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Abstract

This paper examines crowdfunding as a potential tool for cultural funding. After an introduction to crowdfunding, its rise and its use in various contexts, the paper discusses crowdfunding's potential as a tool for funding cultural production. Crowdfunding is associated with a range of hopes and ideals, but problems with crowdfunding, as with crowdsourcing, can also be identified. This paper provides an assessment of the problems and potentials of crowdfunding in the context of cultural funding in particular.

The term 'crowdsourcing' was coined by journalist Jeff Howe in the June 2006 issue of *Wired*. The term 'crowdsourcing' invokes dark comparisons to outsourcing, but crowdsourcing is also optimistically portrayed as a way of harnessing creativity of the masses for free, or for a moderate fee. The *Mechanical Turk* (www.mturk.com), a crowdsourcing web site operated by *Amazon*, allows 'requesters' (individuals or organizations) to post micro-tasks, such as "find the email address for a company" (payment: 1¢/each address), "vote for the best translation" (payment: 5¢/each link), or "rate adult-oriented videos for quality and relevance (payment: 15¢/each rating) (*Amazon*, 2010). Such tasks are generally difficult to automate, and for that reason, *Amazon* advertises its platform as offering "artificial artificial intelligence". 'Turkers', as workers who use the site are called, can make extremely small amounts of money by performing these tasks of artificial artificial intelligence. Other

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crowdsourcing platforms such as *99designs* (www.99designs.com), which crowdsources t-shirt designs) and *Innocentive* (www.innocentive.com), which crowdsources research and development for biomedical and pharmaceutical companies, allow individuals and organizations to offer work, paid or unpaid, via an open call for contributions.

Out of crowdsourcing has emerged a new phenomenon: crowdfunding. Crowdfunding is related to crowdsourcing in that both draw on the power of crowds and networks. However, crowdfunding is also quite different. It works through an open call for funding for particular projects. Funding is solicited online, usually in relatively small amounts, from individual donors or investors, and goes towards particular projects: personal loans for small businesses, the production of design t-shirts, or the production of movies or music. In this sense, crowdfunding defies the traditional model of private investment, whereby a select investor or small group of investors finances a project (Belleflamme, Lambert and Schwienbacher, 2010).

The first platform for crowdfunding was probably *Kiva* (www.kiva.org), a microfinance agency that uses crowdfunding to finance small loans for poor entrepreneurs, largely in low-income countries (Flannery, 2005). For example, *Kiva* users are invited to lend from \$25 to \$500 towards a \$900 loan for Carmen Luz Rosado Garcia of Peru, whose statement is profiled on the *Kiva* web site:

...Carmen...wanted to sell something, but wasn't sure what. By observing her nieces, who were always buying accessories such as pins, belts and barrettes, she got the idea to start selling these types of products. She first started selling to her acquaintances, offering all types of accessories for

young girls. ...With a great deal of hard work, she was able to strengthen her business. She now has a large customer base, and this has allowed her to buy some items that she needed for her house.

... another passion of hers is knitting. She makes ponchos, scarves, and swimsuits. Not long ago she knitted some samples that were taken to the U.S. by a relative, and she is now receiving orders for some of her items.... She plans to use the loan from EDAPROSPO [a Peruvian microfinance firm partnered with Kiva] to buy thread so she can dedicate herself to this business that she is just starting, and knows she has a bright future ahead (www.kiva.org).

At the time of writing, eight lenders had promised \$200 towards Carmen's initiative, which awaited a further \$700 in pledged loans. Since it was founded, *Kiva* has loaned more than \$167 million to over 400 000 entrepreneurs (*Kiva*, 2010a; *Kiva*, 2010b).

While *Kiva* appears to have been the first crowdfunding platform, a number of other web sites have begun to facilitate crowdfunding for a variety of projects. In this paper, following an introduction to crowdfunding, its rise and its use in various contexts, I will discuss the implications of crowdfunding as a tool for funding cultural production.

Crowdfunding is associated with a range of hopes and ideals, as well as with a number of problems. Some of the most significant hopes associated with crowdfunding are: the hope that it could mobilize the small-scale funds necessary to provide more opportunities to more people, that it might thereby foster more widespread grassroots production amongst those who might not otherwise have access to the necessary start-up capital to fund their creative projects, and that it might foster greater levels of engagement. Alongside these hopes are the fears that crowdfunding, like crowdsourcing,

may create only loose connections between funders and project leaders, weakening or replacing the stronger ties between creators and more traditional funders that provided fuller and more stable financial and professional support, and that while crowdfunding may ultimately make funding more mobile, it may also make creation, labour, and funding more disconnected from important forms of stability and support. In this paper I provide an assessment of some of the problems and potentials of crowdfunding in the context of cultural funding in particular.

