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Peer reviewed

Mark Davis and Bruce Davis
Crowdfunding and the Democratization of Finance
(Bristol University Press, 2022)

Reviewed by: Bill Maurer, *University of California, Irvine, USA*
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This generative book asks how everyday people can create a truly democratic financial system to support the things we as a species and a planet desperately want and need given the existential crises of climate change, inequality and rising authoritarianism. Written during the COVID-19 pandemic, which put an exclamation point on each

head of this hydra, and dedicated to their mentor, the late philosopher of (late) modernity, Zygmunt Bauman, the authors challenge us to seize money and remake it, rather than surrendering its making and control to the 'Philosopher Guardians' of Wall Street, the 'City' and the neoliberal consensus.

Their solution: crowdfunding, or peer-to-peer lending, which allows ordinary people to circumvent the banking apparatus and its associated metrics for scoring risk and reaping reward on the misfortunes of others, while directing resources where they are most needed instead of amplifying already enormous fortunes of the wealthy. Their point is to make the case that we are not so much in crisis as we are within what Bauman called an *interregnum*: the old order is killing us, and itself, but just will not die; the new one is only barely visible. They quote Gramsci: 'the old is dying and the new cannot be born' (p. 2).

Mark Davis is a sociologist and founder of an institute devoted to Bauman; Bruce Davis (no relation) was part of the team that launched Zopa, an online peer-to-peer (P2P) lending service, and co-founder of Abundance Investment, an environmental and social investment crowdfunding platform. So, there is a little bit of self-interest here, and some of the hyperbole that often limns books about fixing finance or remaking money or the nature of human society from ancient times to the present that makes it into the business press or on the shelves of an airport bookstore.

Be that as it may, I would much rather pick up this book at Heathrow than Clayton Christensen or anything at all about cryptocurrency.

Indeed, this is a romp through the social and political history of money, from ancient Greece to the Global Financial Crisis, Quantitative Easing and the extraordinary relief measures put into place during the COVID-19 pandemic. It takes the reader through the anthropological and sociological classics of Simmel, Mauss and Malinowski, and introduces Modern Monetary Theory (MMT). The authors also cover the rise of P2P in its contemporary manifestations, and read it back in time to specific ancient Greek practices (discussed below), as well as alternative financial arrangements in more recent times.

Importantly, however, the authors argue that the possibilities for making money anew are not so much visible on a distant horizon as it is nestled within our existing practices. Inspired by the feminist geographers JK Gibson-Graham (a duo who wrote as a unitary author), alternatives lie in plain sight. The trick is to dilate the spaces and times within which they operate, to socialize them more broadly, to make them part of a general condition and to shift the mode, in the statistical sense, of the economy from neoliberal, financialized capitalism serving the maintenance and expansion of the wealth of the few, to a democratized finance serving the many – and shifting the political landscape at the same time.

In that sense, the book is not utopian. It points not to fictional, imaginary worlds but to the world right here that people are making in ways that do not comport with mainstream finance. MMT, after all, is now openly discussed in United States Congressional testimony and has even made its way into draft legislation. Nathan Schneider (2018) estimates that 12% of all working people in the formal sector in the G20 are employed by co-ops of one kind or another, including globally recognizable names like the Associated Press. In the United States, about a third of households belong to member-

owned credit unions, not shareholder-driven banks. The COVID-19 pandemic witnessed a renaissance of self-help groups, local exchange and trading systems (LETS, which I could not find reference to in this book), informal cooperative finance – and bolder claims for financial and racial equity.

This book's call for a reevaluation of P2P finance and crowdfunding belongs to the family of proposals for growing these alternative spaces within contemporary capitalism. Some, like MMT or calls for tax justice, privilege the state. Just make more money to spend on what society needs; if there's inflationary pressure, call the money home by taxing the wealthy. Create a trillion dollar coin and have the Federal Reserve buy it from the mint so the Treasury can keep funding the public sector (the proposal of United States Congressional Representatives Rashida Tlaib and Jerry Nadler). Others, like the Debt Collective, hack the behind-the-scenes workings of the markets for student, medical and mortgage debt relief. They organize debtors as a political identity and advocate for both debt refusal and, by buying up debt for pennies on the dollar on the secondary and tertiary markets, they enact debt cancellation. Those who seek an economic base outside or alongside the vagaries of finance establish more durable relationships with one another and property on positively medieval models like land trusts – leading others to even take the idea into the digital realm, to create collaborative data trusts to sequester personal data from Google or Meta and return its value to those with whom it originated.

