

**Newcastle  
University**

**Diverse economies of debt: The possibilities  
for socially useful finance in peer-to-peer  
finance and reward-based crowdfunding.**

by

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for partial fulfilment of the requirements for the degree of  
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## **Author's Declaration**

I declare that this thesis is my own account of my research and contains as its main content work which has not previously been submitted for a degree at any tertiary education institution.

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Gemma Bone Dodds



## Abstract

In the wake of the global financial crisis of 2007–8 and the persistence of mainstream forms of finance, this thesis aims to explore the possibilities for achieving more socially useful forms of finance with particular reference to case studies of peer-to-peer lending and reward-based crowdfunding in the United Kingdom. The thesis is situated within the diverse economies theoretical approach to human geography. Despite the centrality of finance to the wider economy, diverse economies theory has to date largely neglected finance. As such, the social relation of credit-debt that sits at the heart of money and finance has not been theorised in ways that foreground the diversity of ‘the social’ and open out political possibilities. The thesis analyses the diverse social relations of credit-debt as relatively discrete processes composed of spatial, temporal and subjectivity-creation practices. Peer-to-peer lending and reward-based crowdfunding are shown to assemble particular kinds of socialities that not only shift over time in relation to the mainstream, but which also exhibit the persistent tensions and possibilities that mark more socially useful forms of finance. The findings from this research strongly suggest that there are three main constraints on the ability of alternative forms of finance to reconstruct the sociality of the creditor-debtor relationship in different ways: the problem of creditworthiness; subjectivities of debt which privilege the creditor; and the power relations at work in the creation of alternative finance.

## **Dedication**

To Finlay, my bringer of joy. I love you.

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## List of Abbreviations

**CSR** – corporate social responsibility; a type of business self-regulation concerned with promoting the social good rather than merely meeting regulatory standards preventing social harm.

**FCA** – the Financial Conduct Authority'; the UK regulator of the financial services industry.

**ICAEW** – the Institute of Chartered Accountants in England and Wales; an association of accountants, one of three who maintain the 'chartered accountant' standard for professionals working in accountancy.

**LETS** – Local Exchange and Trading Schemes; community-based networks where goods and services are directly exchanged without the use of money.

**ROSCA** – Rotating Savings and Credit Associations; a form of lending and banking in which a community pools money with every member gaining access to the whole amount in turn.

**SME** – small- and medium-sized enterprises; companies which, in the UK, have at least two of the following: a turnover of less than £25m, less than 250 employees, gross assets of less than £12.5m.

**WWF-UK** – the UK section of the World Wide Fund for Nature; a non-governmental organisation which works for the preservation of wilderness and the reduction of human impact on the environment.

## Chapter 1      Introduction

## 1.1 Understanding Experiments for Financial Change

The Finance Innovation Lab was born in the Great Hall of the Institute of Chartered Accountants in 2008, in the heart of the City of London to the sound of pouring rain.

It was launched in the wake of the largest financial crisis since the great depression [sic], two weeks before Christmas. Our two very different organisations came together to host a joint event asking the question 'how can we create a financial system that sustains people and planet?'

An email arrived from WWF [World Wide Fund for Nature]. They suggested the event should be hosted in the style of a Native American Pow Wow and despite a somewhat fraught email exchange, on the day participants walked into a room with an eight foot tall totem pole in one corner, an Easter Island head in the other and the sound of pouring rain booming over the AV system.

ICAEW [Institute of Chartered Accountants in England and Wales] invited their stakeholders; accountants, financiers, the business community. WWF invited theirs; environmental activists, civil society and the responsible investment community. Despite the bizarre spectacle, we had brought together people who don't normally meet each other, to talk about things the [sic] cared deeply about and the energy generated in that room showed us it was a conversation that wanted to continue. (Finance Innovation Lab, 2017a)

This thesis was inspired by the work of my collaborative partner, the Finance Innovation Lab, whose question – ‘how can we create a financial system that sustains people and planet?’ – seems at once both radical and mundane. It is radical because in winter 2008, in the middle of the financial crisis, a rather disparate group of activists, accountancy professionals and business leaders were busy asking deep and fundamental questions about the purpose of the system that was currently crashing down around them whilst the Government was scrambling around trying to rescue the system from itself. It is also mundane because it is clear that the financial system had not been working for people or

planet for quite some time. In 2009 even Lord Turner, Chairman of the Financial Services Authority, indicated his belief that some areas of finance have been at best ‘socially useless’<sup>1</sup> and that others have been damaging to the real economy (Turner, 2009). Negative effects of finance include the link between the rise of financialisation and the rise in inequality over the past 30 years (Christophers, 2013; Lansley, 2012; Wilkinson & Pickett, 2010). Similarly, the link between economic growth, the finance system and the destruction of the environment has been well documented (Gills, 2010; Howard, 2015; Monbiot, 2014; Salmon, 2015).

The saying ‘never waste a good crisis’ is effective advice (Klein, 2009; Mirowski, 2013), but unfortunately for society it appears that it was the financial sector and not the government who took advantage of the opportunities that the 2008 crisis afforded. Despite repeated bail-outs totalling £1,162 billion at their peak (National Audit Office, n.d.), the UK Government becoming the majority shareholder in Royal Bank of Scotland (RBS) (Farrell, 2008), and nine years of quantitative easing,<sup>2</sup> the opportunity to fundamentally reform the banking and finance system appears to have passed us by. The Vickers Report (Edmonds, 2013) and the Liikanen Report (Liikanen, 2012), whilst pinpointing the ‘too big to fail’ levels of systemic risk, avoided suggesting anything systemically meaningful to tackle the ‘too big to fail’ problem in the financial system. Instead, ten years following the initial onset of the crisis, we see that despite moves to separate retail and investment banking (Osborne & Leadsom, 2015), the UK, like most other countries, has not changed the financial system in any meaningful way (Sinclair & Rethel, 2012).

One of the main reasons advanced for the 2007-8 financial crisis was the concentration of the banking sector into a structure in which the banks became ‘too big to fail’ or, in the case of the European Union, ‘too big to bail’ (Blyth, 2013). The ‘big bang’ reforms of the 1980’s set the stage for a pattern of increasing

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1 He said: ‘I do not apologise for being correctly quoted as saying that while the financial services industry performs many economically vital functions, and will continue to play a large and important role in London’s economy, some financial activities which proliferated over the last ten years were “socially useless”, and some parts of the system were swollen beyond their optimal size. And if you disagree with that, you have a bone of contention not only with me, but with the Chairman of the British Bankers’ Association, Stephen Green, who has said exactly the same thing in very similar words, when he argued that “in recent years, banks have chased short-term profits by introducing complex products of no real use to humanity”, and when he recognised that “some parts of our industry have become overblown”’ (Turner, 2009, n.p.).

2 As of September 2017, £560 billion had been created as part of the quantitative easing programme. See Hammond (2017)

concentration of the type, ownership and number of banking and financial institutions. The decline of this relatively more diverse financial sector, which had numerous local and regional banks and building societies, in favour of a large-scale universal banking model is perhaps best illustrated by the case of Northern Rock who began as a smaller, local bank and then grew extremely rapidly building up a high proportion of sub-prime mortgages (Shin, 2009). The concentration of banking into a near monopoly in the UK<sup>3</sup> is recognised by the regulators, with the Office of Fair Trading expressing concerns about the current structure of the sector, although it is to be noted that they delayed referring the industry to the Competition Commission until 2015. Despite the Liikanen (2012), Vickers (Edmonds, 2013) and Kay (2012) Reviews pointing towards the ‘too big to fail’ structure as a cause of the financial crisis, and being clear on the benefits of diversity, transparency and sustainability in banking, the proposals suggest nothing which would fundamentally change the structure of the banking system to promote these benefits. If the proposals to transform the banking system are not coming from the mainstream, then two questions are raised. Firstly, do we really need a different financial system? Secondly, how can we think about how to create a different, more socially useful financial system?

Do we really need a different financial system? The current financial system is based upon debt, and this debt-based economy is precisely what sowed the seeds of the 2008 crisis. In *The Coming First World Debt Crisis*, Ann Pettifor was one of the few economists to predict that the building up of gigantic levels of debt in the world economy was ‘burying millions of citizens, dozens of companies and a number of nations in debt’ (2006, p5) which would eventually cause a massive financial crisis. She also challenged the idea that finance is ‘natural’ – ‘it is important for our democracies... to understand that the system has been constructed by political process’ (2006, p28); or ‘neutral’ – ‘Western society has provided the finance sector with an implicit, if not explicit mandate to exploit humanity and the earth, to extract maximum assets from both humanity and the earth, both now and in the future’ (2006, p120). She calls for citizens to realise

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<sup>3</sup> This is in contrast to other countries who have much larger proportions of local and regional banks (Greenham & Prieg, 2015).

that the economy is a human construct and can therefore be re-made, with a different moral compass guiding it.

Focusing on the role of finance in international economic and political crises, Pettifor shows the parallels between previous crises and today, where the idea of the common good has been separated from the aims and objectives of finance and industry and ‘individuals and corporations have been freed up (by governments, politicians and officials) to pursue their own interests, regardless of the broader interests of their community or country, or indeed of the global economy’ (2006, p28).

So, in our current debt-based system, creditors are privileged and the mechanisms of politics, the economy and society are set up to ensure that policies are designed to protect the assets, loans and debt repayments of creditors. Pettifor argues that we see this in the discourses surrounding inflation and deflation where the former, which harms the holders of assets but could help the indebted, is avoided at all costs, while the latter, which benefits the holders of assets but harms those without, is rarely even discussed. The majority of policies, as we can see in the Bank of England’s remit, are designed to fight the dangers of inflation, whilst ignoring or marginalising deflation.<sup>4</sup>

Lazzarato (2012) is even more explicit in stating the importance of being clear about the nature of the current financial system. He argues that it is a political act to call this system ‘finance’ and it would be more accurate and transparent to speak of a ‘debt economy’ as ‘what we reductively call “finance” is indicative of the increasing force of the creditor-debtor relationship’ (2012, p23). This relationship is not a neutral one, and the creation of the ‘indebted man [sic]’ ensures that ‘through the simple mechanism of interest, colossal sums are transferred from the population, business and the Welfare State to creditors’

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<sup>4</sup> Thus we have a way to understand the move in 2011 to measure inflation by the Consumer Price Index (CPI), which excludes housing costs, rather than the Retail Price Index (RPI), which includes housing costs. These two commonly record different levels of inflation. If, under CPI, inflation is at 1.7% but in RPI it is at 2.7%, and the CPI is the official benchmark for up-rating wages and benefits, then in theory wages for labour will rise in line with the lower of the two figures. If however the costs that those receiving wages and benefits face are rising in line with the RPI, then there is a 1% gap between the cost of living and wages. It is likely that RPI more accurately reflects living costs as housing is becoming an increasingly bigger portion of our spending. Thus the use of CPI benefits those who already hold housing as assets, whose price is inflating, but damages workers as their wages are decreasing in real terms (when set against inflating housing costs).

(2012, p20). Lazzarato's argument that debt is a tool for exploitation is not a novel one: having previously outlined the importance of the credit system as the mechanism by which money becomes centralised in fewer and fewer hands, Marx states:

In its first stages, this [credit] system furtively creeps in as the humble assistant of accumulation, drawing into the hands of individual or associated capitalists by invisible threads the money resources, which lie scattered in larger or smaller amounts over the surface of society; but it soon becomes a new and terrible weapon in the battle of competition and is finally transformed into an enormous social mechanism for the centralization of capitals. (1990, pp777-8)

Pettifor (2006, p56) argues that in the current globalised economic system debt functions in four principle ways:

1. It extracts assets from the productive sector in a manner that can fairly be described as parasitic;
2. it transfers from those without assets, to those with them;
3. it makes a claim on the future; and
4. it builds up exponentially rising levels of debt, which are unlikely to be repaid in full.

Under this analysis, debt is the mechanism by which the economy currently works, and so individual and household consumers can be seen as 'heroic debtor-spenders' who play a vital role in propping up the world economy. In support of this theory, Pettifor (2006, p97) refers to data showing that, in 2006, UK personal and household debt stood at a total of £1,114 billion – almost equivalent to UK Gross Domestic Product (GDP). By November 2013, this had risen to a massive £1,432 trillion. To put this into context, average household debt (including mortgages) more than doubled in the same amount of time from £25,195 in April 2006 to £54,197 in November 2013 (The Money Charity, 2006).

Such spending from households is an example of debt-as-parasite, sucking the lifeblood of the economy like a ‘great vampire squid’.<sup>5</sup> Money, which is swapped for debt plus interest, is barren, it has no natural powers of multiplication. Therefore any interest on money must come from another source – from labour or the environment. The debt then ‘becomes ultimately unpayable because the rate of interest, or the rate of return on the privately created credit, exceeds the rate at which society (broadly Industry and Labour) and the ecosystem can be renewed, can generate *additional* resources, and can repay’ (Pettifor, 2006, p57). Because debt-based money is the majority (97%) of money created in the UK, this means that money, which could be used for productive purposes or social goods, is endlessly recycled into higher profits for creditors (McLeay, Radia & Thomas (2014)).

If this analysis is correct, and debt is the central mechanism (via banking and finance) for rising inequality, instability and the destruction of the planet’s ecosystems, then an investigation of the possibility for more socially useful forms of banking and finance needs to have debt as a central concern.

Returning to the current state of the financial system, lessons do not appear to have been learned from the financial crisis. Indeed, on many measures, outcomes are worse than before the crisis: global debt has risen by \$70 trillion (Chan, 2017), and, in the UK, the housing bubble (particularly in London) has been re-inflated (Jenkins, 2017). Even notorious sub-prime lenders are back, focusing on a ‘new’ market they are classing as ‘nonprime’ (McLannahan, 2017) and showing, in Galbraith’s (1994) terms, a ‘brevity of financial memory’ which may perhaps be seen as a rather convenient amnesia for the financial sector and those who regulate it. The power and influence of the banking and finance sector can be seen as one reason for the reiteration of the *status quo* (Cave, 2013; Shive & Forster, 2017), but another is the inability of people, governments and regulators to imagine banking operating in any other way. For example, the Occupy movement was simultaneously praised for their critiques of Wall Street and the

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<sup>5</sup> Originally coined by Matt Taibbi who in *Rolling Stone* referred to Goldman Sachs as ‘a great vampire squid wrapped around the face of humanity, relentlessly jamming its blood funnel into anything that smells like money’ (2009, n.p.). Now the phrase is sometimes used to denigrate financial markets more broadly.

City of London, and criticised for not providing ‘an alternative’ (Graeber, 2013).<sup>6</sup> Outlining the options for systemic financial systems change is not something that comes easily.

However, as we saw from the opening vignette, there has been another movement; one that, whilst not necessarily as oppositional as Occupy, has nonetheless been growing, stretching, experimenting, and seeking to find new ways to perform banking and finance: a more tentative critique in which participants frame the challenge as ‘we think we can do this better’. From activists calling for monetary reform and the end of fractional reserve banking,<sup>7</sup> to think-tanks proposing the use of the Government’s stake in RBS to break it up into a network of local publicly owned banks (Greenham & Prieg, 2015), to innovators and ‘intrapreneurs’ trying to create new kinds of finance which better serve people and planet,<sup>8</sup> these experiments are trying to re-imagine our economies, with each seeking to challenge, in more or less radical ways, our understanding of the purposes of finance. Putting aside for a moment the success (or otherwise) of these endeavours, the political imaginaries that these experiments, campaigns and new models uncover could have the potential to enable new pathways to open up before us (or at least show us the paths that lead back around to the *status quo*).

## 1.2 Theoretical Context

In seeking to develop an analysis of the re-imagining of finance, this thesis draws on and develops out of four sets of academic literatures. First, a diverse economies approach has proven the need to pay attention to the ways in which people are trying to create new kinds of economies by pushing the boundaries and experimenting to ‘make other worlds possible’ (Gibson-Graham, 2008; Roelvink, St. Martin & Gibson-Graham, 2015). Diverse economies work tends to

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<sup>6</sup> And in the case of Occupy, as Graeber outlines in his recollections of his role, the point of the movement was partially to show a different way to do democracy, with an understanding that there is no hope to change our financial systems if we do not find a different way to organize our democratic systems. This is rooted in a critique of the US in particular as a system of institutionalized bribery – where the links between Wall Street and the US Government are so close that proposals for reform are doomed to fail. In this light the critiques of Occupy are mismatched with the aims and purpose of at least some of those participating (Graeber, 2013).

<sup>7</sup> See Positive Money, who in 2014 enabled the first debate on money creation in the House of Commons in over 170 years (Positive Money, 2014).

<sup>8</sup> The Finance Innovation Lab’s Senior Fellows give an overview of the broad areas of innovation that seeks to create finance which better serves people and planet. See Finance Innovation Lab (2017b).

focus on explicitly ‘non-capitalist’ forms of alternative economies and social experiments such as: timebanks (Werner, 2015, pp72–97); worker owned co-ops (Snyder & St. Martin, 2015, pp26–52) and ‘econo-sociality’ in wild product gathering (Barron, 2015, pp173–93). Whilst diverse economies approaches look for the difference that exists in the economy, the work of J.K. Gibson-Graham (2006a, 2006b, 2008) also tells us that we have to break apart the homogenisation of that which might be considered to be more mainstream and monolithic.

A diverse economies approach is powerful, theoretically and methodologically, in making visible the wider, more diverse parts of the economy that, like an iceberg, lie hidden under the waterline, yet are actually crucial to how we organise our lives and provision ourselves. Gibson-Graham (2006a) call attention to both making visible the invisible and marginalised, but also ask us to recognise the diversity of that which might be considered to be (usually) visible and mainstream, seeing that, in all ways, the economic world is already diverse and richly variegated. Despite the centrality of finance to the wider economy, diverse economies theory has to date largely neglected finance, focusing instead on labour, production and exchange. Arguably, when finance is encountered it is first as money, and then in relation to exchange, which is not consistent with more recent understandings of finance as credit-debt (Lazzarato, 2012).