Crowdsourcing has been defined as:

the act of a company or institution taking a function once performed by employees and outsourcing it to an undefined (and generally large) network of people in the form of an open call. This can take the form of peer-production (when the job is performed collaboratively), but is also often undertaken by sole individuals. The crucial prerequisite is the use of the open call format and the large network of potential laborers. (Howe, 2006b)

Crowdsourcing has a long history offline. Cultural products have long been crowdsourced in various ways -- the most popular being through open competitions. There are many examples: Pepsodent held a jingle-writing contest advertized in *Life* magazine in 1950. Readers of Pepsodent's advertisement were invited to send in their jingles in a bid to win prizes, with the grand prize being \$10 000 ("Pepsodent", 1950). The Canadian Broadcasting Corporation (CBC) crowdsourced a new Hockey Night in Canada theme song in 2008 after a dispute over payments for the rights to the classic theme originally commissioned from composer Dolores Claman (Hockey Theme, 2010).

Claman's 1968 theme had become known as Canada's second national anthem.

However, the CBC offered \$100 000 and 50% royalties to the winner of an online competition held for a new theme song. This offering was presumably less expensive than continuing payment for the use of the original (CBC, 2008a). Television shows like *America's Funniest Home Videos* also crowdsource their material, reaping huge financial savings; whereas a half-hour comedy show can cost close to \$1 million, a cheap crowdsourced television production can cost a fraction of that (Howe, 2006).

Crowdfunding is, in some ways, also an age-old concept. The pedestal for the Statue of Liberty was funded in 1884 by Joseph Pulitzer through an open call to the American people and funded through micro-donations (Pitts, 2010). Online crowdfunding, on the other hand, is relatively new. Web 2.0 technology has provided a critical boost, inspiring new crowdfunding platforms, facilitating access to "the crowd", and making possible communication and networking between entrepreneurs and investors (Lambert and Schwienbacher, 2010). The online crowdfunding platforms has been defined as "a funding platform that facilitates monetary exchange between funders and fundraisers." (Massolution, 2012, 25) While soliciting funding through an open call is not new, doing so through an online platform created to facilitate this funding mechanism represents a new and growing trend. While crowdfunding *per se* is not a new phenomenon, the ease, availability, and reach of online platforms for crowdfunding is changing how some cultural projects are funded.

Since *Kiva* launched in 2005, other similar ventures have been launched in microfinancing as well as in other areas, including cultural production. Alongside sites like *Kapipal* (www.kapipal.com), which could be used to raise money for almost anything, arose sites with a more specific focus on funding cultural production. A *Swarm of Angels* appeared in 2006 with goal of creating a crowdfunded feature film (www.aswarmofangels.com). *Kickstarter* (<http://www.kickstarter.com>) launched in 2009, focusing on funding for creative projects. Online music labels, such as *SellaBand* (www.sellaband.com), *MyMajorCompany* (www.mymajorcompany.com), *Artist-share* (www.artistshare.com), *Slicethepie* (www.slicethepie.com) and *Bandstocks* (www.bandstocks.dloadshop.com) also appeared, allowing fans to invest in or fund artists and bands to produce songs and albums. Crowdfunded fashion has been enabled through *Cameesa* and *99designs* (www.cameesa.com and www.99designs.com). *Spot.US* (www.spot.us) presents an open call to the public to “commission and participate with journalists to do reporting on important and perhaps overlooked topics” (*Spot.US*, 2010). In France, *The New Patrons* (www.newpatrons.eu) connects artists and online patrons. *Crowdculture* (www.crowdculture.se) was launched in Sweden, aiming to fund a wide variety of cultural projects such as video games, dance performances, performance art, and animation through crowdfunding combined with public co-funding.

Governments, political parties, and the public sector have also experimented with crowdfunding. Barack Obama relied on small donations solicited online during his

presidential campaign in 2008. Many government parties fundraise online, as do a wide variety of other initiatives and projects (Fowler, 2007).

Crowdfunding, more than crowdsourcing, can present an alternative way to fund cultural productions. There are four basic models of crowdfunding: donation-based, reward-based, lending-based, and equity-based. Donation-based crowdfunding platforms are those where funders donate to a project without any expected compensation. Reward-based crowdfunding initiatives offer non-financial rewards to funders, such as t-shirts or the opportunity to see a band back-stage. Lending-based initiatives are those, like *Kiva*, where funders expect repayment of the funding they contribute to a project, perhaps with interest; and equity-based projects are those where funders receive equity, revenue, or a share of the profits in a project (Massolution, 2012, 25). *Sellaband*, for example, enables artists to offer funders a share in their revenue. Due to what, in the past, were restrictive regulations, most crowdfunding initiatives do not offer shares, but rather offer other types of rewards to their investors, such as autographed CDs, credit in CD booklets, T-shirts, and backstage passes (Belleflamme et al, 2010, pp. 4-5; Lambert and Schwienbacher, 2010; Kappel, 2008-2009). A 2012 study shows that just 15% of crowdfunded projects in 2011 were equity-based, while 43% were reward-based, 28% were donation-based, and 14% were lending-based (Massolution, 2012, 17). The equity-based category could grow based on the recent regulatory changes in the United States (*Ibid.*; see below).

