams, Dyson and Dean about the

⁴ It should be noted here that some initiatives don't really aim at issues of common concern and thus are not really contributing to the creation of a public sphere or public opinion. However, most of the successful initiatives are supported by people who want to contribute to society and therefore support issues of common concern, like for instance initiatives that are based upon good causes or supporting the environment.

illusion of openness and overdoses of information. Also the central aim of crowdfunding is to feed group interests, because otherwise the initiative cannot be funded. A group of individual users has to critically and emotionally decide whether they think the projects is interesting and useful enough to be funded. So the idea of communicative capitalism by Dean doesn't fit within the standards of crowdfunding. The platforms create an open space for discussion and know-how by funders and interested individuals. This means that crowdfunding opens up new democratic practices or, in accordance with Dean, neo-democracies. Powerful and less powerful funders and interested individuals can passively or actively debate about or contribute to crowdfunding initiatives. This means that Crowdfunding has the possibility to contribute to an ideal public sphere, because it tries to balance the commons with the state and corporations. Crowdfunding can open up the possibility for the commons to participate within the political and economical system of the state and compete against large corporations which in turn influences the 'democratic' practices of the state.

Though we have to keep in mind that Crowdfunding is still in its infancy and that there are still a lot of different and diverse initiatives set up under the name of crowdfunding which not always consistently follow all the 'ideal' characteristics of crowdfunding.



Don't Panic, Organise!



In this paper I have explained what crowdfunding is, how it could create a new and improved public sphere, and how it could contribute to a new (improved) capitalism. While it takes more than only crowdfunding, it is with the help of this concept that we can bring back the commons in our economical system. Crowdfunding gives power to the crowd and individuals and here it also becomes important that the government, corporations and entrepreneurs tap the wishes of these crowds in order to survive and contribute to human well-being and quality of life. I have argued that Habermas' concept can be used as an indication for a common cultural sphere. Moreover I opted for a non-liberal theory of the public sphere where multiple spheres and counter-spheres exist, and where there exists a democratic triangle between the government, corporations and the commons.

With crowdfunding gaining more popularity and acknowledgement, it is becoming clear that we are already in the beginning of a new era of capitalism 2.0. Like Web 2.0, the social web, we are creating a social capitalism that fits with the 21st century. The problem of capitalism (1.0) is that it was built on an obsolete set of ideals that was not aiming for human well-being but individual well-being. Capitalism 2.0 has to be for the people and, with crowdfunding, by the people. Social media gives us the opportunity to engage in our economy. Companies become more transparent and accessible for the crowd through social media. It's not only important anymore what 'they' think or 'they' do, but it is also important what the crowd thinks, what 'we' think and 'we do'.

Of course, with this all said and done, it isn't as easy to develop a society wherein this social capitalism all naturally happens. It will require a new vision of how society works, a society that focuses on quality of life rather than a quantity of consumption. Our society has to be redesigned and needs to incorporate innovative concepts like crowdfunding to fulfill its higher aims: creating an efficient economic system and with it maximize human well-being.

It can be questioned whether our society or economical system can be changed. Why would the government and corporations want to give away and share their power with the commons? Humans love power and it isn't that easy to change the human psyche. But as Robert Costanza already has recognized; Even cultures evolve and follow rules analogue to the evolution of organisms. They do this through cultural selection and learning instead of genetics and genes. Costanza argues how evolution is intelligent, because it can learn from experience and improve. So if cultures evolve and thus are intelligent, they are bound to learn that they have to adapt to their environment. Capitalism has to adapt to the 21st century; capitalism 2.0 (Costanza, 2009**).

Understandably even when we do our very best to adapt capitalism to the 21st century, It probably will never be all sunshine and fairy dust. If we want the goods, we also have to accept the bads. No system is perfect and because of our ever changing environment, the system also has to constantly change and innovate. But it is clear that our contemporary economic system isn't doing the trick and has to be altered:

But if we must make a deal with the devil, I believe we can make a much better one than we presently have. We'll have to be shrewed, tough, and bold. But I'm confident that, if we understand how to get a better deal, we will get one. After all, our children and lots of other creatures are counting on us (Barnes, 2006: 14).