This thesis will therefore extend a diverse economies approach to finance. It is expected that probing into the marginalised ‘alternative’ forms of finance, as well as looking for the difference in the ‘mainstream’, and the difference and tension between those states (as envisioned in a non-binary approach to alterity<sup>9</sup>) should give a richer understanding of diverse economies. This thesis takes the position that extending diverse economies to new innovations in finance can illuminate ways to reclaim finance as ‘a site of ethical decision-making and practice’ (Gibson-Graham & Roelvink, 2010, p329).

Second, the interest in innovations and experiments that have an orientation to be more ‘socially useful’ needs an understanding of the ‘social’ in finance: where is ‘the social’ in finance, and how is it (re)created? This thesis argues that the

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<sup>9</sup> The tension between diversity and alterity/mainstream is taken up in chapter 4.

social relations of money, which lie at the heart of finance, are found in the creditor-debtor relationship. The literatures on money and debt (Aitken, 2015; Di Muzio & Robbins, 2017; Graeber, 2010; Lazzarato, 2012; Peebles, 2010; Pettifor, 2006) centralise the creditor-debtor relationship, and it is argued that the changing nature of this relationship is of fundamental importance to social outcomes (Graeber, 2017). These literatures tend to take a historical perspective, looking at how credit-debt have been organised, but leave open the question of alternatives and possibilities in the creditor-debtor relationship. Coupled with the lack of theoretical interest in finance from a diverse economies perspective, the social relation of the credit-debt relation that sits at the heart of money and finance has not been theorised in ways that foreground the diversity of the ‘social’ and open out political possibilities. In order to address both of these gaps, this thesis will extend a diverse economies approach to the social relation of credit and debt.

I am leaving the definition of the term the ‘social’ open at this point, not in order to reify it but to enable the theoretical space to interrogate it. How ‘social’ an alternative form of finance might be said to be and what kind of sociality<sup>10</sup> this entails is an analytical and political problem that this thesis seeks to address. This differs from the vast majority of work in the critical social sciences which assert social relations as an ontological starting point. It is also the case that although the social studies of finance literature uses the term ‘social’ as a valid part of their critique of financial organisations, the empirical problem under investigation in this thesis begins from a very different starting point, necessitating the opening up of the ‘social’. Where social studies of finance had as a purpose to bring the ‘social’ back into finance, the problem in this thesis is that the financial organisations under examination explicitly name themselves ‘social finance’. This provokes a different approach to the importance of the ‘social’ in finance as there is a degree to which this approach is anchored in the problem – how do we understand what, exactly, the ‘social’ denotes, both empirically and analytically? Consistent with diverse economies approaches, this thesis will leave open the

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<sup>10</sup> As Tooker and Clarke put it, ‘Our concern is therefore to understand the effects of relational finance’s claims to sociality, rather than to conceptualize the “social” or to outline a social-relational approach to finance’ (2018, p61). Consistent with Tooker and Clarke, and with Peebles (2010), this thesis uses the terms the ‘social’, social relations and ‘sociality’ interchangeably – these describe the social relations being attempted, described or assembled.

concept of ‘the social’ in order to see how it is being assembled, as the very process is in itself contested. This thesis looks at different analytical understandings of ‘the social’ in chapter 2 and (more thoroughly) in chapter 4, as well as empirically in chapters 5 and 6.

Third, in striving to understand how ‘the social’ is (re)created, this thesis brings in a Latourian understanding of the social into our analysis of credit-debt (Latour, 2007). Many of the critical social science debates in finance have been driven by attempts to restore ‘the social’ by showing that finance is not ‘purely’ economic but instead inextricably bound up with and emerging from social relations (Di Muzio and Robbins, 2017; Shipton, 2009; Zaloom, 2006). This approach, as Peebles’ (2010) review shows, is a reaction against mainstream economic approaches, which seeks to uncover and make explicit the social relations that ‘lie behind’ what are at first glance seemingly impersonal, technical market transactions. Latour’s (2007) critique of this approach asks us to substitute the idea of an underlying reality of a thing called ‘society’ for the more difficult task of seeing the social as contingent and always-in-the-process-of-being-assembled. Applying a Latourian approach to the assembling of particular kinds of socialities of credit-debt becomes key to understanding alterity and the potentialities for change. Examining how different actors in alternative finance are trying to re-make the social is perhaps the crucial step in uncovering new types of sociality in alternative finance.

Finally, having established a number of theoretical positions to analyse the (re)imagining of finance and related attempts to create new forms of more ‘socially useful’ finance, this thesis focuses on two case studies of contemporary innovations in finance: peer-to-peer lending, and reward-based crowdfunding. The literature on crowdfunding and peer-to-peer lending is in its early stages and is starting to move from more descriptive accounts (Baeck, Collins & Westlake, 2012; Collins, Swart & Zhang, 2013) through to work that investigates the potential for the democratisation of finance or the everyday relationalities of debt and peer-to-peer finance (Aitken, 2015). Where the diversity of crowdfunding has been investigated through monetary and financial ecologies (Langley & Leyshon, 2017b), social finance (Langley, 2018) and overviews of crowdfunding sectors

(Gray & Zhang, 2017, pp580–609), these accounts do not focus on the social, nor seek to understand how it is assembled, maintained or destroyed. Clarke and Tooker (2017) have taken some steps to uncover the social in ‘relational finance’, seeking to open out the political character of recent financial innovation.

Following their approach to investigating ‘finnovations’ by analysing their social character, this thesis goes further in investigating how, why and which elements of peer-to-peer lending and reward-based crowdfunding enable the opening up (or closing down) of ethical and political possibilities. Additionally, the implications of thinking about credit-debt in diverse economies terms also contributes to theoretical approaches to finance, which tend to flatten out and homogenise difference. The current approaches to understanding crowdfunding do not properly take into account their alternative nature, they are still different forms of finance that are being ignored or forgotten.

The cases under analysis have been selected for a number of reasons that are discussed in more depth in chapter , but their fundamental importance is found in the ways in which both of these sectors centre the creditor-debtor relationship by explicitly creating a more direct link between creditors and debtors on their platforms. Recent work on ‘relational’ (Tooker & Clarke, 2018) and ‘social’ (Langley 2018) finance have begun to draw attention to the directness of this link, but as these articles are broader in scope they are not able to account for the way in which the creditor-debtor relationship is assembled and how this affects the sociality of the platforms. This thesis will fill this gap by providing detailed accounts of the development of peer-to-peer and crowdfunding, including the changing nature of the supposedly direct creditor-debtor relation. We will see that peer-to-peer finance and reward-based crowdfunding do this in very different ways, creating very different kinds of social. By looking at what these innovations are trying to do and how they are trying to do it we can see where key decisions are made that shape the outcomes of attempts to create more diverse kinds of creditor-debtor relation. This will help other practitioners and theorists see the ways in which possibilities are enabled or constrained in attempts to create new kinds of social in finance.

### **1.3 Aim and Research Questions**

The overall aim of this thesis is to extend a diverse economies account of the credit-debt relation in peer-to-peer finance and reward-based crowdfunding. To achieve this aim, the thesis will address the following research questions:

1. What can a diverse economies approach contribute to theoretical understandings of the credit-debt relation in finance?
2. How is ‘the social’ assembled in peer-to-peer finance and reward-based crowdfunding?
3. What enables and constrains attempts to create new kinds of creditor-debtor socialities in peer-to-peer finance and reward-based crowdfunding?

### **1.4 Outline of the Thesis**

Taking on board the aim and questions, and to achieve the contributions above, this thesis will proceed as follows.

Chapter 2 takes the problem sketched out above, that there are limited imaginaries around the politics of debt and the creditor-debtor relation, and looks to work through the implications of this for the thesis by looking at how research can open out potentialities for change in finance. Starting with the work of Gibson-Graham, it is argued that the lack of imagination around possibilities for alternatives to capitalism is partially due to the constant reproduction of ‘capitalocentric’ discourses by theorists. These are ways of looking at the economic world(s) that ignore and marginalise alternative economic forms by reducing them underneath, behind, or subservient to a ‘big c’ Capitalism. This makes imagining ‘non-capitalisms’ extremely difficult.

In response it is argued that adopting a different approach based on an ontology of economic difference can help to create conceptual space to allow economic difference to exist, building our capacity to imagine (and therefore create) alternatives. Following on from these theoretical foundations, some initial ways in which reading for dominance, fragility, and difference in the UK banking system are outlined. These different perspectives help to uncover those critical

moments where decisions can be taken that can open up or close down space for power to be taken by different actors. The argument in the first part of this chapter is that, because the economy is performative, the decision to research alternatives and adopt a stance of curiosity attuned to difference is a political one which can help ‘make other worlds possible’.

In the second part of chapter 2, the thesis moves to explore the possibilities of a diverse economy of money/debt, grounding itself in theories of money and debt by drawing on the work of Graeber, Lazzarato, Dodd and Zelizer. Because this thesis is interested in the sociality of banking and finance, we need to establish where ‘the social’ is to be found. The main argument in this chapter is that money is fundamentally a social relation of credit and debt. Building on this literature by extending a diverse economies approach and bringing in literature on the concept of ‘the gift’, this thesis sketches out an understanding of credit-debt that can enable the making of other credit-debt worlds possible that is consistent with an ontological commitment to ‘think difference’.

Chapter 3 provides a methodology that outlines the design of the research and states the methods used to collect data on the case studies. The practicalities of the researcher and the researched are tackled first through an explanation of the nature of this project’s collaboration with the Finance Innovation Lab. The approach to the research is laid out, centralising the creditor-debtor relation at the heart of both of the different but related industries.

Chapter 4 expands the work in chapter 2 and acts as a bridge to the empirical case studies in chapters 5 and 6. This is achieved through the creation of a framework aimed at understanding how the ‘social’ in the creditor-debtor relationship is being (re)constituted. The argument in this chapter is that looking at the way the social is constituted by the spatial, temporal and subjectivity-creation practices of alternative finance helps us see what is constraining and enabling different possibilities for the creditor-debtor relationship. Starting with Peebles’ (2010) literature review on credit and debt, a framework is proposed that can situate an interest in the sociality of creditor-debtor relations in alternative forms of finance. Then, drawing largely on Maurer (2005), this chapter moves on

to look deeper into understanding what ‘alternative’ means, proposing that it is a relational concept, always shifting in response to changing ideas about the mainstream. Reflecting on this, this chapter recognises that the alterity is itself diverse, contingent and context specific. As there is a wide range of ‘other’ economic forms, the thesis centres those ‘alternatives’ which seek to alter in some way the creditor-debtor relation, and make some claim to be, in some way, more ‘social’.

Having established this, the chapter then goes on to establish meaning for the term ‘social’, taking a Latourian (2007) anti-essentialist approach, problematising ‘the social’ in order to create a focus on how the social is continually made and re-made. This focus asks for attention to be given to how actors are continually re-shaping the social. In light of this work, this thesis breaks the creation of the social into two ‘phases’. First, I follow the actors themselves to investigate what they take to be their ‘social purpose’ and how they go about creating it (Langley, 2018). Second, I ask what kind of sociality has actually been assembled.

The remainder of chapter 4 applies the framework themes of spatiality, temporality, and subjectivity-creation to the existing literature on alternative finance so that we can see what kinds of power and social relations have already been found to impact on the creation of different kinds of sociality in alternative economic forms. Using the framework, different expressions of the social are highlighted in different times and places, the framework adapting to the specificity of the alternatives to which it is applied. Finally, this chapter concludes by summarising the importance of maintaining a focus on the ways in which alternatives might be expanding, pushing at and embodying something other than the expected mainstream (and more exploitative) business model. This can enable us to critically evaluate the boundaries of its alterity and the possible shapes of future experiments.

Chapters 5 and 6 apply the analytical framework from the earlier chapters to peer-to-peer finance and reward-based crowdfunding with the aim of investigating the social purpose claims of these industries, and how they try to assemble these through their spatial, temporal and subjectivity-creation

practices, before concluding with comments on the nature of the social content created. Both chapters follow the same format: the history and mechanics of the industry are assessed, before moving on to examine the claims that are made by the industries themselves and others, regarding the differing social purposes and alterities we find. Each chapter then looks at the spatial, temporal and subjectivity-creation practices at play, before returning to see how these practices impact on the kinds of social content created.

Finally, chapter 7 summarises and draws together the key conceptual and empirical contributions of the thesis and provides conclusions and areas for future work.



## Chapter 2

# Building Diverse Economies: Towards a Diversity of Credit and Debt

Discussion of financial reform and regulation has been a popular topic in the ten years following the financial crisis, with much written about how society could protect itself from the destructive tendencies of the financial system. But how can we begin to approach the possibility of change in a system so complex, powerful, and often opaque? How, in the Finance Innovation Lab's terms can we 'find new forms of finance that serve people and planet'? Or, in Adair Turner's parlance, how can we create new kinds of 'socially useful' finance? There are at least three broad possible approaches that could be taken to investigate this in the contemporary context. The first would be to undertake a critical review of the role of the finance system in the economy to pinpoint the causes of negative effects on society, democracy, and the environment. The second would be to begin imagining a 'perfect' finance system, and then work out how to get from the present reality to this better system.<sup>11</sup> The third approach would be to investigate actually existing new and/or innovative approaches to finance to see how and why they are different under the philosophy that 'the potential for the change we need already exists in the present'. The merits and drawbacks of these approaches are discussed below, alongside a justification for taking the third approach in this thesis.

There is already a wealth of in-depth critiques of the banking system, with a recent glut of work post-financial crisis. Since 2008, there have been over 100 books published, and as of September 2017, 6,059 peer reviewed journal articles, (in English) which discuss the financial crisis and therefore this thesis takes the position that adding another critique to the mix is unlikely to yield especially useful insights. In addition, the substantive critique of J.K. Gibson-Graham (2006a; 2006b) argues that representations of the economy that focus explicitly on 'capitalism', ignore, marginalise and obscure all that which is 'non-capitalism'

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<sup>11</sup> This is most often used to good effect in activism, with the work of Common Weal in Scotland being a prime example of this. See their website (Common Weal, 2019) for the approach they take to taking best practice from elsewhere, and working through how to create those systems in the Scottish context. This 'think and do' -tank has had great success in opening up new imaginaries, having persuaded the Scottish Government to create a Scottish National Investment Bank after just 18 months of campaigning (see Bone 2016; MacFarlane 2016).

and that this limits our ability to imagine alternate possibilities. This thesis will thus investigate actually existing alternatives by extending a diverse economies approach to credit-debt relations.

This chapter will be structured as follows; firstly, the approach of diverse economies scholars (focused on the work of J.K. Gibson-Graham) will be examined to uncover the political and practical issues of research, arguing that, because the economy is performative, researchers must have a solid ontological and epistemological framework that recognises a choice must be made to examine difference. A gap is identified and this looks at the potential implications of extending diverse economies approaches to finance. The second part of this chapter then looks at the literature on credit and debt, outlining a continuum of debt relations in finance before concluding that there is a need to specify what 'the social' of finance is. Section 2.3.1 provides a brief overview of theories of money, to show how money is a social relation of credit and debt, before describing the power relations inherent in the creditor-debtor relationship. The situation of money and debt in a historical framework enables a discussion of the effects of different ways of organising debt on society. It is argued that the definition of money as a social relation of credit and debt cannot explain money in all its varieties and forms because the social and power relations of money differ throughout time and space. This work situates our understanding of debt as a historically important structural phenomenon and outlines some of the persistent features and tensions of the creditor-debtor relationship. This relationship is thus theorised as contingent and dependent on how it is constituted at any given time.

Section 2.4 then looks to understand the ways in which the credit-debt relation is theorised as diverse. This section looks at the literatures compatible with a diverse economies perspective – that is theories of credit-debt which do not seek to abstract and homogenise the social relations of money, but those that seek to highlight the contradictions, lumps and bumps of actually existing credit and debt relations. Section 2.4.1 expands on this to bring in the literature on the 'gift' which provides a theoretical continuum from abstract financialised credit-debt relations to highly relational forms of debt as seen in the theory of the gift. This

will enable the thesis to build upon this diversity in chapter 4 where the diversity of alternative forms of finance are explored.

## 2.1 Capitalocentrism – Limiting Possibility

“Capitalism” occupies a special and privileged place in the language of social representation. References to “capitalist society” are a commonplace of left and even mainstream social description, as are references – to the market, to the global economy, to postindustrial society – in which an unnamed capitalism is implicitly invoked as the defining and unifying moment of a complex economic and social formation. Gibson-Graham (2006b, p1)

The theoretical and political projects of Gibson-Graham centre around the imagination of alternatives to capitalism. A lack of alternatives is seen as a fundamental problem of contemporary politics; Bill Maurer, in relation to ongoing protests against capitalism or globalisation (such as the ‘battle for Seattle’ or Occupy Wall Street), says in his overview of economic anthropology: ‘one can detect frustration... at the apparent lack of meaningful alternatives. Abolish capitalism? Well, what would you put in its place?’ (2012a, p455). Why is it that we struggle to imagine anything ‘other than’ capitalism?