The book consists of five chapters and a short conclusion. Chapter one outlines the premise and paints in broad strokes three ideal-typical models of democracy. Representative–aggregative democracy is what most people think of by the term. People elect those who govern, who are structurally and socially quite distant from them. They argue crowdfunding, through direct P2P loans, reduces this distance. Participatory–deliberative democracy grants people or other agents (states, organizations, corporations) the right to participate in decision making (their examples are the United Nations and citizens' juries). They argue crowdfunding is an avenue for more and different kinds of people to achieve such participation. Radical–agonistic democracy recognizes conflict, and sees civil society as 'space for dissent' (p. 15). Analogizing it to the Greek *agora*, they argue that this model disrupts the authority of elites.

Chapter two introduces crowdfunding. They explain borrowing and lending in the banking context, and then introduce Zopa, founded in 2004, as an 'eBay for money,' complete with a user rating system, that connected lenders and borrowers outside of banks. In such platforms, lending is based on the assessment of the crowd, rather than the bank, and lenders can put their money where their values or personal predilections lie. The authors discuss several different crowdfunding models in addition to Zopa.

Chapter three discovers crowdfunding in ancient Greece. They compare the present interregnum with the period when the Athenian model of democracy was being formed based on a 'renegotiation of the relationship between democracy and finance' (p. 63). First, they turn to philosophy, posing the question of Plato on why humans entrust decisions to a higher power, analogizing his endorsement of Philosophical Guardians to check the intemperate passions of citizens, to contemporary democracies' establishment of central banks to manage money. They then lay at Xenophon's feet

the longstanding association of saving with prudence, which, they argue, individualizes economic decisions and at the same time removes investment from the democratic process, turning it over to specialized elites who would ensure investment did not lead to exuberant excess. Second, the argument turns historical and sociological, from Solon's 6th BCE debt cancellation to *eranos*, a form of lending without interest for social or mutually beneficial purposes. They argue that *eranos* loans are a wonderful illustration of the anthropologist Keith Hart's proposition that money is and has always been thoroughly social, a means of connecting and extending human relationships, not an abstract, transcendent force of nature. They then fast-forward from ancient Greece to the formation of the Bank of England, and provide next a discussion of Community Municipal Investments (CMIs) which they helped create. *Eranos* loans and CMIs, like crowdfunding, 'remind us of the ties that bind us and how our very survival rests upon a recognition of our interdependence upon each other' (p. 75).

Chapter four asks after the 'destination' of money, putting the focus on what money does rather than what it is, in the abstract, and what finance is for: just to make more money? Or to achieve societal goals? Most of finance today is set up to simply help those with wealth accumulate more. The whole system is set up in a way that makes it easier for finance to serve the already-wealthy and imposes high costs on getting lower income customers into the system (unless it is done in a wholly exploitative manner). They debunk misconceptions about money: that money is universal; is an invention of reason; is created by labour; and is finite. Money is 'messy,' (p. 82) they write, and ultimately reflects humans' trust in one another, not some ineffable essence. Here, they take aim at those classic sociological theories of money that accept Simmel's money-as-acid hypothesis: that money always and everywhere flattens and deracinates. Drawing on the sociologist Viviana Zelizer, they show, in contrast, that money is and has always been resolutely social. Crowdfunding they thus see as an effort to re-socialize, re-humanize money (p. 87), and, armed with MMT, they argue that 'damn it all, debt — if used in the right ways — is good for society' (p. 96).

Chapter five is about the potential for crowdfunding to contribute to the democratizing of finance. They explicitly contrast crowdfunding with cryptocurrencies, and provide a welcome critique of distributed ledger/blockchain technologies' anti-state and anti-social ideologies and practices.