Is crowdfunding culture a revolutionary new use of technology for the social good? Or is crowdfunding, as crowdsourcing is suggested to be, an extension of existing forms of exploitation and class structure? New technologies, rather than providing the tools for transcending class conflict in its various forms, sometimes simply facilitate exploitation. New communication technologies, in some cases, simply provide “new investment possibilities, more efficient management techniques, better marketing opportunities—faster, swifter, more efficient commodification” (Dyer-Witheford, 1999, 2 and 30). On the other hand, some see new communication technologies as technologies of freedom—as paving the way to a relatively classless society (*Ibid.*). New technologies like crowdsourcing and crowdfunding can and do alter the existing conditions of cultural production. At the same time, the dominant forces in cultural production have tremendous power to use and shape these new technologies.

The true significance of crowdsourcing and crowdfunding lies not just in its technological innovation, but also in shifting mindsets and realities surrounding organizational possibility, and their ability to reinforce and extend, or to alter, the traditional organization of cultural production. Howe, the originator of the term ‘crowdsourcing’, is optimistic that crowd models present a form of social revolution. While technological changes are important, he argues, “far more important are the human behaviors technology engenders, especially the potential to weave the mass of humanity together into a thriving, infinitely powerful organism” (Howe, 2009, p. 11). Howe argues that “crowdsourcing [his comments may also apply to crowdfunding] uses technology to foster unprecedented levels of collaboration and meaningful exchanges

between people from every imaginable background in every imaginable geographical location” (*Ibid.*, p. 14). Crowdfunding platforms facilitate the mobilisation of ideas, the interconnection of funders with creators, the bringing together of ideas and resources, and new organizational possibility.

At the same time, this “social revolution” has a darker side. Crowdsourcing and crowdfunding also create opportunities for exploitation and for the extension of exploitative relations into new areas. “If crowdsourcing runs on people’s “spare cycles” --their downtime not claimed by work or family obligations--,” says Howe, “that quantity is now in surplus” (*Ibid.*, pp. xiii-xiv). Crowdsourcing, like information technology generally, can demobilize as well as it can mobilize; it can disconnect individuals from relative income stability and other useful resources and networks by reducing labour costs, putting downward pressure on incomes, costing jobs, encroaching on leisure time, and transforming amateur production and leisure into someone else’s profit. Crowdfunding could similarly operate as a simple extension of existing forms of exploitation by disconnecting creators from more stable and predictable pools of funding and professional resources.

Crowdsourcing produces many of the same problems as other forms of precarious employment: it provides no benefits and no job security to workers, who often work on a piecework basis for little or no payment. This business model has put some cultural producers out of work. Freelance photographers now compete with amateur photographers in the stock photo business; *iStockphoto* (now owned by Getty Images)

crowdsources stock photos from amateur photographers for \$1. (Professional stock photos can go for anywhere from \$200-\$300 or more) (Howe, 2006). It has become the third-largest vendor of stock images (Howe, 2010, p. xxi). Crowdsourcing models, while offering tremendous public benefits, challenge older business models. Software companies now compete with networked open source software programmers.

Traditional encyclopaedias, which once employed writers, editors, and salespeople, now compete with *Wikipedia*. Crowdsourcing can put incredible downward pressure on prices, making it seem, in some cases, necessary for major firms to employ crowdsourcing in order to remain competitive, especially at times of economic downturn (*Ibid.*, p. xxii).

Some organizations, as a result, have risen up against crowdsourcing. Designers have formed an organization called *NO!SPEC* to advocate against design contests, where designers submit designs to contests on spec, without guarantee of payment. Trade group *AIGA* (formerly known as the American Institute of Graphic Arts) has also put in place a policy discouraging work on spec (*Ibid.*, p. xx). The Society of Graphic Designers of Canada has issued a series of statements by its members deriding the damages that crowdsourcing has brought to the graphic design profession and investments made by the British Columbia Innovation Council in crowdsourcing projects (Society of Graphic Designers of Canada, 2010).