Often, the cause of this problem is theorised as being due to the nature of capitalism itself; that capitalism is dominant and its dominating structure lies over practically every kind of human activity.<sup>12</sup> But, what if, as J.K. Gibson-Graham argues (2006a, 2006b), the problem does not lie in any objective ‘fact’ of the ‘nature’ of capitalism, but is instead found in the way that we theorise the economy? They argue that when we look at capitalism we do not find a necessarily overwhelmingly hegemonic unity but, as theorists, we create this reality through the language we use and the way we theorise the economy. They argue that discourses of capitalism from both the right and the left have been ‘capitalocentric’ – centred around a view of capitalism which precludes the

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<sup>12</sup> Even those activities which are seen as being outside of wage-labour (for example ‘women’s work’) are seen as being part of capitalism (‘capitalist reproduction’ (Gibson-Graham,2006a)).

existence of non-capitalism where all ‘non-capitalisms’ are defined by their relationship to capitalism:

Capitalocentrism is a dominant economic discourse that distributes positive value to those activities associated with capitalist economic activity however defined, and assigns lesser value to all other processes of producing and distributing goods and services by identifying them *in relation* to capitalism as the same as, the opposite of, a complement to, or contained within. (Gibson-Graham (2006b, p56)

This condenses economic difference by ‘fusing the variety of non-capitalist economic activities into a unity in which meaning is anchored to capitalist identity’ (2006b, p56) and therefore makes imagining ‘non-capitalisms’ extremely difficult (if not impossible). Capitalocentrism thus becomes a key barrier to the emergence of alternatives by severely limiting our imaginative capacities. An illustration of the ‘discursive violence’ done to anything ‘other’ than capitalism comes via comparison – for example they (2006a, p2) question why we would find it problematic to call America a ‘Christian country’ or a ‘heterosexual country’, yet we ostensibly have no problem calling it a ‘capitalist country’?

In the former examples, we can see that our levels of discomfort in naming a particular religious practice or sexual identity as a defining characteristic of a country shows some level of recognition of the existence of other forms or practices. We are uncomfortable with the idea of reducing that diversity so that only the majority practice is recognised. However when we call America a ‘capitalist country’, we do not seem to recognise the existence of any ‘other’. This ‘refusal to explore disharmony’ has a profound effect on the social representations being constructed (2006a, pxxxvii). But, once this is recognised, it is possible to orient ourselves to look for difference. For example, Gibson-Graham (2006a, p186) points to the work exploring the myriad of different forms of corporate structure, arguing that this broke the hegemony of ‘post-Fordism’ by revealing such a diversity of different types of organisation and purpose that it became clear that it was impossible to think of the ‘capitalist firm’ as a singular ‘type’. They argue that, as theorists, we need to be aware of the danger of only

ever finding ‘capitalism’ and dismissing anything that is not ‘capitalist’ as being subsumed within, irrelevant, or crushed by the dominant and dominating ‘capitalism’.

This can be expanded out, or rather focused in, on other dominant or dominating discourses. In the UK, many people are dissatisfied and distrustful of the UK banking system,<sup>13</sup> yet it has been argued that a person is more likely to get a divorce than change their bank account.<sup>14</sup> There are a number of explanations for this, including the difficulties involved in switching banks, however it is certainly the case that one of the problems is the perception that there are no alternatives to the ‘Big Four’, especially now that the Co-operative Bank has been taken over by hedge funds. This mirrors a more general perception that there is no alternative to the capitalist economy. If capitalocentrism is the problem, then what is the solution? How can we see, imagine and create alternative economic spaces that are more focused on social and environmental ethics?

The work of Gibson-Graham has been focused on precisely that question; from their germinal 1996 text *The End of Capitalism (As We Knew It)* (Gibson-Graham, 2006b) which challenged the role of theory in the reproduction of capitalist dominance; through to *A Postcapitalist Politics* (2006a), which sought to build a politics that helps to create something in the present; to *Take Back the Economy* (Gibson-Graham, Cameron & Healy, 2013), a practical field-guide for collaboration between practitioners, activists and researchers. Their method purposefully searches for the difference that we have been unable (or unwilling) to see. They look for spaces and places that are not reducible to capitalism – those places which may be called ‘non-capitalist’. They seek to create a politics of possibility, one in which we are able to break down the dominant understandings of capitalism to enable a new political imaginary where we can see capitalism’s constitutive ‘outsides’, and see the breaks in which difference and alterity can

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13 The Edelman Trust Barometer 2013 showed that the financial services industry (including banking) was the least trusted of all global industries.

14 The now often quoted phrase from Ed Balls, the Shadow Chancellor, is actually based on the statistics from the ONS which say that an average marriage lasts 11.4 years before ending in divorce, while statistics from the Independent Banking Commission report in 2010 show that on average people keep their accounts for an average of 26 years before changing (see Karim, 2012).

emerge, and construct actors able to engage in the ethical practices needed to create a better future.

### **2.1.1            *The Ethics of Thinking – Creating Space for Possibility***

...that ideas about what is *really* real are judgment calls, not the manifest truth of an unfolding world. Judgments are real, of course, but they are also plural and contradictory. Reality is powerful, pressing and incontrovertible but it is also a mystery – it cannot tell us what to say, at least not straightforwardly. That is why it matters how we think and theorize. (Lee, Leyshon & Gibson-Graham, 2010)

If theory is the problem, because it squeezes out space for seeing difference, then it follows that we must start with a different approach to theory. Gibson-Graham's critique of capitalism is based on deconstructing capitalist ontology and replacing it with a radically different ontology, which allows the use of epistemologies founded on ethical concerns to arise, which in turn can enable the building of alternatives. Their answer to the problem of capitalocentrism is to create conceptual and physical space in which it is possible to see, imagine and create non-capitalist alternatives. Gibson-Graham pioneered a diverse economies approach to research, which is a 'performative ontological project that builds upon and draws forth a different kind of academic practice and subjectivity' (2008, p613). In *The End of Capitalism* (2006b) they begin to create counter discourses by challenging the ontological propositions of capitalocentric economics. They argue that capitalocentric discourses have ontological and epistemological practices that aim to 'uncover' an actually existing economic 'reality'. Instead, Gibson-Graham argues for an alternative ontological framework in which the 'economy' does not follow a set logic or pathway but is instead always in the process of being created by those who theorise, debate and practice it.

An ontology of economic difference challenges the idea that, contrary to mainstream economic thought, the economy is not a machine which follows a capitalistic logic of which academics can 'uncover' the 'truth'. Instead, what exists is a complex and messy reality which theorists variously shape, change, ignore, strengthen and marginalise. Many possible 'economic realities' can be seen,

depending on the stance taken and we as researchers make decisions, conscious or otherwise, to focus on particular things at any one time. Timothy Mitchell sees the economy as ‘a project, or a set of projects, that has been stabilised through measurement and accounting practices, through the “science” of economics, through economic policy and monitoring and through other practices and technologies’ and over time this version of the economy becomes a reality (2008, p1118).

As we have seen, the discourse of capitalism has been dominant, preventing us from accessing ideas about things that might be ‘other than’, ‘different to’, ‘alternative to’, or even ‘limits to’ an unplaced, unnamed and unspecified capitalism. This discourse is ultimately backed by claims to ‘reality’, to the specific ontology that Gibson-Graham and other critical theorists have shown us is, with a slight shift in perception, no longer true. This has ramifications for researchers:

When ontology becomes the effect rather than the ground of knowledge, we lose the comfort and safety of a subordinate relation to “reality” and can no longer seek to capture accurately what already exists; interdependence and creativity are thrust upon us as we become implicated in the very existence of the worlds that we research. Every question about what to study and how to study it becomes an ethical opening; every decision entails profound responsibility. (Gibson-Graham, 2008, p620)

In the light of these choices, there are tools available which can help to reconfigure the role of the academic in research, which fall under three main orientations; a performative epistemology (rather than a realist or reflective one); an ethical (rather than structural) understanding of social determination; and an experimental (rather than critical) orientation to research (2008, p629). Of these orientations, two anti-essentialist strategies, deconstruction and over-determination – are key to begin carving out the space to create ‘other worlds’. The Althusserian concept of over-determination theorises capitalism as having no particular ‘inside’, being constituted by its constantly changing and contradictory ‘outsides’ (2006a, pp15–6). Instead of defining the other through capitalism, capitalism(s) should be defined by their others. For example, women’s

work is often discussed as being part of ‘capitalist reproduction’, rather than as something that existed before capitalism and is therefore not reducible to it (Gibson-Graham, 2006a, p64).

Over-determination should be a process of radical construction where a ‘capitalist site’ becomes an irreducible specificity – it should no longer be said that a capitalist firm is only interested in profits, in the same way as we cannot say that a woman automatically desires to have babies. The effect that this has on our imagination is that ‘when Capitalism gives way to an array of capitalist differences, its noncapitalist other is released from singularity and subjection, becoming potentially visible as a differentiated multiplicity’ (2006a, p16). So with a re-framing, women’s work can be seen as forming one of the limits to capitalism, one of its constitutive outsides and therefore something alternative, which would continue to exist if ‘capitalism’ disappeared. In other words, we can begin to see the shape of the other that exists in the present, and imagine those others continuing into the future, creating specificity where before there was emptiness.

The second strategy is deconstruction, using Laclau and Mouffe’s theorisation that the social order is not reducible to the economic system but is instead ‘transiently and partially unified by temporary discursive fixings’ (Gibson-Graham, 2006a, p36). Deconstructing our current understandings, we can discover ‘the surplus and contradictory meanings of the term, the places where capitalism is inhabited and constituted by non-capitalism, where it escapes the logic of sameness and is unable to maintain its ostensible self-identity’ (p44). These are the points in which we can look for difference, where we, as researchers, have to make a choice to reaffirm the dominant, or to create something new. When you reaffirm the dominant you negate the possibility of any other, or the creation of any difference.

A diverse economies approach suggests that we should choose to be more cautious with our critique: to instead create space to incubate the new and look for potential. This approach is simple, but if multiplied in future research it could have a transformative effect. The alternative would be to continue to approach

difference, such as peer-to-peer finance, with an uncurious stance, to subsume the new industry under the box marked ‘the same as the mainstream’ without investigating which parts are similar to mainstream practices and which are not to see where there is potential to provide more socially- or environmentally-based choices in the future. Instead, the ethics of thinking for Gibson-Graham is based first on the politics of the subject, which is the premise that ‘to change our understanding is to change the world, in small and sometimes major ways’ (2008, p615).

### **2.1.2            *The Politics of the Subject – Researching Possibility***

...we cannot ignore the power of past discourses and their materialization in durable technologies, infrastructures and behaviors. Nor can we sidestep our responsibility to those both within and beyond our place who have suffered for our relative well-being. But we can choose to create new discourses and counter-technologies of economy and construct strategic forms of interplace solidarity, bringing to the fore ways to make other worlds possible. (Gibson-Graham, 2008, p623)

The ontological framing of Gibson-Graham places a burden on academics as researchers to take greater care in the topics we choose, the methods we use and the aims that we have because ‘we are more likely to see ourselves engaging in a universally available, emotionally neutral process of enlarging understanding than as situated in a specific setting with particular social goals and affective entailments’ (2006a, pxxix). The ethics of research is made more complex and sensitive once we recognise that our ideas have a performative effect on the world and Gibson-Graham calls for the emergence of ethical practices which see knowledge as performative, as ‘always implicated in being and becoming’ (2008, p623).

Many scholars have called attention to the activism inherent in knowledge production and scholarly responsibility (see Law & Urry, 2004; MacKenzie, Muniesa & Siu, 2008); Andrew Leyshon, Roger Lee and Colin Williams’ book *Alternative Economic Spaces* saw that ‘it is the celebration and analysis of the possibilities of diversity and economic proliferation that is the most significant

contribution of the research' (2003a, px). Bill Maurer (2012a), in his overview of economic anthropology, calls us to attend to a different type of thinking from static, totalising theories to 'theories-in-motion'. Hart and Hann call for more 'engaged practice' which at base is a change in the affective stance of the researcher, it is not 'applied research in an instrumental sense, at least not as conventionally done, but a disposition of openness to the world, a critical engagement with the world, while seeking to make the world anew' (2011, p455). The ethical practices that we have to choose involve orienting ourselves towards difference and possibility rather than dominance or predictability (Gibson-Graham, 2008, p626). Gibson-Graham asks that we, as researchers aware of our performativity, should reject strong theory, and take a stance of curiosity:

What if we were to accept that the goal of theory is not to extend knowledge by confirming what we already know, that the world is a place of domination and oppression? What if we asked theory instead to help us see openings, to provide a space of freedom and possibility? (2008, p619)

Eve Sedgwick's concept of 'weak' theory, which aims at 'little more than description' is promoted by Gibson-Graham because 'strong theory has produced our powerlessness by positing unfolding logics and structures that limit politics. Weak theory could de-exoticise power and help us accept it as our pervasive, uneven milieu' (2008, p619). This approach has 'less a concern with closure and ends than with the perpetual opening out and transformation of social life' (Leyshon, Lee & Williams, 2003, px). Weak theory under this reading can actually help us to regain power in discourse and sites of potential action. We should aim to extend our knowledge by investigating difference and refuse to predict too far ahead or to make sweeping generalisations. Where strong theory makes us weak, weak theory could increase our power and potential for change. We should be asking; where are the alternatives? How do they work? Who makes them work? In which ways are they similar? In which ways are they different and why? One way we can do this is though constructing a language of economic diversity.

If we can cultivate a stance of curiosity as researchers, we can actively try to look for difference, but we have to be careful not to slip into patterns of

marginalisation and the ‘discursive violence enacted through familiar references to “capitalist” economies and societies’ (Gibson-Graham, 2006b, pxviii). Our role is to ‘dislodge the discursive dominance’ of capitalist economy and ‘reclaim it as a contested space of representation’ (Gibson-Graham, 2006a, p54). A diverse language of economy already exists in the discourses of feminism, political economy, working class politics, and the majority world, but they are rendered ineffectual by the hegemony of capitalocentrism; Santos calls these ‘non-credible alternatives to what exists’ (Santos, quoted in Gibson-Graham, 2006a, p57). If the language exists, then what we need is a way to convene this knowledge in a way that ‘destabilises capitalist dominance and unleashes new creative forces’ (2006a, p60).

There are a number of tools that are available to help enable active and engaged practitioners of research to widen the economy to include marginalised and excluded practices. Ontological re-framing, as we have seen, helps to produce the ground of possibility on which to begin to build our knowledge of difference, and another technology is that of re-reading for difference, which enables us to look at familiar landscapes to uncover existing diversity. Table 2.1 below shows that what is generally considered to be ‘the economy’ (formal markets, wage labour, capitalist enterprise, private property and mainstream market finance) is in fact just one part of the multiplicity of complex relations which organises daily life. The crucial point is that Gibson-Graham argues that the bottom two-thirds of the table (shaded in grey) account for well over 50% of our everyday economic activity. This makes clear how diverse the already existing economy is.

ENTERPRISE	LABOUR	PROPERTY	TRANSACTIONS	FINANCE
<b>Capitalist</b> Family firm Private unincorporated firm Public company Multinational	<b>Wage</b> Salaried Unionized Non-union Part-time Contingent	<b>Private</b> Individually owned Collectively owned	<b>Market</b> Free Naturally protected Artificially protected Monopolized Regulated Niche	<b>Mainstream Market</b> Private banks Insurance firms Financial services Derivatives
<b>Alternative Capitalist</b> State owned Environmentally responsible Socially responsible Non-profit	<b>Alternative Paid</b> Self-employed Co-operative Indentured Reciprocal labour In-kind Work for welfare	<b>Alternative Private</b> State-owned Customary (clan) land Community land trusts Indigenous Knowledge	<b>Alt-Market</b> Fair and direct trade Alternative currencies Underground market Barter Co-operative exchange Community supported agriculture, fishing, etc.	<b>Alt-Market</b> State banks Cooperative banks Credit unions Gov. sponsored lending Community-based financial institutions Micro-finance Loan sharks
<b>Non-Capitalist</b> Worker cooperatives Sole proprietorships Community enterprise Feudal enterprise Slave enterprise	<b>Unpaid</b> Housework Family care Neighbourhood work Self-provisioning labour Slave labour	<b>Open Access</b> Atmosphere Water Open ocean Ecosystem services Outer space	<b>Non-Market</b> Household sharing Gift-giving State allocations/appropriations Hunting, fishing, Gleaning, gathering Sacrifice Theft, piracy, poaching	<b>Non-Market</b> Sweat equity Rotating credit funds Family lending Donations Interest-free loans Community-supported business

**Table 2.1. A diverse economy**

*The figure is designed to be read up and down the columns, not across the rows*

Source: Gibson-Graham (2014, pxviii)

In the original iteration of this table (Gibson-Graham, 2006b, pxvii), it was populated with only three columns – transactions, labour and enterprise. Table 2.1 shows that in 2014 Gibson-Graham added property and finance to these. Whilst diverse economies research was always meant to expand and evolve by including more of the economic practices that are necessary to ‘material survival’ on this single conceptual plane, the category of finance has not been developed much further than this conceptualisation in the table. Thus the category of finance is the one which this thesis will investigate and further expand. The following section sketches out how a diverse economies approach can be extended to finance with the specific aim of contributing to a deepened understanding of diverse financial economies.

## 2.2 Towards Diverse Economies of Finance

It was argued earlier that diverse economies work has concentrated on engaging with alternative capitalist/market and non-capitalist/-market sectors of the economy (the bottom two sections of table 2.1 above) specifically to make them more visible. Sometimes the need for making this visible has been expressed by Gibson-Graham (Gibson-Graham & Cameron, 2013) as the economy-as-iceberg, where the larger part sits underneath the waterline and goes unseen, and the visible section on top of the water (the capitalist ‘real’ economy) is theorised as the *only* legitimate economy. This leads to the discursive and practical dominance of capitalist enterprise, wage labour, private property, market transactions and mainstream market finance at the expense of the myriad of ways human beings actually go about provisioning themselves (the grey shaded parts). As we have seen, this has a tendency to lead to capitalocentric readings which make envisioning alternatives extremely difficult and lead to a reduction of political possibilities. However, Gibson-Graham also wants to draw attention to the visible part of the iceberg – to show that even that which is considered ‘mainstream market finance’ can be a more diverse place than we first might assume. So, this being the case, we need to ask ‘what can a diverse economies approach bring to our understandings of alterity and diversity in finance?’.