I therefore want to end this paper by pointing out that although striving for an ideal public sphere may be an impossible goal, it is because of our morals and values and our will to constantly adapt in order to survive in this world that this goal becomes crucial so that we can all coexist peacefully on this planet. It is important that we make the government and society recognize the need for common entrepreneurs and social responsible shareholders that can contribute to human well-being and quality of life. It seems that crowdfunding initiatives really have the opportunity, skills and promises for creating a

public sphere and opinion, though it also has the opportunity, skills and promises to do right the opposite. It is therefore important that we analyze if and how Crowdfunding could revive the commons and create an ideal public sphere so that it could help us figure out a way to help society in a new era of politics; The politics of Capitalism 2.0. Here it is important that we don't panic, we just have to organise!

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Attachment 1

The Rise of the Commons Entrepreneur: Hippie Scientists

Scientists their main aim is to discover the world which most of the time leads to new innovations and with it changes in society. Their motivation is spiritual, they are constantly asking themselves the question: why?

Innovation is always a popular and a hot item. Interestingly enough most attention is usually directed to the rational aspects of innovation instead of the non-rational ones which actually are the core of the innovation process itself. Charles Leadbeater describes that innovation is irrational: "It often takes irrational people to innovate. You have to be slightly mad if you want to innovate" (2009). But scientists of today are mainly trained to be rational. At the University students are educated to be good scientists who can apply critical and rational analysis; unfortunately they don't learn to recognize the importance of the non-rational sides of the innovation process. "Sensible and creative application of spare resources. Everyone doing what they're supposed to be doing, and only that won't get innovation... [it] requires people to challenge the status quo" (Leadbeater, 2009) .Without a rational-irrational mentality no real changes and also no real innovations are created.

Luckily, with the help of social media where users more and more can proliferate both their rational as well as irrational opinions and critiques, scientists can spend more attention to the non-rational sides of innovation. Today's society doesn't need lemmings who follow the rules, but they need changes, real innovations and mad scientists!

Crowdfunding a new way of supporting irrational innovations

With the present ongoing economical crises it becomes a significant challenge for entrepreneurs to attract external capital. Many ventures remain unfunded due to a lack of collateral and unsuccessful attempts to persuade investors. Therefore some entrepreneurs are looking for alternatives and seek financial help from individuals or groups on the Internet instead of addressing financial investors like venture capitalists, angel investors and banks. In other words, mainly under the name crowdfunding, entrepreneurs are tapping the crowd instead of specialized investors to obtain financial support.

By tapping the crowd its not only money (return-on-investment) that plays a central role in the creation and development of an innovation, but also more ethical and non-rational decisions have to be made.

Note: tapping the crowd doesn't only refer to future users or consumers of the innovation, but also other scientists, groups and individuals who want to take part in the creation process for different reasons.

Most known crowdfunding projects of today don't provide any compensation to their funders, but rather live from their donations. The crowd therefore has to have different reasons to give small donations to companies. On the one hand funders can expect external rewards from the company or entrepreneur such as money or goods, learning, recognition and/or career benefits. Here an important motivation also includes the feeling of contributing to something important or even revolutionary. On the other hand funders rather donate for the pleasure and fun of supporting a project. So next to receiving money, the willingness to improve one's skills and have fun can be a motivation to fund a project.