At the same time, crowdsourcing has created outlets and opportunities for amateur cultural producers, providing opportunities (that are only sometimes paid) for amateurs

and those who want side-projects to help alleviate the tedium of unrewarding day-to-day employment or unemployment (Howe, 2006). Teenagers are an especially important and adept participants in these outlets (Lenhart and Madden, 2005). Crowdfunding can also create opportunities for exploitation. Crowdfunding, like some types of crowdsourcing (such as competitions), can encourage huge wins for a few, while requiring others to create on spec, ultimately gaining nothing for their efforts. Some crowdfunding programs fund projects before they begin, but others require upfront work, only paying out when (and if) the project is complete. This has been termed ‘*ex poste*’ crowdfunding. *Ex poste* funding offers little help to artists who don’t have the required up-front capital to produce a project (Kappel, 2008-2009). While more and more people can afford consumer-grade production tools, and some amateur productions are successful, consumer-grade production tools can only go so far.

Although the Internet provides innumerable opportunities for the free distribution of creations, some artists lack the up-front capital required to move to the next level of professional-grade productions and therefore to take advantage of digital distribution tools on a professional basis (Kappel, 2008-2009, pp. 377-378). Small entrepreneurs without access to venture capital have traditionally relied on the 3Fs (friends, family, and fools) or bootstrap financing (use of personal finances as opposed to loans or venture capital) (Belleflamme et al., p. 2). Crowdfunding provides one alternative, if the funding is provided upfront.

Ex ante crowdfunding, unlike *ex poste* funding, makes funding available upfront. This makes production a possibility for new and upcoming creators (*Ibid.*, p. 385). *Ex ante* crowdfunding can remove some of the risk to creators, not only by distributing the initial investment between creators and fans, but also by providing a mechanism that ensures the production is popular and therefore likely to be a success. As Kappel argues, “Artists will claw, scratch, bite, and kick their way into the industry any way they can, using all means available. *Ex ante* crowdfunding ensures that they are making music with value to others along the way” (*Ibid.*, p. 385). For that reason Kappel has argued that the regulatory hurdles to crowdfunding in the United States should be removed. Speaking of American gambling and securities regulations that restrict the legal possibilities for *ex ante* crowdfunding which can be viewed by regulators as gambling (where funders place bets on the success of productions) or public stock offerings, he argues that “the country is primed for a more fundamental shift in ethos”--:

one where honest investment in creativity is not treated like betting on a football game or investing in the complex financial instruments that helped turn the securities market into a legal "pyramid scheme." These investments are not driven solely by the profit motive and are unlikely to bankrupt the moral character of fans or the global financial system.

Instead, the country should have a system that allows fans to safely invest in the artists they love. (*Ibid.*)

Some of the hurdles to *ex ante* crowdfunding in the United States were removed in in 2012, allowing a maximum of 1-million dollars to be raised by companies *via* crowdfunding (United States, 2012). Similar changes to provincial securities

regulations, which would also facilitate *ex ante* crowdfunding, are being proposed in Canada (Reid, 2012).

While *ex ante* crowdfunding may remove a burden of risk from creators, reduced regulatory oversight may mean greater risk for investors. Funders of equity-based projects, in providing upfront capital by buying shares, could quickly lose thousands of dollars in projects that produce no return on investment (Wong, 2012). Wong notes that 30 to 40 *per cent* of startups lose most or all of investors' money, and 70 to 80 *per cent* do not achieve predicted returns (*Ibid.*).

Some models of crowdfunding lend themselves to encouraging new voices, providing outlets for new cultural producers, and providing upfront capital based on proposed budgets, while others facilitate work on spec for little, and possibly no, return, with a significant upfront investment required on the part of creators for a project that may or may not ultimately receive funding. Some models of crowdfunding can thus reproduce the worst inequalities of the star system, encouraging large wins for a few, while leaving the rest to create on spec, gaining little if any recognition or financial reward for their efforts. However, some models of *ex ante* funding can provide true opportunities to new and upcoming creators, while at the same time being associated with risks that are absorbed by individual funders, rather than by traditional sources of funding such as government or corporations. Crowdfunding creates new mobility not only of opportunity and startup funding, but also of risk.

Why do people participate in crowdsourcing and crowdfunding? In the case of crowdsourcing, Brabham argues that:

Where open source models emphasize the common good and hobbyist interest in the success of certain applications, crowdsourcing models add to these factors the existence of a bounty and a more explicit encouragement of the learning of new skills for entrepreneurship. The bounty can sometimes consist of cash and prizes, but it also includes cultural capital and can help people learn skills and develop their portfolios for future work and entrepreneurship.