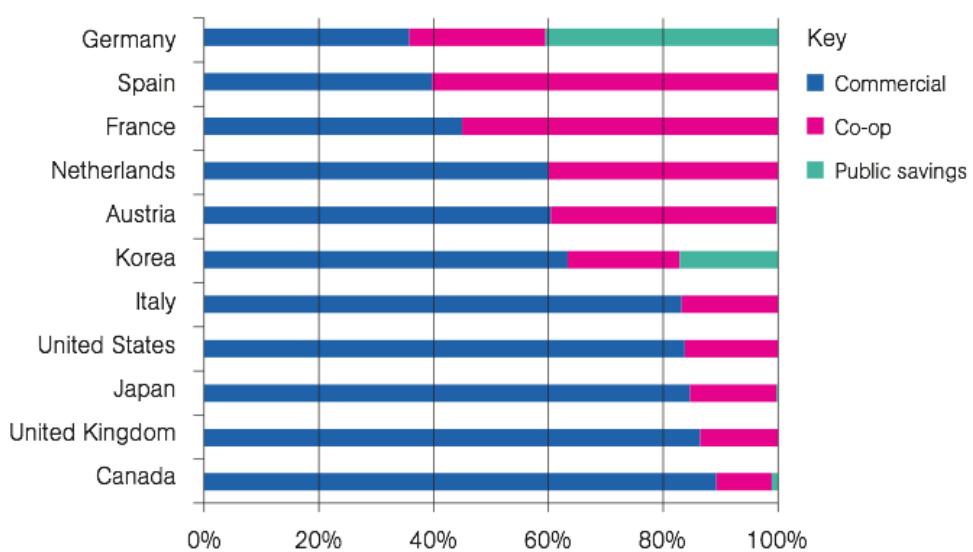
If a central concern of diverse economies is about discursively loosening the grip that mainstream finance holds over our imaginaries, then we can extend a diverse economies approach to try to overcome the perception of a finance system that dominates social and political life through the power it wields (Berry, Lindo & Ryan-Collins, 2016; Mathiason, Newman & McClenaghan, 2012). This perception affects the willingness of people to challenge this power, and makes it difficult to see how change could be achieved. If we start by breaking apart what we mean by 'finance' then a diverse economies approach can help us reveal the cracks (or potential for cracks) in this dominance. For example, the UK finance system is often described as being dominated by the banking sector. This sector in turn is itself highly concentrated and dominated by the 'Big Four' banks. Applying re-reading techniques can entail a range of possible alternative affective stances that have been outlined in table 2.2 below.

These three narratives about finance are all simultaneously correct under different readings. One's perspective of dominance is another's evidence of fragility. 'Too big to fail' can mean that vested interests make change near impossible, or alternatively that they resemble a stack of cards, unstable and waiting to be blown down. Gibson-Graham's method asks us to recognise the limits of strong theory which would aim to prove that one of these was the 'truth' and to project this scenario forwards, thus limiting the potential for human action and ethical decision-making to create a different future. In the narratives raised above, weak theory would tell us that each of the above is true as 'mere description', however one cannot project any of the scenarios as a certainty because the path taken will depend on a complex and unknowable series of decisions taken by the many actors involved. For example, if the head of Barclays investment arm is worried by the scale of public protest and decides that they should withdraw from fossil fuel investment and begin investing more heavily in renewables, then the underlying reality will change as mainstream banks become more environmentally sustainable; if however, they choose to use the backdoor powers of lobbying key government figures then the current investment paradigm may continue and one would see a retrenching of current dominance (or fragility, if you were reading it that way).

Reading for Dominance	Reading for Fragility	Reading for Difference
<p>The UK has the largest banking sector on a residency basis, it stood at 450% of GDP in 2013, compared to 100% in 1975 (Bush, Knott &amp; Peacock, 2014).</p> <p>Nearly one fifth of global banking activity is booked in the UK and UK-resident banks' foreign assets and liabilities account for over 350% GDP, more than four times the median figure for the OECD (Bush, Knott &amp; Peacock, 2014).</p> <p>The internal banking market is dominated by the 'Big Four' – Barclays, Lloyds, RBS and HSBC have over 77% of the current account market share (Titcomb, 2014).</p>	<p>The 'Big Four' are so intricately linked with one another and so individually large they are at risk of significant systemic contagion (Chan-Lau, Mitra &amp; Ong, 2007).</p> <p>The financial crisis of 2007-8 hit the UK particularly hard due to the structure of our banking system and necessitated vast injections of capital from the UK Government to prevent the bankruptcy of some institutions and to stabilise the economy as a whole.</p> <p>The banking system has required successive bouts of quantitative easing to ensure the smooth running of the system (Elliott &amp; Davos, 2015) but have still faced criticism for a lack of lending to small and medium businesses (Aldrick, 2012).</p>	<p>Around 23% of the current account market is provided for institutions 'other' than the 'Big Four', some of which have ethical lending criteria such as the Co-operative Bank.</p> <p>Divestment campaigns led initially by environmental pressure groups have entered the mainstream with organisations such as the University of Edinburgh, the Guardian Newsroup, and the City of Oslo all agreeing to divest away from fossil fuel investments (Salmon, 2015).</p> <p>Traditional 'asocial' finance and banking investments are being outperformed by fossil-free funds by around 1.2%, showing that they are failing on their own growth-based terms (Collinson, 2015).</p> <p>The ethical practices of mainstream finance have been brought under scrutiny due to six banking scandals between 2008 and 2015 including tax evasion, Libor rate fixing, PPI mis-selling, money laundering (to terrorists and drug barons), mis-selling interest rate hedging products, and manipulating foreign exchange rates (Dutton, 2015).</p>

**Table 2.2. Reading for dominance, fragility and difference in the UK finance system (with a focus on banks)**

Figure 2.1 below illustrates how a discourse of dominance is deconstructed through looking at actually existing difference in other places. If this table only included the UK and Canada, it might be possible to argue that we have a strong commercial banking sector, but when you include other countries' banking structures, it is evident that the UK is relatively homogenous and that this, in comparison to say Germany, may make the UK more fragile to shocks and contagion.



**Figure 2.1. Banks' market shares of deposits by ownership type**

Source: Greenham & Prieg (2015, p10)

When it is seen that alternative paths are possible, because they exist in other places or times, space can also be found to enable human actors to find the power to make change, because the economy is always in the process of being (re)made. So, if it is not certain that banking's dominance as projected in table 2.2 will come to pass, then opportunities that did not previously seem possible may suddenly seem feasible. For example, if the Competition and Markets Authority find that the banking sector is too centralised, they face a decision to take (less radical) measures to increase competition slightly by encouraging new market entrants, or to take a (more radical) step aimed at creating competition and diversity and break up RBS into a network of small, locally-controlled banks, similar to the

Sparkassen in Germany (Greenham & Prieg, 2015). Some of these choices may well be contingent on luck and political opportunity, but if the underlying alternative ideas are not there, then they cannot be taken up in times of crisis/opportunity.

The radical ontologies and epistemologies of Gibson-Graham have been developed alongside practical tools to help academics as active and engaged researchers contribute to creating diverse economies. Table 2.3 below shows the finance section of the diverse economy table as suggested by Gibson-Graham. As well as opening out and deepening the concepts given of 'mainstream markets', 'alternative-markets', and 'non-market' finance, this thesis argues that it needs to be investigated whether these practices (as given) fit with our understandings of crowdfunding and peer-to-peer lending. For example, at this stage in diverse economies research it is not clear where different forms of crowdfunding would belong in this table. It is also unclear if and how we could separate crowdfunding platforms (which may be businesses) from the activities and fundraising which goes on the platforms (which may be alternative or non-market) and how we could express this diversity. This thesis will thus seek to fill this gap and contribute to the development of the understanding of peer-to-peer lending and reward-based crowdfunding and how they may (or may not) fit within a diverse economies approach to finance.

FINANCE
<b>Mainstream Market</b>
Private banks
Insurance firms
Financial services
Derivatives
<b>Alt-Market</b>
State banks
Co-operative banks
Credit unions
Gov. sponsored lending
Community-based financial institutions
Micro-finance
Loan sharks
<b>Non-Market</b>
Sweat equity
Rotating credit funds
Family lending
Donations
Interest-free loans
Community-supported business

**Table 2.3. A diverse economy of finance?**

Source: Gibson-Graham (2014, pxviii)

This section has laid out how a diverse economies approach can (and should) be extended to bring a more contingent and fragile perspective to our understandings of both alternative and mainstream finance by encouraging affective stances which open out critical moments of political possibility. These critical moments are further explored in section 2.3 below, looking at the possibilities for different kinds of credit-debt relations in contemporary finance, and also in chapter 4, where the spatial, temporal and subjectivity-creation practices of alternatives are identified as being key places where possibilities for change are enabled in the creditor-debtor relationship.

## 2.3 Diverse Economies of Money and Debt

The most important lesson from the crisis of capitalist finance is that there *is* an alternative... The public nature of money has been clearly demonstrated in the financial crisis... Money is a public resource that should be used to provision human societies on the basis of social justice, well-being and environmental responsibility. A steady state economy would be possible if the money system was not driven by the demands of debt-based money, financial accumulation and profit-driven growth. Money should be reclaimed and democratised for the benefit of the whole of society and the natural world. It is the people's money: give it back to the people. (Mellor, 2010, p175)

An orientation towards the creditor-debtor relationship is crucial to understanding finance and locating its social relations. Finance is 'the meeting of all debtors and all creditors' (Amato & Fantacci, 2011, pvi) and it has been argued in this thesis that the 2007–8 financial crisis was caused by a 'structural lack of clarity about the relationship... between creditors and debtors' (Amato & Fantacci, 2011, px). This thesis' interest in innovations in finance thus has to centralise the creditor-debtor relationship. This section will therefore be guided by two central concerns: to gain an understanding of the nature of finance as a social (and power) relation of credit and debt and to investigate the potential diversity of the creditor-debtor relationship by extending the diverse economies approach outlined in section 2.2.

In order to understand the role of finance in society, one must first have an understanding of the main 'products' or 'activities' of finance, which it will be argued are to be found in money and therefore the credit-debt relation. Money is often under-theorised in connection with finance, so this section will outline the theoretical basis of finance in money as a social relation of credit-debt.

Historically the literature on money has been small in comparison to other economic and political topics, especially within the discipline of economics where, for example, many of the major economics textbooks do not explain the role of money in modern finance and banking (Werner, 2012). Instead money is theorised as a neutral 'veil' which lies over or behind financial activities, with no

theorised effect on the economy. Within other disciplines however, there has been a ‘rediscovery’ of credit theories of money following the publication of A. Mitchell Innes’ 1913 and 1914 essays on the credit theory of money in a collected volume (Wray, 2004), and the pages of *Economy and Society* have recently hosted a healthy debate between proponents of different theories of money (see Ingham 2001, 2006; Lapavitsas 2005). The financial crisis opened up yet another stream of new work dealing with the question ‘what is money?’, although a large number of these originate from policy and campaigning work, rather than theoretical academia (Mellor, 2010; Ryan-Collins, Greenham & Werner, 2011).

To understand the disappearance of money from mainstream economic theory (and therefore political discourse) we must be aware of the theoretical separation of the economic and the political, built on the classical economic idea of ‘the separability of the economy and the primacy of the economic sphere’ (Caporaso & Levine, 1992, p33). The relationship between the ‘political’ and the ‘economic’, or between ‘states’ and ‘markets’, is a key debate informing discussions of money because ‘struggles over the definition of the boundaries between the economic and the extra-economic, (including the political), are central to the economic restructuring and the transformation of the state and state intervention’ (Jessop & Sum, 2001, p96). This theoretical bifurcation has played a central role in the debates around the regulation or deregulation of finance and has enabled money to slip off the theoretical and practical agenda. What is also often missed in political economy accounts is the relationship of the ‘political’ and the ‘economic’ with the ‘social’, which we will return to in chapter 4.

The literature on money can be broadly divided into two strands: orthodox (commodity and metallic); and heterodox (credit and state) theories of money. The dominant view up until recently has been that of orthodox economic theory which sees money as both a commodity, from which comes theories about currency and metallism; and as a convenient medium which lubricates economic exchange. Money is treated as a side product of the economic process of exchange; money becomes a neutral, natural ‘veil’, which sits over the ‘real’ economy (see Dodd 1995; Innes 1913, 1914; Ingham 2004) and therefore does not hold any theoretical importance. The orthodox treatment of money extends to

the finance system, where banks and financial institutions are understood as ‘mere intermediaries’ who facilitate the circulation of money for the purposes of exchange. This theoretical position has resulted in the near total ignorance in mainstream economic theory of how money is created, how it enters the economy, and where and why it is allocated (Werner, 2012). There has been little or no recognition of the importance of banking in money creation processes within orthodox theory.

Heterodox theories come from a range of disciplines, often from an inter- or cross-disciplinary perspective, specifically to combat the theoretical separation of politics and economics. A lot of the recent work on money has come from sociology (Simmel, Carruthers and Ariovich, Dodd, Ingham), anthropology and history (Graeber, Davies, Peebles, Maurer), and economic geography (Leyshon). Viewing money from these different disciplinary standpoints calls our attention to the particular nature of money systems as grounded in time and space. As Carruthers and Ariovich argue, history offers us insights into the ‘changing connection between money, economy and society’ and by looking over the *longue durée* of world order we can see patterns which provide a greater context to our contemporary situation (2010, p24). Anthropology, sociology, and economic geography can lend us powerful tools to uncover the political, social, and spatial basis of our economies by showing how human societies can, and have, organised themselves differently. The concept that unifies these disciplinary standpoints is that money is fundamentally a social relation. This will be explored in the following section.

### **2.3.1            *Money as a Social Relation of Credit and Debt***

Money, then, is credit and nothing but credit. (Innes, 1914, p41)

The definitions of money and debt vary. However, there is one key theoretical point in the literatures to be discussed – that all money is a social relation of credit and debt.<sup>15</sup> As opposed to orthodox theories of money, it has been found that ‘researchers who have chosen a more inductive approach, investigating

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<sup>15</sup> But not all debt is money, see the discussions in section 2.5.

empirically how money and banking actually works, have been more likely to favour the view that money is fundamentally a social relation of credit and debt' (Ryan-Collins, Greenham & Werner, 2011, p31). Indeed, credit theories of money (Innes, 1913, 1914) emerged as a response to dematerialised bank credit, where forms of credit became money by circulating and being accepted as a means of payment, (as opposed to credit being simply a form of deferred payment). This development was 'a departure from the Aristotelian themes of commodity-money, and led to the idea that all money was credit' (Ingham, 2004, p29).

Indeed, Innes' theory (in Wray, 2004, p30) is based on historical records stretching back to Babylon in 2000 BCE in the codes of Hammurabi, where he argues that credit is the foundation of all societies. He explains that credit is 'simply the correlative of debt'; that credit and debt express the same legal relationship, seen from two different perspectives.

Innes is clear that physical money does not constitute 'money-in-general', and spends a great deal of his essays myth-busting this common-sense view of money. He argues that our confusion with money stems from the fact that we associate money with coinage, or physical objects such as bank notes, which we believe to be transferable for coinage. Instead, the value arises from something else, something that has to be abstract: 'there can hardly be stronger evidence than we here get that the monetary standard was a thing entirely apart from the weight of the coins or the material of which they were composed' (1913, p19). The value of money depends solely on the solvency of the debtor, and 'that depends solely on whether, when the debt becomes due, he [sic] in his turn has sufficient credits on others to set off against his debts' (1913, p32). We are all both creditors (for example as sellers of commodities, including labour) and debtors (for example as buyers of commodities, including labour). Credit is the purchasing power in commerce; it is therefore 'one of the principle attributes of money... credit, and credit alone is money' (1913, p31).

The social relations of credit and debt that Innes focuses on are two-fold. Firstly, there is a relationship between the seller and the purchaser, which ends as soon as the seller accepts an acknowledgement of debt from the buyer; and secondly, a new and distinct relationship arises between them of creditor and debtor, which

will end when the debtor advances a credit to cancel out his debt (p32). Ingham, following on from Innes, states:

regardless of form and media of transmission, all money is constituted by social relations of credit denominated in a measure of value: money is a credit or claim on goods priced in the same, and a means of discharging debt contracts so denominated. A monetary space is one in which all prices and debts are denominated in a single money of account. Holders of the media – or, more typically today, of general purchasing power in bank accounts – possess the credits that can be transmitted for the purchase of goods and cancellation of debts. (2006, p266)

A solution is to think of coins and money as portable credits or debts (Gardiner 1993). There is always a space and a period of time in any transaction where there is a credit on one side and a debt on the other, until the coin (or item) is exchanged and the debt is discharged. However, this is not the end of the social relations – the money then becomes an obligation on the community to accept the credit in payment for other debts (Simmel, p177). Money is transferable credit (Ingham, 2006, p167), and this is seen in the physical embodiment of the tally, which was a notched stick used to measure credit and debt. Innes argues that they served the same purpose as a modern bill of exchange (in Wray, 2004, p34), and through banks and exchange booths ‘tallies were transferable, negotiable instruments, just like bills of exchange, bank-notes or coins’(p35).

A key debate between commodity theorists and credit theorists is over the source of money’s value, which also helps to illustrate credit theories of money. Commodity theorists tell us that money is valuable and people desire it because of its intrinsic value based on the metal contained in the coins or the exchangeability of paper money with gold or silver hidden in the vaults. Lapavitsas’ (2003, 2005) Marxist approach is consistent with elements of commodity theory. He theorises the value in money as abstract labour, and the social relations consisting of labour value, and not of any ‘promise to pay’, meaning that money is the instrument of final payment. For credit theorists, the value in money, in the relation of credit and debt, is found in trust – in the belief

of the solvency of the debtor and their ability to have enough credits to clear their debts. This is one of the reasons why state-issued money can rapidly lose its value (for example through hyper-inflation), when trust in the solvency of the state is eroded.