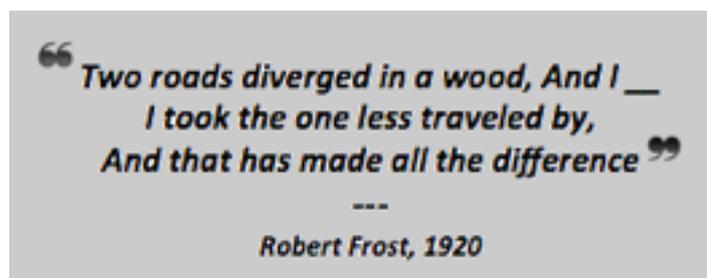
So instead of the classical financial “Return on Investment” the crowdfunders are more in search of a “Return on Involvement”

So if entrepreneurs want to make their crowdfunding project successful, they need to be guided by a clear vision for the world, with a unique set of values and a unique culture in order to attract the crowd. Inspirationally speaking, crowdfunding represents the will of the people to put their trust in a project by investing or donating money into it. So innovators must on the one hand be rational and clear and have a clear and credible view of the world, but on the other hand they need to be revolutionary, fearless and mad in order to make a difference: they need to be hippie scientists.

NOTE: The reason to call these new scientists hippies is that the youth - hippies - of the 60s wanted to change culture for both rational as well as irrational reasons. The goal of this group of people was to spread awareness - rational - but also to create a countercultural and finding revolutionary ways of being - irrational. So these hippies were the innovators of a different culture where awareness and alternative states of consciousness were pursued.

Paul O'Connor: Hippie Scientist

One ‘hippie’ scientist and innovator of today who let his innovations be guided by spiritual and ethical reasons next to making rational decisions is Paul O'Connor. A chemical engineer who worked most of his life at Shell, Akzo Nobel, and Albermarle and decided at the end of 2005 to start his own company (BIOeCON) in order to develop economical technologies for the production of ecologic friendly second generation liquid biofuels and/or chemical materials. Now, more than five years later, Paul already experienced several breakthrough innovations and received acknowledgement from all over the world. In this short time he started a few companies that contributed to BIOeCON and his values and views.



This year, Paul and associates started a new company called ANTECY. ANTECY’s goal is to create innovations in order to store Solar Energy by converting CO2 into liquid fuels and/or chemical materials. The difference with this company from the others, next to that it aims at Solar Energy instead of Biomass, is that the intention is to fund this project with the help of crowdfunding instead of venture capital. While it’s not absolutely necessary for ANTECY to be funded by small groups of people - many Angel investors and venture capitalists would love to contribute to Paul’s innovations by means of financial support - Paul and his associates decided that it would be ‘fun’ and interesting to explore new ways of financing in order to better fulfill their main goals, the three e’s: being economical, ecological, and ethical.

Paul's a visionary and in order to create successful and meaningful innovations his business principle is to be 'fruitful': to be fruitful for society as a whole today and for future generations to come. By creating innovations that contribute to the environment Paul tries to be ecological. By having a clear vision and with it following a fixed set of moral values Paul tries to be ethical. Now with tapping the crowd through crowdfunding and having them contributing in the innovation process, Paul contributes to his aim to be ethical.

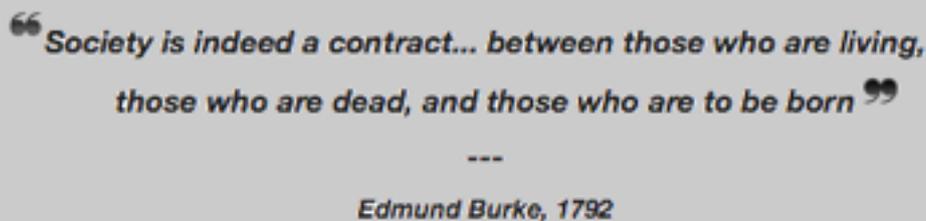
Both these ecological and ethical aims contribute to what Paul thinks to be a new kind of "kinder" economy. An economy where not the pursuit of monetary gain is central in order to contribute to human welfare, but where people have a higher goal: contributing to human well-being and quality of life which goes hand in hand with the realization of a better and 'cleaner' world. In other words, Paul is trying to revive the commons back into economics.