The motivations for crowdfunders to fund projects may, in some cases, be similar. Since crowdfunders are likely casual part-time participants, personal profit may or may not be their primary goal. Some funders may be investing out of genuine benevolence, or for other types of rewards. The return on investment for *Sellaband*, for example, is “free downloads and other goodies...exclusive CDs, t-shirts, free lunches etc” (*Sellaband*, 2010a). The return on investment for many crowdfunders may be social capital in the form of community, status, involvement and visible symbols thereof, insider knowledge, and other rewards.

For creators, crowdfunding may be, in some cases, simply a stepping-stone or an accompaniment to more traditional forms of cultural funding. *Sellaband*, for example, works on what are, in many ways, long-standing industry models, producing album-format CDs for traditional sale and engaging in expensive production that makes its products largely indistinguishable from traditional productions (Van Buskirk, 2010). Crowdfunding can be combined with traditional industry models. *Sellaband* has been

incorporated into the funding model of the established highly successful hip-hop band *Public Enemy*, and established film producer David Lynch is incorporating crowdfunding into the production of a documentary about his life and work (Akbar, 2010; *Sellaband*, 2010b). Crowdfunding can be used by actors who otherwise use a traditional model of production and who simply see crowdfunding as an additional source of funding, and a tool of public relations--as a way of interacting with a fan base, judging fan support for a project, and gaining publicity. Although crowdfunding may allow the circumvention of traditional sources of funding in particular instances, it is also easily absorbed into traditional funding models and combined with traditional sources of funding, and traditional forms of ownership and control.

Although crowdfunding may offer an alternative to traditional sources of funding and investment for cultural productions, the idea of crowdfunding can also be viewed as essentially conservative. Crowdfunding motivates financing from what is, in most cases, essentially private investment by individuals. On the other hand, this form of investment is sometimes seen as simultaneously more fundamentally social, motivated in many cases by social concern and collective involvement (Gerber *et al.*, 2012). Some crowdfunding platforms, such as *Crowdculture* in Sweden, draw on both crowd-funded and public funds, arguing that their model presents a “third way” between *laissez-faire* and state-dominated top-down funding models that leave out direct citizen involvement (Valentin, 2010).

Crowdfunding can also be seen as a way to jumpstart creative projects *without* drawing on public funding and without the levels of government oversight and bureaucracy associated with traditional government funding (Reid, 2012). In what some see as a positive shift, crowdfunding (with *Crowdculture* being the exception) draws on the resources of “the crowd” while moving away from funding by “the public”. Rheingold has contrasted the ‘collectivism’ of public funding, which involves centralized control and a degree of coercion, with ‘collective action’ involving self-selection, freely chosen involvement, and distributed coordination. To Rheingold, online distributed collaboration is a positive alternative to centralized control (Rheingold, 2007; Tapscott, 2007, Chapter 1).

Distributed action may also have its downsides compared with public funding. As Gladwell argues, the Internet is “terrific at the diffusion of innovation, interdisciplinary collaboration, [and] seamlessly matching up buyers and sellers”, the ties created through online platforms are relatively weak (Gladwell, 2010). Collective action by online crowds may be unstable, may individualize risk, and may remove the degree of personal or community involvement that can make action on the part of funders meaningful.

Crowdfunding and Democratic Participation

Does crowdfunding offer a more democratic way of funding cultural production? Jeff Howe argues that “People don't want to consume passively; they'd rather participate in the development and creation of products meaningful to them. Crowdsourcing is just

one manifestation of a larger trend toward greater democratization in commerce” (Howe, 2009, p. 14). Like crowdsourcing, crowdfunding can, in some ways, lead to the greater democratization of cultural funding by removing a layer of elite control and replacing it with distributed decision-making. The philosophy of crowdfunding is similar to the philosophy of open source software production: that the best person to do something is the person who most wants to do it (*Ibid.*, p. 8). *Crowdculture*, a Swedish crowdfunding platform, theorizes that their model of crowdfunding cultural projects contributes new forms of discursive and communicative democracy by encouraging deliberation and reflection by citizens on art and society (Valentin, 2010). Crowdfunding on the *Crowdculture* model brings together citizens and artists, encouraging dialogue about art projects, their worthiness, and their contributions. Each project proposal contains a discussion page, on which users can post their comments and discuss the project, and project owners can provide updates on the progress of their project.

Crowdfunding changes the gatekeeping function traditionally performed by cultural patrons, whether public or private, therefore altering the parameters of entry to cultural public spheres. Crowdfunders have differing levels of specialist knowledge and social-cultural competence. These factors come into play in the selection of projects, and are mediated in various ways by the various platforms involved.

On the other hand, expert/elite selection may have a role to play, even in crowdfunding platforms. *Sellaband* attributed some of its initial failures, leading to its bankruptcy in

2010, to inadequate curation. “Listing any band that applies might work for iTunes, but for any other music concern, curation is key,” reported *Wired* magazine in conversation with *Sellaband* founder Pim Betist (Van Buskirk, 2010).