One thing that Innes said was never absent from coins was the name or mark of the issuer (1913, p20), because this is vital to ensure that those coins, issued by an authority, are recognised as a promise that they will be accepted by the issuer in settlement of a debt (p41). Innes here is very close to later state or chartalist theories of money (Knapp 2003; Wray 1998; 2004). Innes argues that, as governments do not produce things to sell on the market, they must gain credit through taxation – the state ‘obliges selected persons to become its debtors’ (Innes in Wray, 2004, p37). The Exchequer then, was not just a storing place for gold, but a ‘great clearing house for Government credits and debits’ (Innes in Wray, 2004, p38).

Credit theory also holds an important role for finance. In modern commerce, Innes sees banks as a highly specialised merchant (Innes, 1913, p42) – their business being to bring credits and debts together to enable their cancellation, and to ease commerce. For example, rather than Ann holding Jeff’s debt, Jeff instead becomes indebted to the bank, the bank credits Ann, and she will use that credit to pay off one of her debts. This constant circulation of debts and credits is ‘the whole science of banking’ (p43). An understanding of this dispels the idea that we own the money in our bank account; what actually occurs is that we credit the bank, and the bank then has a ‘promise to pay’, or a debt to us, redeemable when we request it.

Innes (in Wray, 2004, p47) also argues that bank notes are essentially the same as a deposit entry in bank ledgers, with the exceptions that bank notes are generalised (to ‘the bearer’) and transportable, which is more convenient for small transactions and commerce. The credit theory of money also provides a way to understand why quantitative theories of money can be so damaging. Regulating note issue is not a solution because it misunderstands the whole nature of the finance problem – ‘the danger lies not in the bank-note, but in

imprudent and dishonest banking' (Innes in Wray, 2004, p48). Innes was not around to see the rise of financialisation and the complex intermingling of banking and finance through modern financial markets, but his analysis of the problem could certainly be extended to cover the financial system as a whole, of which banking is a part.

Innes' and Ingham's attempts to define money tell us that all money is in some sense debt and is based upon social relations of credit and debt. This makes money and debt inherently political, and precludes social neutrality. The theorists discussed here treat money and debt as 'two sides of the same coin', so for the purposes of clarity in the ensuing discussion, they will be used almost interchangeably, meaning that 'money' refers to the idea that money is a social relation of credit, and that 'debt is most simply defined as borrowed money' (Warburton quoted in Pettifor, 2003, p167). Wherever the thesis discusses specific instances where debt and money do not refer to the same thing, it will be outlined, and, where money is being referred to in its physical sense, the term 'cash' will be used. The following will be thus be used as a working definition: 'money is a social relation of credit and debt denominated in a money of account' (Ingham, 2004, p12).

The organisation of the creditor-debtor relationship has changed over time and space. This thesis argues therefore that finance cannot be properly understood if we do not recognise its temporal and spatial nature. What is important, then, is less a solid and comprehensive definition of money and debt (which applies in all places at all times), but a consideration of how debt has actually functioned across space and time, with a focus on *what enables and constrains different arrangements of the creditor-debtor relationship* (and therefore what blend of power relations exists between them) have had on people and society. Susan Strange, through investigating the concept of debt in international relations, alludes to the separation of the economic from the political and argues that defining the 'economic' does not tell us anything on its own: 'the phenomena of borrowing – getting money today in exchange for money tomorrow – is economic. But how such transactions are managed is political' (1998, p92).

Graeber defines debt rather simply as 'just an exchange that has not been brought to completion' (2010, p121) but, like Strange, argues that this does not close down discussion but in fact completely opens up the debate because 'just about everything human happens in-between' (p127). In order to get at the nature of debt and what happens 'in-between', we need to examine the creditor-debtor relationship to look for the diversity of relations. One way we can do this is by looking at how debt has functioned historically – what features have characterised it, what effects has it had on society, and how has the creditor-debtor relationship changed over time?

### **2.3.2            *The History of Credit and Debt***

There is a shape to the past, and it is only by understanding it that we can begin to have a sense of the historical opportunities that exist in the present (Graeber, 2010, p212)

Taking an anthropological, historical perspective, David Graeber's work *Debt: the First 5,000 Years* sets out with the aim of understanding how the 'logic of the rational self-interested individual become[s] the dominant way that we see ourselves and capitalism the only possible way that we can organise our economic life' (2010, p126). Whereas Gibson-Graham takes the same questions and seek to uncover the ways in which capitalism has been theorised, Graeber's anthropological approach is to look at the myriad of ways money and debt have historically been organised. What he argues is that the current domination of capitalistic subjectivities has only been possible through the imposition, often by force, of systems of debt that allow human relations to be reduced to numerical calculations. The power relations of these systems are obscured by claims to both rationality and a very specific idea of 'morality'. By placing debt firmly in a moral framework, Graeber departs from orthodox concepts of the neutrality of money.

Whilst Graeber focuses on the current domination of capitalistic debt subjectivities, he is clear that these are not the only kinds of debt relations.<sup>16</sup> In fact, he argues that debt and money have changed over time and space under different political conditions. This means that debt can only be the outcome of a

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<sup>16</sup> Section 2.4 outlines the diversity of debt in greater detail.

particular power relation at any given time. The treatment by of money and debt as 'neutral' by orthodox economic theories is itself a political act, which obscures power, violence, and injustice: 'the crucial factor... is money's capacity to turn morality into a matter of impersonal arithmetic – and by doing so, to justify things that would otherwise seem outrageous or obscene' (p14).

Graeber rejects the assumption of human beings as rational profit-maximising individuals. Throughout history, he argues, societies have organised themselves within three overlapping spheres, what he calls: exchange; communism; and hierarchy. Exchange is most like the sphere that is *argued* to be dominant in contemporary life. Where we seek to act in an economically rational way, *i.e.*, to get paid the most we can for the work we do, or to purchase something at the cheapest price, we act in the sphere of exchange. This model has, he argues, dominated in such a way as to obscure the other ways that we organise ourselves.

In the sphere of communism we act communally, *i.e.*, from each according to our abilities, to each according to our needs (Graeber, 2010, p98). Graeber argues that this is actually the principal way we act in our day-to-day lives with our family, friends, and community, but, as in diverse economies theory, this is the largest part of the iceberg which is hidden from view under the water.

The final sphere of organisation is that of hierarchy, where ideas of superiority and inferiority are customary, as is most often seen in royalty and caste systems, but can also be seen in workplace and other hierarchical power relations. It is crucial to note that all of these systems co-exist together, at all times, and we act in each of these spheres throughout our everyday lives. Human activity cannot be reduced to one of these systems. Despite diverging on approaches, the parallels with Gibson-Graham, and what they are trying to achieve with their quest to look at the whole of the iceberg (see table 2.1), is striking in Graeber.

So, if money is not neutral and natural, and we are not pre-destined to only function as rational profit-maximising actors, then how has the system of exchange emerged as dominant? Graeber argues that the development of the specific type of money and debt system that dominates today can be traced

through two historical drivers of different types of debt – government and markets, and violence and war. His central argument is that as money did not develop in one singular pattern across all times, places, and societies, its development was dependent on particular historical and political forces. Broadly speaking, systems of credit-money developed first, and cash-money developed later, with ‘state’ or ‘authority’ input at varying stages in the process.

Graeber stresses that we must reject the oppositional bifurcation of states *versus* markets as a wider stance against the separation of the economic and the political: ‘it’s a false dichotomy. States created markets. Markets require states. Neither could continue without the other, at least, in anything like the forms we would recognise today’ (p71). In some cases, states actually created the first markets through the imposition of taxes as a means to provision their troops in times of war (pp49–52). It worked something like this: if a state demands a tax denominated in a specific money to be paid by the end of the year, and the state distributes this money only to their soldiers, then the citizens can only access the money by providing the soldiers with the things that they need, and in this way the government has no need to centrally plan and provide the necessities of life for its armies.

Later on in the development of modern capitalism, we can see this mutual dependency in the creation of the first national banks (created to lend money to kings in order to wage war and extend the empire), and in the various financial crises where the state must step in to protect and hold up the market, monetary systems, and banking sector. Thus the state is central to money and markets, and money and markets are central to the state. Graeber’s argument that markets are sometimes created out of the desire to wage war brings us to the second and arguably central feature of debt found in his theory – the centrality of violence and debt as a power relation:

The economists’ insistence that economic life begins with barter, the innocent exchange of arrows for tepee frames, with no one in a position to rape, humiliate, or torture anyone else... is touchingly utopian. (2010, p129)

Graeber categorises the past 5,000 years of history into rough periods where either credit or bullion dominated. This is less a solid division of credit and money, as separate entities, and more a practical distinction between credit-money as 'virtual money' through trust-based credit systems – such as book-keeping, accountancy, and tally sticks – and cash-money where gold and silver dominated. Credit-based systems are based on trust and need relative peace, because you would not want to extend credit to a soldier heading off to war in distant lands. Bullion, on the other hand, needs no other trust than that in the weight of the gold or silver and the belief that it will be possible to exchange it in the future: 'bullion predominates, above all, in periods of generalised violence. There's a very simple reason for that. Gold and silver coins are distinguished from credit arrangements by one spectacular feature: they can be stolen' (Graeber, 2010, p213).

The violence inherent in the creditor-debtor can be seen in the origins of the modern financial and monetary system, which is structurally based on debt. In 1694, King William III of England was given a loan of £1.2 million by a group of 40 principal creditors from London and Edinburgh (Checkland, 1975). In return the principal creditors were given 8% interest and the authorisation to make loans and to deal in bullion and 'bills of exchange'. As Checkland states:

In this way, the demands of the state for money had forced on the development of the English banking system. It was the growth of the London Money Market that made the English state effective, and so made possible the extension of empire overseas. (1975, p15)

So not only did public sector debt enable the creation of a vibrant private banking system, the expansion of public debt went hand-in-hand with the expansion of the state itself, through war and colonialism. Indeed, between 1694 and 1815, England and Britain were involved in seven extended wars alongside other military crises including two Jacobite rebellions in 1715 and 1745 (Bowen, 1995, p5). The formative history of the Bank and of the British state is inextricably linked to war, violence and debt. As Graeber says: 'if we have become a debt society, it is because the legacy of war, conquest, and slavery has never completely gone away' (2010, p164). There is little doubt that the initial creditors

were investing in England's ability to fight wars and reap the financial rewards of colonialism, and the Bank can be seen as the capitalisation of Parliament's ability to tax the population and punish those who cannot pay (Di Muzio & Robbins, 2017, p69). The formation of the Bank of England massively expanded the supply of money available in England and helped to kick-start the industrial revolution – leading Adam Smith to call it 'a great engine of the state' (Smith, quoted in Bowen, 1995, p2). This engine, however, created a permanent national debt and, from this point onwards, Parliament was structurally forced to borrow any amount it wanted to spend that was over and above what it received in taxes, fees, and fines (Di Muzio & Robbins, 2017, p70). So, far from debt being an aberration in our modern monetary system, it cannot be repeated enough that debt, and, in particular, public debt, gave birth to the modern economy.

The (largely unrestricted) power that private finance has to expand (or contract) the money supply, has a number of effects on the wider economy, society, and the environment. Firstly, because the money supply is based in private debt, at any one time more money is owed than is in circulation. In other words, when the banks create loans, they only create the principal and not the interest – the interest has to be found from elsewhere in the economy. Di Muzio & Robbins (2017, p87) argue that this means that interest is always and everywhere inflationary – as a cost of business that gets pushed onto consumers through the higher prices necessary to repay the debt plus interest and through companies seeking other ways to reduce costs through relocating manufacturing and creating a downward pressure on wages. It also creates strong incentives for the degradation of humanity and the environment – to create surplus value to repay the loans – and builds in inequality into the structure of the wider economy, further deepening the gulf between the creditor and the debtor classes (2017, p94). Regardless of the effects, it is important to remember the centrality of debt in the modern economy. Historically, the modern monetary system was born out of public debt, and it is maintained today by both public and private debt.

Returning to Graeber's discussions of the violence inherent in debt, we find him trying to explain the unexplained gaps in the history books, the subjugation of women, the prominence of slavery, and the violence of empire. It takes an

immense amount of violence to turn a human being into an object of exchange, and is only possible by ‘ripping her from her context; ...from the web of relations... and thus into a generic value capable of being added and subtracted and used as a means to measure debt’ (2010, p158). Debt enables a quantification of what is owed. When human beings are able to be quantified, only then is it possible for them to be turned into slaves and become property, or sold as prostitutes to be hired by the hour. This is only possible through violence. As Graeber says, the value of human life can be quantified ‘but only because the equation was established at the point of a spear’ (p144).

Today we might think that violence is not as overt as it has been in the past, but Graeber is keen to stress that it does continue to play a structural role in debt and markets today. The violence is preserved within the structure of the law and even through our most intimate conceptions of honour, property, and freedom (p164). The violence is preserved by creating ‘a strict code of honor in which morality becomes above all a matter of paying one’s debts’ (p163). The morality of debt is a key mechanism through which the power relations inherent in the creditor-debtor relationship are enforced. Maurizio Lazzarato’s book, *The Making of the Indebted Man* focuses on how the creditor-debtor relationship:

...intensifies mechanisms of exploitation and dominance at every level of society, for within it no distinction exists between workers and the unemployed, consumers and producers, working and non-working populations, retirees and welfare recipients. Everyone is a “debtor,” accountable to and guilty before capital. Capital has become the Great Creditor, the Universal Creditor. As the current “crisis” leaves no room to doubt, property remains one of the major political stakes of neoliberalism, since the creditor-debtor relationship is a product of power relations between owners (of capital) and non-owners (of capital). (2012, pp7–8)

In what ways is debt a social relation? Georg Simmel’s magnum opus *The Philosophy of Money* (2004) examines money ‘as a social institution that can only be understood within the total social framework within which it is embedded’ (Deflem, 2003, p73). Money is, for Simmel, an abstract idea related to the measurement of value: it is ‘the value of things without the things themselves’

(Simmel, 2004, p124). Unlike for the commodity theorists, the value of money does not come from its relation to metal or any other precious commodity but from trust or ‘confidence’. People must believe that the money they accept today as payment will be exchangeable tomorrow as payment, which is why governments often play a role in the creation of money systems. The social relations of money are constituted downwards as well as up – for example the institutions of money and debt are a central part of everyday life (Langley, 2008). Institutionally, who controls credit is of crucial importance – ‘the social and political implications of credit thus concern who controls the access of others to credit, who is privileged by access to credit, and who reaps the competitive advantage which access to credit implies’ (Germain, 1997, p17).

The power of credit-scoring practices in finance cannot be underestimated (Leyshon & Thrift, 1999), particularly in the way they create new entrepreneurial subjectivities which seek to control and change the behaviours of debtors as ‘credit consumers’ (Langley, 2014). As a social relation, Simmel was clear in his understanding of the power that money has to enter into nearly all people’s social interactions (not just their economic ones), through money’s dual capacity to create relationships between people and to reduce personal relationships to calculability. For Lazzarato, capitalism has not simply put into place institutional structures, but it actively seeks to produce a self-creating subjectivity of the self, through moral and cultural mechanisms. The indebted human is created through debt – ‘debt/money functions by constituting a legal, economic and moral subject’ (Lazzarato, 2012, p107).

It is also clear in the literature that debt is a place where power relations are borne out. Ingham conceives of debt as having an institutionalised power relation through monetary systems and, following Weber, sees money as a weapon in economic battles, played out through the creditor-debtor relationship (Ingham, 2004, p36). This theme is expanded by Lazzarato, who, following Gabriel Ardent, sees debt as the power mechanism of exploitation: ‘what we reductively call “finance” is indicative of the increasing force of the creditor-debtor relationship’ (2012, p23) which has expanded to inform all other social relations.

Mathieu Deflem (2003, p73) references the debates on the monetisation of culture and how money determines culture and the whole rhythm of life.

Following Simmel, who saw money as the central structure and symbol in the formation of modern society, he theorises money as having no intrinsic meaning, but rather it is given meaning through its relatedness to 'money-vested objects' and the 'money-needy subjects' that want to attain those objects. He argues that money is thus seen as an important medium in the creation of social ties between people. For Simmel, this leads to a homogenisation of relations due to money's capacity to turn social relations into impersonal cost-benefit analyses. Other sociologists, however, depart from Simmel, taking a less deterministic view on the possibilities for more diverse forms of money through the creditor-debtor relationship.

Analyses like these may appear to portray debt relations as homogenous, however it is important to remember that these approaches are seeking to explain what they see as a dominance of one *type* of debt relations above others. Graeber (2010) in particular is clear on this point, and in fact most of his book charts the many ways in which debt relations have been, in some ways, *different* to what we find today. Nigel Dodd (1995, 2005) suggests that the rational *versus* irrational debates in economics are fundamentally misconceived because of oversimplified and naïve accounts of money, (both traditional and modern). Dodd, however, takes more of an essentialist approach in order to provide an overall explanatory account of the sociology of money. He argues that only an abstract account can explain money in all its diverse forms, and how money's 'patterns, variations and inconsistencies can be grasped and explained' (p153). However, this thesis is extending a diverse economies approach and so what is important is to *refuse* to smooth out inconsistencies, but bring them to the forefront instead. How, where, and why does money, through the creditor-debtor relation, look different, and in which ways can it be seen as diverse?

Section 2.4 will now look at how the diversity of credit-debt can be understood through a diverse economies perspective, to investigate other forms of debt relations that do not reflect the mainstream approaches described above.

## 2.4 Diverse Economies of Credit and Debt

When we spend, save, invest, give, loan, share or donate, it matters who we are doing it with, for whom, when and what the meaning of those transactions convey to others. Monies we spend or refuse to spend, for instance, often signal which relations matter to us.  
(Zelizer, 2010, px)

It is often argued in both orthodox and heterodox theories of money that money's power comes from its ability to homogenise and flatten social relations by reducing them to quantified and quantifiable exchange (Deflem, 2003; Fine & Lapavitsas, 2000; Lapavitsas, 2003, 2005; Simmel, 2004). There are, however, a number of theorists who seek to open out and find the diversity of money, credit, and debt, from fields as diverse as economic geography (Gilbert, 2005; Leyshon, 1995, 1997, 1998; Leyshon & Thrift, 1997), anthropology (Graeber, 2010; Maurer, 2006; Peebles, 2010), and sociology (Dodd, 1995, 2014; Zelizer, 1994, 1996, 2005, 2010, 2012). In this section I will investigate the other end of the continuum, by looking at the ways in which finance, and the creditor-debtor relation, can be a different kind of social relation, not based in violence and war.

