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Statement of the Financial Economists Roundtable: Crowdfunding

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Pages 14-16 | Published online: 27 Dec 2018

“ Cite this article <https://doi.org/10.2469/faj.v72.n4.6>

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Notes

¹ The US SEC provides a short description of crowdfunding on its website: www.sec.gov/rules/proposed/2013/33-9470.pdf (p. 6).

² For two reports on the rapid growth, albeit from a small base, of the European alternative finance market, see Peter Baeck, Liam Collins, and Bryan Zhang, *Understanding Alternative Finance: The UK Alternative Finance Industry Report* (London: Nesta/University of Cambridge, November 2014) and Robert Wardrop, Bryan Zhang, Raghavendra Rau, and Mia Gray, *Moving Mainstream: The European Alternative Finance Benchmarking Report* (London: University of Cambridge/EY, February 2015). The United Kingdom has been the leader in this area, with peer-to-peer business lending and peer-to-peer consumer lending together composing 74% of the total alternative market in that country. Excluding the United Kingdom, the most important categories, in decreasing order of importance, have been peer-to-peer consumer lending, peer-to-peer business lending, rewards-based crowdfunding, and equity crowdfunding.

[illegible]

do not generally solicit. The main differences are that crowdfunding portals allow issuers to engage in an extremely limited form of online solicitation and that investors are expected to adhere to relatively modest investment limits.

⁵ For private businesses in the United States, see Tobias J. [Moskowitz and Annette Vissing-Jørgensen, “The Returns to Entrepreneurial Investment: A Private Equity Premium Puzzle?” American Economic Review, vol. 92, no. 4 \(September 2002\): 745–778](#). For profitability and stock market returns of small-company IPOs in Europe, see Jay R. Ritter, Andrea Signori, and Silvio Vismara, “Economies of Scope and IPO Activity in Europe,” in *Handbook of Research on IPOs*, edited by Mario Levis and Silvio Vismara (Cheltenham, UK: Edward Elgar Publishing, 2013): 11–34.

⁶ For example, if the Gainesville Drone Company, founded by James Chen, is seeking funding, potential investors may have difficulty finding information about the founder. But if James Kuo-chiang Chen is listed as the founder, search engines are more likely to identify information about him without its being hidden in information about 20 other people with the name James Chen.

⁷ For the SEC’s crowdfunding rule, see www.federalregister.gov/articles/2015/12/22/2015-32106/crowdfunding-correction.



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