Crowdfunding platforms have a variety of methods of adjudicating public taste, public interest, and public concern. These methods put in place a variety of models of democratic adjudication and distribution. *Crowdculture*, for example, requires payment of a small fee before artists can propose a project on the site for funding. All proposed projects then appear on the site. *Sellaband*, on the other hand, allows projects to be posted without any fees, allowing all projects to appear on the site. *Sellaband* then provides wider promotional and distribution mechanisms through the *Sellaband* newsletter and web site, as well as through a variety of online music retailers like *iTunes* once a project receives funding. Whereas *Crowdculture* lists a wide range of projects, from proposed computer games to dance, grouping them all together; *Sellaband* focuses on a select range of musical genres (Alternative, Electronic, Hip Hop/R&B, Pop, Rock, and World), within which users can search. *ArtistShare* works by invitation-only. New artists can submit an application to appear on the site, which is reviewed by *ArtistShare* for approval (*Artistshare*, 2010). *MyMajorCompany* also works on an invitation-only basis, allowing artists to submit demos for consideration (*MyMajorCompany*, 2010a).

Making crowdfunding widely available to creators with various levels of experience and sophistication can depend on a certain amount of hand-holding and guidance. An artist whose work reaches the point of being fully funded on *Sellaband* is contacted with

further direction by *Sellaband*. *Slicethepie* crowdsources for talent scouts who provide feedback on submitted music. Highly rated talent scouts are paid for their reviews (*Slicethepie*, 2010). *ArtistShare* provides its artists with professional advice on how to build and maintain relationships with their fans (*Artistshare*, 2010). Crowdfunding sites such as these thereby work to open fields of cultural knowledge to newcomers, but also to extend an existing elite class.

Crowdfunding also provides new possibilities for distributing, democratizing, or altering the gatekeeping processes of, traditional selection processes. Traditional funders, such as governments or other granting agencies, can consider the popularity of a project on a crowdfunding platform in their own decision-making process (Braet and Spek, 2010, p. 227). This is the approach taken by *CrowdCulture*, which works in conjunction with public funding agencies.

At the same time, crowdfunding platforms can operate as little more than a popularity contest, with network effects likely contributing to make a few projects highly popular, while leaving others in relative obscurity; some projects may win out based on their popularity and the strength of their network (Benkler, 2006, p. 241). In this sense, crowdfunding platforms may operate on selection models that are very different from those of public funding agencies, especially where such agencies strive to promote groups, projects and ideas that might be overlooked by the industries of popular culture, or that might in other ways be disconnected or distanced from traditional opportunities

and sources of funding. In this sense, crowdfunding may not be an appropriate model or tool for public funding agencies.

One of the problems associated with crowdsourcing is that it can create forms of work that leave employers and employees disconnected, with no feeling of affiliation (Zittrain, 2008). Workers are distributed, distanced, anonymous, and unknown. They lose their physical connection with their work. Employers are also often anonymous--in some cases large corporate entities, in others an unnamed individual. Anonymity is one of the things that makes the platform work, tearing down the barriers between employers and employees; there is no application process for workers who may not know or care who they are working for, what they are working towards, or why (Zittrain, 2010).

Crowdfunding platforms, like crowdsourcing platforms, network anonymous creators with anonymous funders. However, a key factor in making crowdfunding work is the extent to which it can overcome the weakness of its ties—its ability to peel back the layers of anonymity and to overcome the barriers between entrepreneurs and funders to create a sense of linkage and community, not only between entrepreneurs and funders, but also with the site community itself. Crowdfunding brings creators and funders together in a common project based on what is revealed about the project and its participants. Crowdfunders take on varying levels of involvement in the project, from relative distance to various rights to participate in strategic decision-making. In the case of crowdfunding, it is to create communities and to create a sense of belonging or connection that draws people in (Braham, 2008). Crowdfunding makes simultaneously

mobile and tangible the stories, the aspirations, and the resources to bring projects and project-communities together.

To the extent that crowdfunding creates a sense of community and connectedness, it may also be generative of a sense of public responsibility towards the project and the creators involved for funders, and of a sense of responsibility towards investors on the part of creators. Kappel argues that crowdfinancing could expose consumers to the marketplace realities of illegal downloading, presumably having a chastening effect (Kappel, 2008-2009, p. 376). It could be the basis of forms of public responsibility and common public or political goals. On the other hand, some crowdfunding platforms may in fact be portrayed more specifically as tools of financial investment.