Although it is often difficult to see, because the dominance of one particular type of debt relation, historicising debt is a powerful way to illuminate the characteristics that make it possible to have other kinds of debt relations. For example, Germain argues that we should historicise the organisation of credit and use the term 'organization', rather than 'system', to explain credit because 'the way in which credit is organized has an elasticity contingent on its historical character' (1997, p18). Similarly, Lazzarato (2012, p107) argues that debt cannot be fully explained as a structure or a system, as this would imply a level of rigidity and solidity, but rather it is something that is always in the process of being (re)made. Nigel Dodd expands this by stating that 'money's indeterminacy is its sole distinguishing feature' (1995, p152).

Emily Gilbert's (2005) work argues that attempts to define debt and money have led to lesser, rather than greater, understanding. This is because such attempts have sought to flatten out and simplify, rather than to foreground the paradoxes

and complexities of money, as she tries to do. Leyshon, Lee and Williams argue that celebrating the possibilities of diversity and economic proliferation is the most important contribution that their book *Alternative Economic Spaces* makes, and that the authors within have 'less a concern with closure and ends than with the perpetual opening out and transformation of social life' (2003, px).

Similarly, Peebles aims to show the contribution of anthropology to the understanding of how the 'credit/debt nexus is productive of social ties, allegiances, enmities, and hostilities' (2010, p234). He argues that the 'constant negotiation and positioning over the morality/immorality/amorality' of the creditor-debtor relationship 'gives it an immensely powerful capacity to construct and destroy community borders or build social hierarchy' (p228). Money and debt do not determine social outcomes, rather there are a multiplicity of ways for social relations to be enacted within them. It is worth remembering that Graeber's conceptualises his three spheres of communism, hierarchy and exchange as all constantly being enacted at the same time in complex ways in our everyday lives.

Miranda Joseph's work *Debt to Society* (2014) shows how, far from debt only destroying social relations, it can also be generative of them. Viviana Zelizer's (1994, 1996, 2010) work goes further in detailing how people use money to maintain, destroy and generate social relations. Her quote at the beginning of this chapter highlights not just how our financial relations are inextricably intertwined with others, but also shows the complexity that *is already recognised* through the diverse language we have to describe activities that are often homogenised to 'exchange' (as seen in the quote at the beginning of this section).

Zelizer's theorising of the diverse economic lives of money is crucial in helping to outline a diverse economies approach to credit and debt. She shows how money is used by people to create, transform and differentiate their social relations (Zelizer, 2010, p89). Zelizer (2010, p390) offers three insights which for her provide a social analysis of money: first, she argues that monetary practices are attached to social relations; second, people regularly differentiate forms of monetary transfers in correspondence with their definition of the sort of

relationship that exists between them; and third, people work hard to maintain such distinctions. Money is thus theorised as a relational practice which allows people to give meaning to even ‘abstract’ money, denoting such money with social meaning.

The first insight regarding the link between monetary practices and social relations will be explored in more depth in chapter 4, where this thesis will outline how Latour (2007) can help us to specify how the social is assembled. The second and third insights, however, are the most relevant to improving our understanding of the diversity of credit-debt relations in peer-to-peer finance and crowdfunding. Transactions, even those which may appear to be restricted to impersonal, rational market transactions can *still* contain the potential for diversity in the ways they are used and differentiated by the participants. If people work hard to maintain such distinctions, then it would be expected to be seen in some form in the case studies in chapters 5 and 6. As Zelizer states:

...the major challenge for us now is to take on what appear to be transparent, instantaneous and therefore socially neutral monetary transfers. Unlike gifts or entitlements, the monetary exchange involved in compensation appears less constrained by social ties; after the transfer between payer and payee ends, it seems, the transaction vanishes. (1996, p486)

For Zelizer there is not ‘money’ but there are ‘monies’ that are ‘powerful, visible, symbols of particular types of social relations and meanings but they also directly affect social practices’ (1994, p211). The ways in which these relations are organised matters. She goes on to argue that:

A full sociological model of money must show how, how much, and why, even in the heartland of capitalism, different networks of social relations and systems of meaning mark modern money, introducing controls, restrictions and distinctions that are as influential as the rationing of primitive money. (1994, p24)

Langley (2016) follows on from Zelizer by arguing that the two qualities of money argued over in the literature – money’s capacity for commensuration and heterogeneity – far from being conflicting, actually enable the markets of

crowdfunding to exist. He shows that 'the valuations of money do not only squeeze out social values and difference in crowdfunding but also enable their persistence and proliferation' (Langley, 2016, p316). So, although money renders crowdfunding fund-raising commensurate in quantitative terms, it also creates the possibility that projects might appeal to earmarking practices for those who seek some kind of social return alongside the financial. Using the example of Abundance Generation, a renewable-energy focused debentures platform, Langley argues that this duality of money has been crucial for the creation of successful products, with Abundance Generation 'banking on environmental and ethical meanings being inscribed into the monetary flows that it aggregates and distributes' (2016, p317).

Creditor-debtor relations then, even those that are seemingly based on (perceived) impersonal market transactions in the sphere of exchange, are able to be theorised as much more diverse in and of themselves. There is also a much wider continuum of relations, with market-based exchanges at one end of the spectrum and the more communistic, gift-based, interactions at the other. Section 2.4.1 investigates this more 'social' end of the continuum.

#### **2.4.1            *Gift as debt?***

If we look to other ideas of alternative creditor-debtor relations, such as crowdfunding and what is termed 'social' finance, there are different kinds of creditor-debtor relations that sit apart from the highly impersonal mainstream approaches. Perhaps what is being 'exchanged' is not money for money + interest ( $M M'$ ), nor money for commodity ( $M C$ ), but money for  $x$ ... where  $x$  is an undefined variable ( $M x$ )? Any 'returns' may be considered intangible. This is especially the case in donation-based crowdfunding, for example, but even where rewards are given and tangible (for example a tote bag or campaign-branded pen) these are often much smaller in monetary value than the money given to receive them. This raises key questions: What is being 'exchanged'? What kinds of relationships are formed with these exchanges? Is this a debt relation?

Many new forms of finance operate exclusively on the internet, which Andrew Leyshon argues has historically been focused on non-profit forms of exchange:

'although exchange is one of the founding principles of the internet, and has driven its development from its earliest years, efforts to import models of monetary and commodity exchange from the mainstream economy have run into difficulties because the kinds of exchange upon which the internet has been founded have for the most part been non-pecuniary in nature' (2003, p540).

Clearly part of Leyshon's analysis has been made outdated by the emergence and the successful monetisation of internet spaces through eBay, online shopping and the rise of peer-to-peer lending and online-only banks. However it is interesting to note that the early development of the internet was based on free exchanges, with motivations of something 'other than' monetary reward. This history provides an interesting place to begin asking questions about other forms of debt 'exchanges' historically which are not based on rational, self-interested individuals interacting in markets.

Similarly, Graeber warns that we should be cautious with declaring something new and innovative:

Admittedly, the usual impulse is to imagine everything around us as absolutely new. Nowhere is this so true as with money. How many times have we been told that the advent of virtual money, the dematerialization of cash into plastic and dollars into blips of electronic information, has brought us to an unprecedented new financial world? (2010, p17)

This tendency to see developments as 'new' or 'innovative' is dangerous because it allows financial elites to bamboozle governments, regulators and citizens into leaving the complicated financial innovations up to them. Instead, one must look to history to provide context for the 'new'. As Graeber states:

The moment one casts matters on a broad historical scale, though, the first thing one learns is that there's nothing new about virtual money. Actually, this was the original form of money. Credit system, tabs, even expense accounts, all existed long before cash. These things are as old as civilization itself. (2010, pp17-8)

The same applies to non-market-based forms of exchange such as the gift economy, which can help us to answer vital questions about what it is we are

seeing with new forms of the creditor-debtor relation in finance. What, precisely, about these new forms is truly 'new and innovative', and what about them has historic precedent? Perhaps some of these innovations are an online evolution of much older interactions that are almost considered part of human nature, for example Graeber's sphere of communism? Although some of the core theories of gift economies can provide some understanding to these newer forms of finance, the online spaces which enable the connecting of people over vast distances challenge one of the fundamental purposes of gift economies, *i.e.*, the formation of on-going relationships. The formation of such relationships may not be possible, at least in the same way, as it is in traditional forms of gift-giving in offline, local communities of people. Nevertheless, what the literature on the gift can outline is the ways in which the gift can be a means to build other forms of debt relations, including hierarchy, dominance and group solidarity.

Research on gift-giving originated in the early 1950's through Mauss (Mauss & Evans-Pritchard, 2011) and Levi-Strauss (1977) who sought to explain the difference between commodity and gift exchange through looking at practices of gift-giving in tribal societies. The research later expanded from anthropology to considerations by theorists as diverse as Derrida, Bataille and Heidegger (Schrift, 1997). A central question that has occupied all those looking at gifts is: 'what distinguishes a gift relation from a commodity relation?'. Most often the distinction is considered to be that in commodity exchange the commodities themselves are the principle focus of the exchange, whereas in gift-giving the relationships between the people involved are of central importance. As C.A. Gregory states: 'commodity exchange establishes objective quantitative relationships between the objects transacted, while gift exchange establishes personal qualitative relationships between the subjects transacting' (Gregory, quoted in Schrift, 1997, p2).

Whilst the literature on gift-giving often sits in a slightly different field to that of the credit-debt relation, as will be seen in the critiques of this literature there are a lot of parallels between them and there are ways in which the concept of the gift may be better seen as a form of creditor-debtor relation. For example, some have argued that gifts and commodity exchange are not as distinct as they first

appear. Alan Schrift, in his collection of recent anthropological and non-anthropological work on the gift, focuses on Mauss' and Levi-Strauss' insistence that gift-giving is not free of reciprocity; that although the gift may appear free and disinterested, it is in fact given 'in a context in which both its reception and its reciprocal return are obligated in terms of well-articulated social rules' (1997, p4). That is, gifts also hold to the principle of reciprocity; the gift is not given freely, but in the expectation, which may be delayed or non-specified, of a return 'of some kind' in the future. It is, therefore, a form of credit-debt relation.

This analysis, that gifts are commodities exchanged under a different name but with a similar logic, with both entailing the link of reciprocity, is one that Leyshon, in his analysis of gift-giving on the internet, holds to be true. He insists that commodity and gift exchange should not be seen as mutually exclusive, but, as with many human interactions, should be recognised as overlapping and complex. So although there are differences between gift and commodity exchange, they are all forms of creditor-debtor relations, and I argue that they form two ends of a continuum of debt relations. Nevertheless there are three principal differences between gift and commodity exchange which Leyshon outlines.

Firstly, gifts carry traces of the gift-giver; the objects transacted between interdependent actors are inalienable and it is considered wrong to alienate a gift until that gift has been reciprocated. Commodities, on the other hand, are considered alienable objects between independent transactors, and one can exchange them at will, regardless of the position of the seller (Leyshon, 2003, p542). If this is applied to donation- and reward-based crowdfunding – would the giving of money to a project been seen as an alienable or an inalienable object? One of the only stipulations on projects on crowdfunding sites is that the money must be used for the purposes outlined in the project, so in that sense the money has been given for a specific purpose. One can imagine the moral outrage that would be created if a recipient of a crowdfunding campaign for a local community centre spent the money on a new car or a holiday, so in that sense the money is not 'free': it has a limited conditionality, that of being 'earmarked' for particular stated purposes.

The status of the transactors is somewhat more complicated in the case of online crowdfunding platforms. Gifts can be given within communities and between interdependent transactors. It is not clear what this means when applied to these newer, online forms of transaction. Are donation- and reward-based platforms facilitating self-identified and diverse communities of people who may have on-going relations, or are they temporarily linking disparate and independent individuals to raise funds? What difference does it make if transactors are in communities or if they are not?

The second difference between commodity and gift relations is that of temporality: where commodity transactions take place instantaneously between objects of equivalent value, gift exchange is seen to take place over a much longer and unspecified time period (Leyshon, 2003, p542). Here the analysis seems more straightforward on a crowdfunding platform, with the 'returns' (if any) being delayed. In the shortest instance, specified rewards are realised after the date upon which the crowdfunding offer has been fulfilled and the rewards posted to the donator. In the longest instance there may be no material reward ever reciprocated and it is therefore difficult to quantify what, if anything, is being exchanged or reciprocated. This delay leads us to question the analysis that the 'crowdfunded gift' is linked to reciprocity in the same way as the anthropological 'community gift'.

The final difference that Leyshon outlines is that gift exchange is motivated less by the accumulation of economic capital than by the accumulation of cultural or symbolic capital. As Pierre Bourdieu states:

The gift economy, in contrast to the economy where equivalent values are exchanged, is based on a denial of the economic (in the narrow sense), a refusal of the logic of the maximisation of economic profit, i.e., of the spirit of calculation and the exclusive pursuit of material (as opposed to symbolic) interest, a refusal which is inscribed in the objectivity of institutions and in dispositions. It is organised with a view to the accumulation of symbolic capital. (Bourdieu, quoted in Leyshon, 2003, p542)

Whilst crowdfunding has the possibility for the denial of the economic, what is found with donation- and reward-based platforms? Are they radical, in that they enable interest- and debt-free monetary gifts to be organised and created across communities of people? Or are ‘gift-givers’ giving in expectation of some kind of return, either in the straightforward case of rewards, or in a more complex (and therefore difficult to quantify) intangible emotional ‘reward’ of ‘feeling good’, ‘being part of something’, ‘giving something back’?

Whilst all platforms give the gift-giver the choice of being anonymous, they can often create a profile which enables the project to see details about the giver and how much they have invested. Most also offer the option for givers to share donation information directly onto social media. This would certainly allow for some measure of cultural capital to be accumulated on and off the site and it would certainly be possible for others to quantify the generosity of givers. It is unclear, though, to what end this capital is accumulated; for individuals it is difficult to see how this cultural capital could be used.

The dominant analyses of gift economies have thus far focused on gift-giving as a delayed form of exchange between people with on-going relationships and, whilst I have argued that some elements of donation- and reward-based crowdfunding could potentially be fitted into this model, much is not explained. The main questions left regarding the nature of giving in crowdfunding are based around the concept of reciprocity – if a gift demands a *quid pro quo*, then what is it that the giver receives (or hopes to receive)? Sometimes it is not clear that anything is being exchanged in return for donations to a project, but often platforms encourage the giving of tangible rewards. Where the monetary value of those rewards is such that it does not equate to the full donated amount, the difference still needs to be explained.

Hélène Cixous’ critique of the literature on gift exchange argues that the ‘gendered unconscious’ has meant that theorists have seen in gift-giving the same phenomenon as that they see in commodity exchange, reciprocity: ‘giving: there you have a basic problem, which is that masculinity is always associated – in the unconscious, which is after all what makes the whole economy function – with

debt' (Cixous, quoted in Schrift, 1997, p11). The prominence of debt has meant that a debt is always expected by theorists, even in gift exchanges. Where Cixous thinks that masculine economies can only make *quid pro quo* exchanges to recoup a direct profit, she claims that feminine economies are not constrained and can give a gift without expectation of an obligated counter-gift in return – 'no longer understandable in classical "exchangist" economic terms, a feminine economy allows for the possibility of giving without expectation of return' (Cixous, quoted in Schrift, 1997, p11).

However, Cixous' argument is ceding the realm of credit and debt to the sphere of exchange and the often masculine assumptions that this is the only legitimate analysis of debt. Instead, I argue that debt needs to be seen as a much wider phenomenon which incorporates the feminine economies of creditor-debtor relations, where the creditor and debtors do not hold to the same subjectivities as the mainstream. As I will show in chapter 4, there are forms of creditor-debtor relation which invoke and generate social relations, such as ROSCAs (Rotating Savings and Credit Associations) and LETS (Local Exchange and Trading Schemes), but they are not separate and somehow apart from credit and debt but are another form of it, which does not fit mainstream understandings. Indeed the language used in anthropological work on the gift such as 'sharing' and 'reciprocity' indicate 'our methodological insistence that the movement of economic resources through time and space via the mechanism of credit-debt cannot be merely reduced to "economic rationality" or "self-maximisation"' (Peebles, 2010, p228).

Historically, there is a precedent for refusing to calculate credits and debits, a phenomenon found in egalitarian hunting societies where:

rather than seeing himself as a human because he could make economic calculations, the hunter insisted that being truly human meant refusing to make such calculations, refusing to measure or remember who had given what to whom, for the precise reason that doing so would inevitably create a world where we began "comparing power with power, measuring, calculating" and reducing each other to slaves or dogs through debt. (Graeber, 2010, p79)

So here there is one possible analysis which tells us that some forms of debt relation may provide the ability to provide ‘more human’ forms of interaction and support, based on a fundamentally different logic than that of exchange. This is not to say that all alternative debt relations are charitable, but the fact that other forms (such as donation- or reward-based crowdfunding) can possibly enable a different kind of interaction, freed from the demands of masculinist exchange, is exciting. As Graeber says:

Of course we have a propensity to calculate. We have all sorts of propensities. In any real-life situation, we have propensities that drive us in several different contradictory directions simultaneously. No one is more real than any other. The real question is which we take as the foundation of our humanity and therefore make the basis of our civilization. (2010, p79)

Everything is not rooted in the logic of exchange and ‘the rational actor’, even if most of our mainstream banking and finance systems are. Therefore I will examine newer forms of finance to see if they have the potential to provide other avenues to promote our other propensities such as solidarity, caring and generosity. Nigel Dodd argues that although money has been taken to be cold, lifeless and impersonal, ‘it is the existence of “real” social, political, and economic relations that any monetary regime seeks to conceal once it becomes the sole focus of attention’ (2014, p79). But if money was actually originally infused with social meaning through gift exchange, then perhaps money can be used to re-humanise the economy. So if crowdfunding is seeking to draw out and make explicit the political and social links of money then perhaps it is helping to re-frame our understanding of the economy and our culture around it. As Dodd argues:

Culture is important not only in grasping what money does but what it might become. We therefore need to grasp it not just the way in which money is “resisted” by its users, but more positively, how they actively *create* it. Money’s value, potentially, is not simply what it can be exchanged for, but also the role it might play in enriching economic life. (2014, p311)

Dodd's latest work has a lot in common with the Gibson-Graham approach to social change. He argues that we need to find these sites of contradiction and conflict to open up multiple meanings of money and pave the way for new possibilities and sites of action: 'the future of money is best viewed in terms of a rich field of variation; a repertoire of possibilities, not a single formula. In utopia, money would be genuinely multiple' (p382).