The Revitalization of the commons

The commons refers to the gifts humanity inherits and/or created together:

They're all gifts, and they're all shared. A gift is something we receive, as opposed to something we earn. A shared gift is one we receive as members of a community, as opposed to individually. Examples of such gifts include air, water, ecosystems, languages music, holidays, money, law, mathematics, parks, the Internet, and much more. These diverse gifts are like a river with three tributaries: nature, community and culture (Barnes, 2006: 4-5)

The commons also have another interesting cultural quality: as a society we feel the obligation to preserve them so that our future generations can live on, and live well, just like us. The commons therefore possesses a moral factor which doesn't apply to any other economic asset. So, with the commons, even when there is no return to capital it has to be preserved (Barnes, 2006: 6).



**“ Society is indeed a contract... between those who are living,
those who are dead, and those who are to be born ”**

Edmund Burke, 1792

In economics the commons is mostly forgotten because it is overshadowed by the economic universe: it's everywhere, but we just don't see it. There are two reasons for our blindness. One is that much of the commons is literally invisible. We can not see the air, the atmosphere, etc. Another, more important, reason for our blindness is that we are too much focused on money. The glistening of money blinds us for the real important deal, the commons: "We ignore common wealth because it lacks tags and property rights" (Barnes, 2006: 67).

Crowdfunding: creating social responsible shareholders and commons entrepreneurs

The problem with bringing back the commons in economy is that it is highly unlikely that we can reprogram corporations and make them drive by something other than profit. Corporations are built to make money, and the society is built on wanting money. So to survive in time, organizations need to make more money than it spends. But making profit isn't the same as maximizing profit, and it is thus possible to find a way that corporations and organizations are built that drive on profit, but are not aiming at maximum profit. Managers of companies are ultimately relying on shareholders, so if shareholders would demand social responsibility and invest in that way, managers would ultimately have to adapt to new standards.

With crowdfunding it may become possible to create social responsible shareholders, because they are not solely driven by money (profit principle, return on investment) but also, or even primarily by moral values.

Note: crowdfunding is only one means of trying to revive the commons back into economics.

Crowdfunding also gives room for entrepreneurs which will be more likely to feed the commons due to social responsible shareholders. Peter Barnes calls them *commons entrepreneurs*:

A commons entrepreneur, like a private entrepreneur, is a visionary, a catalyst, a starter. You see a need that isn't being met, and a way to meet it. You bring people together, come up with a plan, and make it happen. Sometimes it works,, sometimes it doesn't. The difference is, a commons entrepreneur doesn't get stock. You're motivated by a different force, a desire to give back. You aren't selfless; you enjoy success, recognition, and even money. But on balance, your desire to contribute to shared wealth outweighs your desire to accumulate private wealth. Accordingly, you choose the commons over the corporate sector (Barnes, 2006: 158-159)

Paul is what I like to call one of these commons entrepreneurs, because he doesn't primarily strive for money, but for human well-being and quality of life.

I believe with crowdfunding it will become possible to create an economic life that is more comparable to our biological environment: smaller companies, a richer ecology and less leverage. "A world in which entrepreneurs, not bankers, take the risks and companies are born and die every day without making the news" (Taleb, 2009).

It can be questioned whether our society or economical system can be changed. Why would the government and corporations want to give away and share their power with the commons? Humans love power and it isn't that easy to change the human psyche. But as Robert Costanza already has recognized; Even cultures evolve and follow rules analogue to the evolution of organisms. They do this through cultural selection and learning instead of genetics and genes. Costanza points out how evolution can be intelligent, because it can learn from experience and improve. So if cultures evolve and thus are intelligent, they are bound to learn that they have to adapt to their environment. Capitalism has to adapt to the 21st century; capitalism 2.0 (Costanza, 2009).

Let's hope that our society will evolve fast enough to be able to save the commons for the present and future inhabitants of our lovely home: mother earth. We need many hippie scientists and smart ideas like crowdfunding to function as catalysts to speed up this evolution of our society into a better way of living in a better world.

Kimberley O'Connor

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