MyMajorCompany, for example, invites its users to “become a music investor”, and uses images of individuals in business attire, carrying “MMC” briefcases and shaking hands (*MyMajorCompany*, 2010b).

At the same time, crowdfunding disconnects these forms of engagement and participation from concepts of *national* community and connectedness. To what extent does crowdfunding serve national or state interests? Cultural funding has long been a staple of nationbuilding, bolstering national pride and a sense of national culture. While crowdsourcing has been employed in state cultural projects (the CBC’s Hockey Night in Canada competition is one example where crowdsourcing was used to generate a national symbol: Canada’s “other national anthem”), many crowdfunding platforms cut across borders and state and national lines. *Sellaband*, for example, lists artists from

around the world and promotes transnational funding communities, while also allowing users to search to find artists by country. However *MyMajorCompany* has both UK-based and European (French)-based sites, with artists based primarily in the UK and France (www.mymajorcompany.co.uk and www.mymajorcompany.com).

While the networked technology of crowdfunding might seem to cut across borders and step on the ground of cultural funding in which many states have traditionally played a significant role, its true significance lies in how it is employed by social and economic actors. Crowdfunding can be combined with or used within state programs to fund nationalistic projects, just as it can be employed to cut across national borders, to create transnational communities, and to combine and recombine cultures.

Crowdfunding and Peer Production

In *The Wealth of Networks*, Yochai Benkler argues that commons-based peer production is an alternative to capitalist production--a form of production where both inputs and outputs are freely shared. He argues that commons-based peer production creates autonomy by breaking down the constraints imposed when single actors controls the information resources one needs (Benkler, 2006, pp. 62 and 146).

Neither crowdsourcing nor crowdfunding necessarily conform to what Benkler terms 'commons-based peer production'. The outputs of crowdsourced work may well, in fact, be privately owned. For example, the CBC holds the copyright in the new crowdsourced Hockey Night in Canada song (CBC, 2008). Similarly, both the inputs of crowdfunding

(such as the contributed funding or the artistic materials) and its outputs (the copyright in the song, album, or t-shirt produced, for example) often continue to be privately owned, depending on the model used by a particular platform. In some cases, the outputs of the project are licensed for open use under Creative Commons. For example, *The Cosmonaut: A Film Project by Riot Cinema Collective* (<http://www.thecosmonaut.org/>) is using crowdfunding to create a Creative Commons film. However, in many cases, copyright in the works produced are retained either by the creators or by some other entity. This raises the question: What should be the copyright parameters of crowdsource-funded productions? The argument has been made that publicly-funded productions should be licensed under open licensing, so that the public is not required to pay for a production twice (Fitzgerald, Hooper, and Fitzgerald, 2010). Crowdfunding platforms--especially those that draw on public funding--could adopt a similar principle.

While not necessarily conforming to ideals of commons-based peer-production, both crowdfunding and crowdsourcing do draw on the 'wealth of networks' in attempts to produce a broad range of outputs, which may or may not include increased autonomy: surplus capital, start-up capital, social capital, communities, experience, networks and a variety of other outcomes, either within or outside traditional business models. While crowdfunding may or may not produce a commons in the sense of a cultural product that is in the public domain or publicly licensed, crowdfunding may produce other types of commons: social capital, communities, and networks that are, to varying extents, available on an open, communal basis.

Crowdsourcing arose out of the Open Source movement (Howe, 2009, p. 8), and crowdsourcing, crowdfunding and Creative Commons have generated new creative outlets of production and distribution. Creative Commons calls on amateur and professional creators to distribute their work in new ways and to make possible a remix culture, where the masses are producers and creators, rather than passive consumers (Lessig, 2009). Crowdsourcing and crowdfunding, as discussed, can create new outlets for amateurs and other creators.

Creative Commons, crowdsourcing, and crowdfunding can (but do not necessarily) upset traditional creative production. Both crowdsourcing and Creative Commons therefore stand accused of interfering with good labour practices; Creative Commons licensing has been viewed as generating a form of 'scab labour'--a solution that seeks to eliminate payment to authors as a technical inconvenience:

Network utopians dream of a universe running like a smoothly oiled piece of clockwork machinery - much like the benevolent machines in Brautigan's famous hippy poem *Cybernetic Meadow*. When they need to ask for copyright - or pay a creator - it messes up what they think is the perfect, smooth running of the network. Creative Commons, as this reporter has argued before, is designed for the benefit of the network, not the author. The licenses are a minor technical bugfix to a borderline problem, that of obtaining rights clearance rapidly in a digital age (Orlowski, 2007).