Ann Pettifor's solution to the contemporary problems of money focuses on getting credit creation, flows of capital and interest rates under public, democratic, control and establishing a strong sense of ethical benchmarks: 'a sense of right and wrong and an understanding of nature's scale and limits' (2006, p12). These ethical benchmarks are what some of the new forms of creditor-debtor relation profess to work for. Perhaps the lack of a governmental appetite for re-regulation to return finance to the role of servants (and not masters) of the economy has meant that some recent forms of 'social' finance have tried to create new business models which connect up the creditor and debtor in new ways. Interviews with the founders of these new alternatives will help to deepen understandings of their motivations and what they perceive to be their role in the (re)creation of forms of finance which are more 'socially useful'.

## 2.5 Diverse relations of credit and debt

This chapter has sought to contribute to new understandings of both diverse economies of finance and the credit-debt relation and has begun to outline the relevance of both of these literatures to research question 1, '*What can a diverse economies approach contribute to theoretical understandings of the credit-debt relation in finance?*'. Diverse economies research has not up until now truly expanded to include finance, and has been lacking a theoretical understanding of the nature of finance, which this thesis has argued lies within the social relation of credit and debt. Bringing the credit-debt literature to diverse economies helps to open out our understanding of the diversity of financial relations that can be found in finance. I have argued that the current diverse economies visualisations found in table 1.3 do not account for the dynamism of the credit and debt relation. In chapter 4 I will outline a framework for analysing the social relations

of credit and debt and in chapters 5 and 6 I will argue there are better ways to show the diversity of credit-debt relations.

This chapter has also contributed to research question 1 by providing the future-thinking capacity of diverse economies research to the credit-debt literature which has a tendency to focus on the past, leaving the possibilities of the credit-debt relation under-explored. The curious stance of a diverse economies approach allows an analysis of the debtor-creditor relation which focuses on possibilities, and this thesis argues that by mapping the continuum of *possible* social relations thus far outlined in credit-debt – *i.e.*, from mechanised, impersonal financialised relations to highly personalised relations more similar to that of the ‘gift’. This approach enables a more forward-facing analysis which politically should enable the creation of theoretical space to explore different forms of debt which are less exploitative than the types of financialised debt which are dominant in mainstream finance. In chapter 4 this thesis will continue to explore these theoretical themes by using Latour and Peebles to create an analytical framework suitable for exploring the diversity of credit and debt.

Then, looking forward to the case studies in chapters 5 and 6, we see from this chapter that attention must be paid to how the creditor-debtor relationship is arranged – what kinds of relations are enabled, encouraged, discouraged in the platforms themselves, and how does that lead to different kinds of social relations? What this chapter has argued is that the sociality of finance is found in the creditor-debtor relation. The literatures on credit-debt tell us that this relation is best theorised as an over-determined phenomenon and so this thesis argues that taking a diverse economies approach is the best way to open out the possibilities inherent in the creditor-debtor relationship. What is important is to be aware of the ways that it is managed, through the power relations that control who has access to it, and who can determine the terms through which loans are made, and how the subjectivities and moralities of debt are re-made in new forms of finance. There is a continuum of debt relations, from market-based rational interactions in the sphere of exchange, to the more generative of social relations gift-style interactions of the sphere of communism.

The ‘social’ in credit-debt is however, still left under-theorised. Aside from Zelizer, who shows how social ties are brought into mainstream finance, and Lazzarato and Langley, who show how subjectivities and moralities tie social norms into the intricate webs of credit-debt and finance, much of the literature leaves open the question of what ‘the social’ is and how it is made and re-made. Chapter 4 will thus seek to contribute to a deeper understanding of ‘the social’ and how the sociality of the creditor-debtor relationship in alternative finance can be theorised by applying a Latourian understanding of ‘the social’ and how it is assembled in alternative forms of finance.



## Chapter 3                    Methodology

Collaboration involves far more than mere cooperation. More than the ability to develop a productive division of labour better to handle complex and profound issues. More even than the engagement in, as [J.K. Gibson-Graham] put it ([2006b, ]pxii), “a much more adventurous approach to reading, writing and the practice of research”. It involves, above all, an openness to argument, to positive self-critique and self-decentring. In short, an openness to difference and to other. (Lee, Leyshon & Gibson-Graham, 2010, p117)

In chapter 2 this thesis argued that there is not an independent and fixed ‘reality’ that can be ‘captured’ objectively. Instead, following Gibson-Graham’s ontological and epistemological foundations, this thesis has taken the position that a social constructionist approach is necessary to recognise the performativity inherent in the interplay between research and the researched, and to take due care not to dismiss out of hand alternative or emerging fields of interest. A stance of curiosity has thus been adopted, seeking to understand the ways in which alternatives arise and, by attending to Maurer’s idea of ‘theories-in-motion’ (2012a, p454), this research actively searches for difference, sameness and contradiction. Building upon these ontological and epistemological foundations, this chapter outlines a methodology compatible with this thesis’ aim of extending a diverse economies account of the credit-debt relation in peer-to-peer finance and reward-based crowdfunding.

This methodology is written chronologically to show the process of the research, with the collaborative participant observation described in section 3.2 forming my understanding of the field of alternative finance, enabling me to narrow down my choices of cases to those of peer-to-peer finance and reward-based crowdfunding. Section 3.3 outlines how I built upon the participant observation by systematically reviewing the discourses of crowdfunding platforms’ websites, industry data and third-party literature. Following on from this research interviews were conducted, the process of which is outlined in section 3.4, followed by a description of the approach taken in writing up the research as two distinct case studies. Each section sets out the methodology, followed by the

approach taken, then details the data collected, and finally outlines the analysis of the data.

The research questions of the thesis, as outlined in chapter 1, are:

1. What can a diverse economies approach contribute to theoretical understandings of the credit-debt relation in finance?
2. What is the ‘social’ of peer-to-peer finance and reward-based crowdfunding and how is it assembled?
3. What enables and constrains attempts to create new kinds of creditor-debtor socialities in peer-to-peer finance and reward-based crowdfunding?

Chapter 2 outlined the academic perspectives that have shaped the research aims, questions and general approach that this thesis has taken. However, as indicated in chapter 1, there was another major influence on the research presented here and this was a collaboration with the Finance Innovation Lab.

Collaboration as an approach is welcomed in diverse economies research as it is recognised that, whilst researchers have a role to play in opening up imaginaries, research on its own is not sufficient to create that future. The theoretical space and the analytical tools under development can act as a platform for practitioners on which to build real existing alternatives, and, conversely, ‘real world’ action can stimulate and create an iterative process between theory and praxis. This is where collaboration as a key practice becomes crucial to the creation of diverse economies. Collaboration is part of the strategy of diverse economies approaches in respect of collective action and an ethics of the common, necessitating a focus on ‘we’, ‘us’ and ‘our’ (Popke, 2014).

Methodologically, William E. Connolly reminds us that reason is not the only important factor in research: ‘political and ethical commitments are composed by models of inspiration and attraction as well as by sound arguments and intellectual exchanges. The two mix together in ways not registered well enough in most contemporary philosophies of ethics and politics’ (2005, p2).

Collaboration seeks to ‘expose futures realizable not just in thought but through thought and action. So it engages not just with ideas but with politics, with

possibilities, with people.' (Lee, Leyshon & Gibson-Graham, 2010, p117). Collaboration also 'involves commitment beyond the immediate here and now' (Lee, Leyshon & Gibson-Graham, 2010, p117). It is in the light of these academic approaches with which the collaboration with the Finance Innovation Lab was progressed.

### **3.1.1            *The Finance Innovation Lab***

The PhD which resulted in this thesis was created as part of the Economic and Social Research Council's collaborative studentship scheme through the Newcastle-Durham Doctoral Training Centre in 2012 and the Finance Innovation Lab, a project co-convened by WWF-UK (World Wide Fund for Nature UK) and ICAEW (the Institute of Chartered Accountants in England and Wales).

The aim of the Finance Innovation Lab<sup>17</sup> is to cultivate a collective response to the systemic failure of the finance system by asking 'how can we create prosperity for people and planet?'. The use of the term 'prosperity' speaks to a key element of the research questions – what could 'socially useful finance' mean? This is a key question because it engages with the changing requirements and perceived values of the finance system. The question of understanding 'the social' is examined in further depth in chapter 4, but here I will outline how the Finance Innovation Lab translates their 'calling question' within the work that they do.

Who are the Finance Innovation Lab and what do they do? The collaborative partners who make up the Lab came from two different perspectives. WWF-UK were searching for the root causes of environmental destruction, and increasingly kept finding themselves back at the financial system via, for example, habitat destruction promoted by increased commodity prices through trading in the City of London. ICAEW were set up in 1880 to ensure standards in the accountancy profession in the public interest and, after the financial crisis, decided that they needed to refocus on their public-interest role. Together, WWF-UK and ICAEW

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<sup>17</sup> Information on the Finance Innovation Lab has been collected through their website Finance Innovation Lab (2017c) and from documents passed to me by their core team, some of which are at the time of writing still in draft form and may contain some confidential material which will not be reproduced here. What evidence I give of the motives, aims and methods I believe are integral to the heart and soul of the Finance Innovation Lab and thus not likely to vary much from what is outlined here.

came together to become an incubator for people and projects that were working to positively transform the finance system.

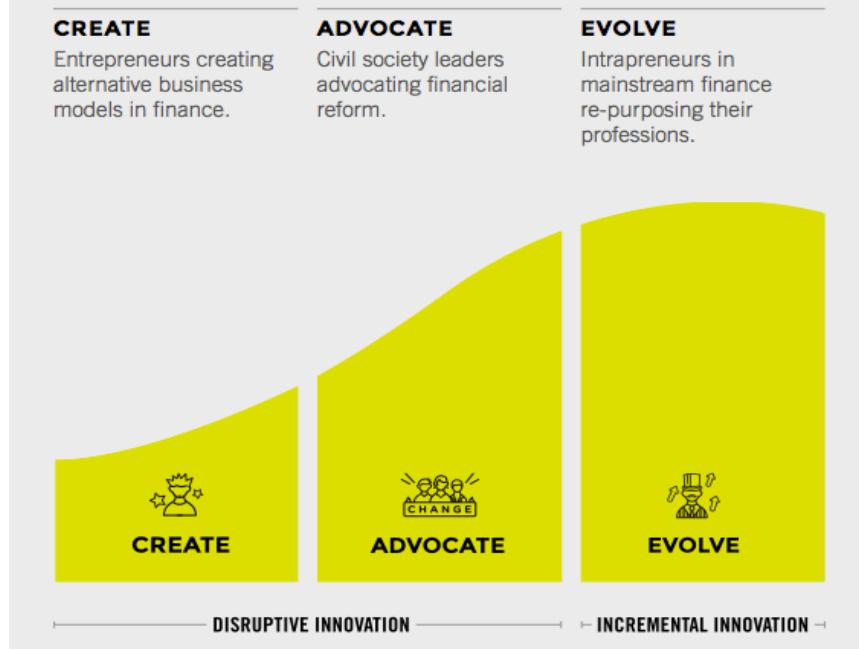
They argue that this necessitates a widespread cultural shift in finance from the individualistic ‘winner takes all’ mentality to one that sees the ‘fundamental interconnectedness of people, planet and our economy’. Collaboration is one of the keystones of the Finance Innovation Lab, and they state that their culture is one of collaboration inspired by three core values: ‘higher purpose’, ‘systems thinking’ and ‘inspired action’. They want to see a culture cultivated in the projects and initiatives of the Lab to be reflected in mainstream finance. The financial organisations that they aim to incubate should:

- act with a higher purpose, reaching beyond self-interest to contribute to the wellbeing of people and planet;
- think systemically and anticipate and manage the interconnected impacts they create both in finance and beyond; and,
- experiment with new ways of doing things, to be able and willing to take bold action in support of people and planet.

The Lab works with innovators and, as is seen in figure 3.1 below, they distinguish between two different types of innovation: ‘disruptive’, which is done either through creating new business models and alternative forms of finance (creating) or by lobbying for financial reform (advocating); and ‘incremental’, where the mainstream, via ‘intrapreneurs’, try to repurpose their professions. Having been involved with the Lab’s work across the whole spectrum, the most immediately relevant topic for the purposes of this research is their work on building the alternative finance system – *i.e.*, the ‘creating’ part of their work.

## WHO WE WORK WITH

WORKING ACROSS THE FINANCIAL SYSTEM WE CONNECT AND SCALE;



**Figure 3.1. Types of innovation in Finance Innovation Lab work**

Source: Millar, Morgan & Sinha (2015)

Their work aims to incubate, connect and amplify those creating new forms of finance through a range of methods including large-scale public assemblies, small high-level workshops, and six-month mentorship programmes, all of which are aimed at bringing together businesses, entrepreneurs and civil society groups with regulators and politicians to help repurpose the financial system.

The collaboration with the Lab was formed because of the close alignment of our research interests. It was designed to be a loose collaboration, working together on items of mutual interest, and one dependent on the emerging needs and interests of the nascent financial system. This thesis argues that the Finance Innovation Lab is an example of a diverse economies approach to expanding the politics of possibility by creating physical and conceptual space to examine, appreciate, create, and promote new forms of finance by paying attention to alternatives. Thus the academic perspective of this thesis is rooted in a diverse economies approach, but it is also rooted in the practice of the Finance Innovation Lab as a collaborative partner. Collectively, both the academic

research and practical collaboration shaped the research's questions, approach and methodology.

Practically speaking, the research was carried out between October 2012 and July 2015. This was followed by a break for an ESRC-sponsored research internship with Friends of the Earth Scotland, Common Weal, and the New Economics Foundation which resulted in a report 'Banking for the Common Good', followed by a period of writing-up between January and April 2016. A period of maternity leave was taken from May 2016 until April 2017, and final writing up continued on a part-time basis from April 2017 until March 2018.

This chapter will now outline four methods used in the thesis: discourse analysis, participant observation, interviews, and case studies. Each subsequent chapter section will cover the methodology of the method, relate the approach taken in the research, outline the data collected, and discuss the analysis used. Together this chapter outlines a methodology consistent with extending a diverse economies approach to finance.

## **3.2        Participant Observation**

### **3.2.1        *Method***

Participant observation as a qualitative style of research is appropriate when research questions involve learning about and understanding a group or phenomenon. The Chicago School expanded the anthropological model of ethnography to groups and settings in the researcher's own society (Neuman, 1991, p379). You cannot be a participant observer unless you are a member of that group (Wisker, 2008, p203). This indicates that within field methodologies this method sits on a continuum between full ethnographic work on the one hand, and hidden observer status on the other.

The participant observation spectrum (based upon Junker, 1960, cited in Hammersley & Atkinson, 1995, p104) outlined four roles within this continuum: complete observer, where the researcher is hidden, as in a one-way mirror; observer as participant, where the researcher is part of the group but focused on observing only; participant as observer, where the researcher is actively involved

with the participants *in addition* to observing; and complete participant, where the researcher has assimilated the group aims and the research itself has receded into the background. The first two of these involve the researcher taking a position of comparative detachment, that of objectivity and sympathy, whereas the second two involve the researcher having some active involvement, with subjectivity and sympathy. Sympathy is a crucial benefit to this method; it orientates the researcher (whether 'objective' or 'subjective') towards seeking understanding of the subjects or objects under investigation. This is of no small importance in enabling a methodology which is compatible with the ontological and epistemological foundations of this thesis. Neuman states:

They [the researchers] do not see people as a neutral medium through which social forces operate, nor do they see social meanings as something "out there" to observe. Instead they hold that people create and define the social world through their interactions. (1991, p381)

This methodology is complementary to research in diverse economies, and the collaboration with the Finance Innovation Lab opened up many opportunities for participant observation research as will be outlined in section 3.2.2 below. If appropriately applied, participant observation entails a continuous movement between emerging conceptualisations of reality and empirical observations. Denzin argues that 'theory and method combine to allow for the simultaneous generation and verification of theory' which means 'participant observation can better handle forms of interaction that are in change' (1990, p186). Indeed, the flexibility of participant observation was a key advantage in this research, as the industry and the Lab were responding quickly to events and it enabled a range of techniques to be drawn on, on their basis of their value for providing information.

The drawbacks of participant observation can partially be found in the ways in which the role taken by the researcher can affect the research. For example, it may be problematic if a researcher was so engaged that she was unable to think more objectively and step outside of the research to critically engage with it. It would be similarly problematic if the researcher took too objective an approach,

as it may compromise their ability to create trust and rapport with their group. As Lacey states, this method involves ‘the transfer of the whole person into an imaginative and emotional experience in which the field worker learn[s] to live in and understand the new world’ (Lacey, quoted in Wisker, 2008, p417). If the researcher does not have the emotional intelligence to hold a thin (and moving) boundary between involvement and detachment then this method may not be an appropriate one. Additionally, a participant observer should aim to ensure her presence does not overly affect the events and people under study, and she should ensure that the observation should be long enough to ensure that the observation is a general and not a unique one.