The conclusion argues that contemporary finance, crypto, wealth management, and the like are all merely 'forestalling the future, preventing a *way out* of the present interregnum' (my emphasis, p. 130). P2P is a way out. It allows others into the *agora* and the process of determining how best to determine and then allocate resources toward collective needs. The money is there — we can just make it! — but the political will is lacking.

Other financial alternatives may appear here and there but crowdfunding is put forward as an extensible, one might adopt the language of Silicon Valley and say 'scalable solution' for democratizing finance. Speaking of Silicon Valley or East London Tech City, many of the cases the authors bring to bear are darlings of tech and fintech, despite the important and incisive critique of both blockchain, on the one hand, and corporate outer space ventures, on the other. In other words, they seem more in tune with tech-enabled solutionism than the long history of the cooperative movement.

Along with this lurking tech-centrism is a sense that the authors are giving up on the state, or, are anticipating the fiscal state's failure as a locus of true democratic practice. They may be correct, given the rise of authoritarian populism coupled with surveillance capitalism. Yet at the same time the success of MMT in gaining a political constituency, to say nothing of the Green New Deal – even if it has not been realized – might suggest that a transformative state is still possible, as a component of what is on the other side of the interregnum. If that is the case then we may witness a renewed will to use taxation progressively to rebuild a sustainable world.

On democracy, the authors' ideal–typical models are helpful in providing a general landscape and perspective on what 'democratization' might mean. But is democracy just an organizational form, or, after John Dewey, also properly understood as a set of dispositions? And a set of dispositions that must be continually re-enacted, quite literally 'practised,' again and again, not just at the ballot box but through precisely the kind of ramification of social relationships that the authors see crowdfunding animating?

Finally, I always get nervous when people decide to document the history of a practice or organizational form that is very much of the present, and discover it in the past – especially the ancient past. Something that looks the same as something else in a different time and place may be very different, and mean and do different things very differently in other social systems.

Take their reliance on Paul Millett's study of debt in ancient Athens and David Graeber's forays into ancient history to make the case that debt is not necessarily a morally problematic relation but an extension of social relations. Millett's account of *eranos* loans is not just about mutualism, funds provided by citizens together for a shared meal, for example (p. 65). These were often competitive feasts, attempts to jockey for position and attain followers, and decidedly agonistic. While *eranos* may have extended bonds of mutuality, they also were part and parcel of *philotimia*, love of honour, and the competition of aristocrats over the demos. Elsewhere I have argued that those blockchain enthusiasts who see themselves as reinstating the *agora* are more correct than they realize – but it is the *agora* of hierarchy and competition (see Maurer, 2020: 217, 224). The effort to get those elites to shift from 'self-aggrandizement' to 'community oriented virtue' (Lape, 2016: 93) was neither easy nor direct and linear – it took courts and legal effort to transform a 'dynamic system fueled by the pursuit of political honor' (Lape, 2016: 90).

My point is simply to flag the problem of presentism, as well as to underscore that social and moral does not always mean socially just or morally good (just think bribery or extortion). Those competitive feasts to secure honour and rank certainly were 'social' and participated in a 'moral' universe; but not one of direct, participatory democracy.

Similarly, the crowd has not always been understood as a force for social good. Nineteenth century social theorists Gustave Le Bon and Gabriel Tarde were decidedly ambivalent about the crowd's wisdom – or lack thereof. Le Bon decried its 'stupidity' (Le Bon, 2002: 6); Tarde, its 'somnambulism' (Tarde, 1962: 87). In her recent reassessment of crowd theory – and its attractions in tech today – anthropologist Cori Hayden (2021) wonders whether it is borne out of a desire for the illiberal or anti-liberal dissolution of the individual liberal subject of social contract theory and democratic idealism.

This of course may all be a symptom of the interregnum in which we find ourselves, and which Davis and Davis help draw into relief. ‘Rediscovering money as a form of mutual trust’ (p. xix) requires lingering with the dangerous possibilities inherent in such unstable alternative forms as crowdfunding, cooperatives and democracy itself, to take that collective jump into an unknown – but just possibly more just and sustainable finance – and future for the planet, and us all.

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