Being paid for their work may not be of prime importance, or an envisionable objective, for many amateur creators. Hiring a lawyer to enforce their copyright or their Creative Commons licence may not be practicable for many creators, for whom copyright--and Creative Commons--may therefore be unenforceable. Open licensing is a way of lubricating creation that is not based on the copyright model: unpaid amateur creation, and creation that is paid for via other means (through concert performances or professional employment, for example), and of connecting a greater number of creators into a creative loop. However, Creative Commons and the Open Source movement have been criticized as being tools of a networked, technocratic elite--an elite that stands (so far) relatively impervious to the de-skilling and outsourcing of those lower down on the high tech hierarchy:

As for the free software movement, for all its admirable political advances, it has done little to address the suspicion that a predominantly volunteer labor model poses a threat to the livelihoods of future engineers. Nor have Free/Libre Culture contestants in the IP wars made a priority of thinking about the bread-and-butter interests of lower cohort employees in the knowledge industries, let alone those of workers whose service labor supports the knowledge economy. Neither the reformists--petitioning to rescue the IP system from the monopolists--nor the abolitionists--dedicated to alternative forms of licensing--have so far been able to link their issues to the needs of those further back in the technology race.
(Ross, 2006, p. 763)

Is crowdfunding the other half of the equation to Creative Commons? Can we envision an ideal world, where cultural funding comes not from a copyright-ownership model but from a crowdfunding model that finances cultural production while ensuring both that

creators are fairly paid to produce their works and that works are available on an open basis? Key questions must be raised, here, about how and whether crowdfunding might ensure a fair and equitable distribution of funding and a reasonable and stable living, possibly in exchange for the open distribution of cultural products. Although significant efforts have been mounted to ensure that the products of publicly-funded research are made openly available, they are not matched by similar efforts to ensure that crowdfunded productions are made openly available.

Conclusion

Several key questions need to be asked as crowdfunding moves from its infancy: How can crowdfunding work in the interests of the greatest number of people, opening up new opportunities, contributing to public spheres, and ensuring a fair distribution of benefits? Should principle that publicly-funded research be made openly available apply to crowdfunded projects? How can crowdfunding be built to offer a sustainable model of cultural funding? What kinds of state action might foster sustainable and fair models of crowdfunding? How can crowdfunding contribute not only to the production of cultural projects, but also to the culture that emerges from the relationships between creators, funders, publics, and online and offline communities? What technological models work best to further these goals?

While crowdfunding culture can be combined with and recreate existing modes of cultural production, it might also create opportunities to step outside of traditional forms of production, creating new and open forms of cultural production that provide

up-front funding to artists, distributing risk away from individual creators, moving funding opportunities closer to creators, and removing some levels of bureaucracy and some gatekeepers from the funding process (while possibly introducing others). Key factors in the likely absorption of crowdfunding platforms into existing forms of cultural production include the types of rewards offered to crowdfunders (does the investor receive a share in the investment?), the extent to which crowdfunded projects emulate the cultural products of traditional forms of proprietary production (so that such projects act as an easy stepping stone to absorption into traditional modes of production), the goals of the participants (do participants aspire ultimately to produce in the traditional cultural industries in future?), and the sustainability of crowdfunding (can a creators' career be built on crowdfunding?). The extent to which crowdfunding makes opportunities for those who would not otherwise have access to the capital necessary to carry out their projects depends in part on whether funding is provided on an *ex ante* or an *ex poste* basis, as well as on the social, political, and financial support for crowdfunding models that promote new or alternative forms of culture.

Crowdfunding can provide opportunities for experimentation with a variety of democratic models of cultural funding, creating opportunities for discursive and communicative democracy. Crowdfunding platforms can produce new forms of gatekeeping that adjudicate opportunities, public taste, public interest, and public concern in a variety of ways that can either replicate existing modes of production, or that can challenge traditional productive practices.

Most models of crowdfunding culture do not constitute true commons-based peer production. They can, however, draw on the ‘wealth of networks’ to create common resources of surplus capital, start-up capital, social capital, communities, experience, and networks. On the other hand, both crowdsourcing and Creative Commons are accused of producing unpaid “scab” labour in the interests of smooth-functioning networks that primarily serve a technocratic-elite while putting traditional creative labour and lower-level creators out of work.

Crowdfunding is a model that can be used to foster communities and networks of creators and new patrons, business models, productive discussions, and political momentum for the collective benefit of both creators and crowds; it is also a model that can loosen links between creators and stable sources of funding and professional resources, individualizing and distributing risk away from the organizations that traditionally helped to absorb that risk. With enough experimentation, caution, and political effort, crowdfunding could create opportunities for new conditions of cultural production, mobilising new networks and resources to support more widely distributed forms of opportunity. However, crowdfunding may ultimately do little more than extend proprietary and monopolist modes of cultural production in an environment of distributed and individualized risk and reduced regulatory oversight.

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