Participant observation is also often seen as having the potential to be dangerous, for example if one was studying biker gangs or men’s rights activists. However the professionalised nature of the emerging financial alternative community is not one which raises any significant risks of violence or personal danger.

### **3.2.2                    *Approach Taken***

Neuman (1991, pp384–96) outlines a range of steps that a participant observer may take in a field research project. I will outline the relevant steps taken in the participant observation with the Finance Innovation Lab here.

Firstly, after reading initial theoretical literature, principally that on debt and the creditor-debtor relation, I sought opportunities to initially engage with the Lab through their events (outlined in section 3.2.3). Principally, active participant observation was carried out with the Finance Innovation Lab in their events, including medium- and small-scale workshops, high-level meetings and large public-facing assemblies. The level of participation was determined flexibly, dependent on the specific content of the event. Initially, participation was principally observation led, attending events as an ordinary participant, which enabled the acquiring of contacts in the alternative finance community from those in attendance. As time progressed, on certain topics of mutual interest a more active role was played in helping to design and facilitate events and workshops, as well as playing a role in the writing up or ‘harvesting’ of the collective knowledge gained in the events. The Lab received input from an

academic perspective and the researcher was given an ethnographic, in-depth standpoint from which to immerse herself in the emerging self-defined 'alternative finance' community,<sup>18</sup> giving a unique perspective into the ways in which this community seek to 'repurpose finance' and expanding access to key players in these industries.

De-focusing is thought to be important in participant observation as it provokes the researcher to open her mind and cast off assumptions and pre-conceptions (Neuman, 1991, p385). Participation with the Lab gave the research a period of de-focusing in two ways. Firstly, early interactions with Lab events were generalist in nature, rather than restricted to a specific industry, and as such I had access to wide-ranging discussions with people from a broad variety of organisations ranging from businesses to charities to government bodies to academic institutions. This de-focusing was useful, as it enabled a wide net to be cast; I witnessed a broad range of topics and situations in the emerging alternative finance industry. Secondly, as my collaboration with the Lab progressed, I was able to de-focus by not solely filling the role of 'researcher', becoming more involved with the hosting team of events, seeing and 'doing' the work that goes on behind the scenes in their participatory events. In September 2013 I undertook a three-day training course in participatory facilitation techniques called 'The Art of Hosting' which enabled me to contribute more actively to facilitating Lab events. This was immensely useful in being involved and committed to the aims of the Lab, and served to raise my profile in the alternative finance community as a skilled and active participant, which I have no doubt helped me to gain access to the key players in the field when gathering interviewees.

The Lab did not quite play a gatekeeper role, as they do not have the authority to grant interviews with other organisations, however they did provide legitimacy and contacts as well as enabling a level of personal rapport. Interactions with the Lab slowed down from summer 2014, when the Lab went into an intense period of becoming an independent charity and continued until a final interaction at their 'Pathfinders' event in September 2015. Exiting the participant observation

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<sup>18</sup> There are in-depth discussions of the term 'alternative' in chapter 4.

was not difficult as it came to a natural close for both collaborators. I have however formed lasting professional and personal friendships with some of the founders of the Lab, and have carried out paid freelance work with the Lab since 2015. The key Lab stakeholders were given sight of the final draft of the thesis as a professional courtesy.

### **3.2.3            *Data Collected***

Participant observation requires differing levels of data collection depending on the needs of the research. The approach to collaboration with the Finance Innovation Lab meant that there was a variation in my roles, where I moved from observer as participant through to participant as observer, not just between different events but also within events themselves due to their particular facilitation strategies and flow designs.

I kept notes on each observation with the Lab; this included jotted notes from the field taken, where possible, during events. Direct observation notes would be written up as soon as was practicable after the events. Notes would be taken on the physical aspects of the spaces chosen, the social characteristics of the attendees and the discussions and actions proposed within the events. High-level events were carried out under Chatham House Rules, so my notes would indicate this clearly to ensure that data was kept safe. Occasionally I was asked to write up observations of the event for the Lab in either short blog format or in longer reports.

I also collected notes from any organisational meetings attended, as well as copies of the 'flow' (facilitation or event plan) for those events. Often the Lab would engage a graphic artist to draw the event in real time as it unfolded. In those cases I would photograph this when finished and add it to the file for that event.

Below in table 3.1 is a list of the main events that I attended as a participant observer. Additionally, I was party to team Skype calls and emails as and when participation demanded it.

Lab Event	Date	Type	Participation
Responder: The Role of Householder Debt in a Sustainable Economy.	24–25 May 2012	Medium-sized (40–60) participatory event for European collaborative research project.	Attendee.
Strategy Afternoon.	28 May 2012	Team Strategy Event.	Attendee, to meet the team and learn more about the Lab's work.
Peer-to-Peer Finance Policy Summit.	7 December 2012	Invitation-only stakeholder event.	Party to discussions planning event and attendee.
Campaign Lab (No.1).	January–July 2013	Six month programme with monthly meetings and a retreat for financial campaigners.	Part of organisational team, hosted some workshops, taught on political economy, part-evaluated. Attendee.
Workshop: How Can Policy and Regulation Enable a More Diverse Financial System That Rewards Socially Useful Innovations?	1 February 2013	High-level, invitation-only workshop for regulators, government officials, academics and businesses and entrepreneurs.	Part of organising and hosting team. Attendee.
Responder 2: Multinational Knowledge Brokerage Event on a Sustainable Finance System.	14–15 May 2013	High-level discussion and participative workshop as part of a series of events for the Responder project.	Produced content briefings for attendees on sustainable finance, co-hosted a session. Attendee.
Assembly: Building the Alternative Finance Movement.	22 November 2013	Large-scale (120–150) public event.	Hosted Open Space. Attendee.
Tax Assembly	13 June 2014	Large-scale (120–150) public event.	Hosted Open Space. Attendee.
Social Banking Innovation Roundtable	1 July 2014	Small, invitation-only workshop.	Attendee.
Transforming Finance: A Manifesto for Change.	26 February 2015	Social event with participatory workshop and manifesto launch.	Co-facilitator and Attendee.
Pathfinders: A Celebration of Systems Change in Finance.	25 September 2015	Large-scale (120–150) public event.	Attendee.

**Table 3.1. Participant observation with the Finance Innovation Lab**

### 3.2.4

### *Data Analysis*

Principally, the data collected through participant observation helped with access and case selection. I have already covered the ways in which the collaboration helped with access to participants for interviews in section 3.2.2, what follows is an analysis of how the participant observation enabled a deep understanding of the emerging alternative finance<sup>19</sup> community between 2012 and 2014, which in turn helped with case selection for this thesis.

What is termed ‘alternative finance’ varies, however it most generally refers to smaller, newer innovations that are seen to be in some way ‘more useful’, or more implicitly ‘less damaging’ than the assumed models of mainstream finance. What tends to be included are innovations such as Abundance (creating investment opportunities in renewable energy) but not innovations such as Wonga (an exploitative online pay-day lender). Ethics and the challenging of values were a key part of the Lab’s work as was observed in interactions with them as a participant observer. In choosing the cases to be examined in this research, the whole range of alternative finance was examined and it was decided that two areas, peer-to-peer finance and reward-based crowdfunding, would be the most productive.

This is for two reasons. Firstly, the peer-to-peer finance industry, and to a lesser extend reward-based crowdfunding, was emerging as a noisy and disruptive player at the time that this research commenced. Early Finance Innovation Lab events often had many participants from these industries, and discussions, especially in 2012–13, centred around the ethics and potential of these innovations. These innovations were openly and actively coming together around a concept of ‘social finance’ and, in the case of peer-to-peer, they were actively seeking (and in some cases almost fighting for) regulation from a government interested in ‘cutting red tape’.

Secondly, the theoretical work carried out concurrently to the participant observation clearly signposted me to the importance of the creditor-debtor

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<sup>19</sup> A reminder that the concept of alternatives in finance is discussed in some depth in chapter 4.

relationship. My participant observation identified peer-to-peer finance and reward-based crowdfunding as having the clearest relevance to the research because they were trying to link up creditors and debtors in a direct relationship. This is of interest because of its contrast with mainstream finance which principally seeks to obscure this relationship. The approach of crowdfunding and peer-to-peer research is thus a way into contemporary alternative creditor-debtor financial relationships. This analysis resulted in the formation of two case studies for the exploration of attempts to re-make the creditor-debtor relationship.

The Peer-to-Peer Finance Association defines peer-to-peer finance as: 'platforms that facilitate funding via direct, one-to-one contracts between a single recipient and multiple providers of funds, where the majority of providers and borrowers are consumers or small businesses' (2011, n.p.). Online platforms enable borrowers to link up with lenders in a more direct relationship, without the need for an intermediary as in traditional banking models, with the platforms instead acting as facilitators or introducers. Table 3.2 below sets out a typology of crowdfunding 'ecologies' which are of five principal types, peer-to-peer lending, donation, reward, equity and fixed income.

Ecology	Funding Recipients	Financial Instruments	Exemplar Funding Platforms
Donation	Individuals Community projects Registered charities Social enterprises	None	Buzzbnk GoFundMe Hubbub JustGiving
Rewards	Individuals Community projects Social enterprises	None	Buzzbnk Crowdfunder IndieGoGo Kickstarter PledgeMusic Sellaband
Equity	Start-ups	Shares	Crowdbnk CrowdCube Seedrs
Fixed income	Small- and medium-sized enterprises Social enterprises	Debentures Mini-bonds	Abundance Generation CrowdCube
Peer-to-peer lending (business and domestic)	Small- and medium-sized enterprises Real estate Individuals	Loans (secured and unsecured)	Funding Circle RateSetter LendInvest Wellesley & Co Zopa

**Table 3.2. Principal monetary and financial ecologies of crowdfunding in the UK**

Source: Langley and Leyshon (2017b)

Whilst the idea of multiple case studies across the whole of crowdfunding was considered, it was decided that it would be more productive to focus on those that try to innovate around the creditor-debtor relationship. Each 'ecology' in crowdfunding are in their own way doing something direct with the relationships between the participants.

Following collaborative work with the Finance Innovation Lab, literature reviews and initial research on platforms and secondary data on the industry in the form of reports and documents, it was decided that in-depth case studies focusing on two of the ecologies would be most in keeping with the diverse economies approach outlined earlier in this thesis. Although it would be possible to cover all

five crowdfunding ecologies, Gibson-Graham's (2014) paper calls attention to the need for weak theory and thick description which was persuasive of the need to really go in-depth into the case studies to make thick description possible. Once the cases were selected, the next stage was to research the companies and industries through discourse analysis.

### **3.3 Discourse Analysis**

#### **3.3.1 Method**

The vast majority of the newer challengers in banking and finance are entities which are only accessible online through websites, apps and platforms. This means that a crucial way to engage with these entities is to engage with their online content. Some may argue that this data may be overly biased as it comes from the platforms themselves who have a vested interest in appearing in certain ways to the public and their actual and potential customer base. However, Silverman argues that it is best to begin with already existing data found in the 'everyday world' (2013a, pxviii). Silverman (2013b) does not argue that interviews are an invalid data collection method, but rather he is challenging the assumption that researchers always have to collect their own data, rather than see the value in data that is already existing, and therefore free from the drawbacks of researcher-provoked data (which may contain bias, self-selection, rewriting of history, *etc.*). This thesis took the view that both are important; one must look at the ways in which different companies and industries present themselves by investigating this existing data as well as trying to dig deeper into motivations by using a range of other methods such as participant observation and interviews.

There are numerous sources of data available on crowdfunding platforms which have been given structure in table 2.4 below. The point that Silverman made is that this data is not to be seen as secondary but is instead one way of understanding both how the platforms are trying to construct an image of themselves and, in doing so, how they might alter the discourse of finance. The use of industry blogs and forums can also shine some light on the differing ways

the industry is perceived from ‘outside’, principally by the media and government.

Discourse analysis is a diverse and interdisciplinary approach used across academic practice from linguistics to philosophy to politics. Jaworski and Coupland (1999, pp1–3) summarise discourse analysis as falling into three main categories: anything beyond the sentence; language use; and a broader range of social practice that includes non-linguistic and non-specific instances of language. Discourse analysis can be a highly specified technical exercise on one side of the spectrum, or a broader analytical tool on the other and this thesis used discourse analysis as a tool to pull out the discourses being created or struggled over in the emerging industries. The third of Jaworski and Coupland’s approaches was therefore taken which necessitates looking not just at what the principal actors themselves say directly in an interview – which as already mentioned is mediated between themselves, the interviewer and context and so is not a discourse they control – but also how they portray themselves in the discourses they do have control of.

This is important theoretically, as is discussed around creditor-debtor subjectivities in chapters 4, 5 and 6. Methodologically, Lund draws attention to the intimate linking of concepts and ‘reality’ in discourse by saying that there is ‘a never-ending, iterative approximation between *a priori* concepts, cognition of “the world,” and the formation of renewed *a priori*s’ (2014, p226). This thesis argues therefore that existing finance is understood and assessed through societal expectations and understandings of the concept of ‘finance’ (financial discourse). Exposure to new presentations and business models of finance (*i.e.*, Lund’s cognition of ‘the world’) can lead to renewed forms of discourse.

The importance of cultural discourses in setting the agenda for finance and financial reform is shown by the ability of the derivatives industry to cultivate silence or at least stifle criticism of their innovations, which we now know contributed to the financial crisis (Tett, 2009). The opposite seems to be true in the crowdfunding and peer-to-peer industries, where silence is not a concern and instead the platforms are very vocal and appear to be trying to create particular

discourses around who they are and what they do. Control of the discourse appears very important to these new industries.

Christophers (2013) summarises on-going debates around finance in the wake of the financial crisis as having two main poles; one side struggling to portray finance as useful in and of itself, and the other struggling equally hard to portray finance as reckless and socially damaging. He argues that these struggles miss the point and that what we should be looking at is how and why these discourses come about in the first place. Taking Christophers' point, this thesis argues that discourses have a multiplicity of meanings and experiences for people both within certain practices (*e.g.*, peer-to-peer platforms) and between them (*e.g.*, between equity and donation- and reward-based crowdfunding). It is important then to be able to take a step back and look to see how the discourses of crowdfunding as being 'alternative' or more 'social' are being constructed and why.

### **3.3.2            *Approach Taken***

The stated challenge that the Finance Innovation Lab posed to mainstream finance sought to relegate the idea of efficient, individualistic markets into the realm of 'myth' and replace it with an idea of a corporate 'civic'. This discourse calls on the individuals, communities, companies, institutions and regulators who make up the financial system to take responsibility for the myriad of decisions and choices which can either re-produce or re-make the system. If, as this thesis argues, Gibson-Graham's argument is correct, and 'the system' is indeed over-determined, then the financial system is always in the process of being created and (re)made. This means that discourse, especially arguments over the purpose and values of the financial system, has an important and performative role to play. For example, this thesis argues that the discourse of the Finance Innovation Lab and the argument that finance is fundamentally interconnected with everything else (people, the wider economy and the environment), has a potentially powerful role to play in shifting the culture, and therefore the decision-making processes, of the people who make up the system.

However, whilst the challenge the Finance Innovation Lab was posing to ‘mainstream market’ finance was considered to be bold, it was not felt that this discourse alone would have a wide enough impact and thus this thesis took the position that it was necessary to study the emerging industries of crowdfunding and peer-to-peer finance.

Once the case study industries were chosen, in April and May 2013 and again in April and May 2014 I carried out a comprehensive study of both industries and all UK-significant platforms. Separate logs were taken for each industry, with each platform systematically reviewed and notes taken for the content of: the homepage; each principal sub-page, with a particular focus on the companies’ ‘about us’ sections; registration process; images used; and anything significant which was unique to each website. At the time of the first data collection, Zopa hosted a forum for their members and notes were taken on the number and type of discussions as well as selected quotations surrounding a major change of the platform which was happening at the time.

### **3.3.3            *Data Collected***

All of this data was available freely and easily online and Kozinets argues that the value of these kinds of interactions, especially those on forums have advantages over that of other qualitative methods; he says ‘the analysis of existing online community conversations and other Internet discourse combines options that are both naturalistic and unobtrusive – a powerful combination’ (2009, p56). We can observe through ‘netography’ (Kozinets, 2009, p133): the text of a particular blog post that was written and posted; a certain social networking group has been formed and certain accounts are linked to it, and; a photo or blog was uploaded and received a certain number of comments.

Principal 'creator'	Existing Data	Researcher-provoked
Platform originated	Websites Forums Company literature Press releases Industry association literature	Interviews Participant observation Email questions
Participant originated	Platform forums Independent forums (Money Saving Expert, Consumer Action Group) Participant-created writing held on platforms (in projects)	Surveys Questions posed online through forums
Third-party originated	Trade and industry literature Financial and economic journals, newspapers and periodicals	

**Table 3.3. Typology of data collection**

This observational data stimulated further questions for investigation, and acts to triangulate the data collected in the participant observation and interviews.

### **3.3.4                   Analysis**

Data analysis is very important in qualitative research (Corti & Thompson, 2004) and, as Silverman argues, 'it's the quality of the data analysis rather than the source of the data that matters' (2013, pxviii). A concern with this approach is that there is no single accepted way to analyse data and there is therefore scope for different researchers to come to different analyses of the discourse. The approach to analysis in the present research was therefore grounded in the research's theoretical approaches to ensure consistency across the platforms and industries. As such, thematic analysis of the data collected sought to find common approaches and discourses that are apparent in the data gathered, as well as looking for differences and disharmony.

The analysis also sought to see what image the platforms were attempting to create, not just in the words that they used but in the bigger picture of how they had branded themselves and what image and 'vibe' they were trying to 'sell' about themselves. In addition to the textual information, what does the non-linguistic

and non-specific information they produce tell us about the nature of their business and how they see their relationship to society? The platforms all exist on the internet, and therefore most people's interactions with them are mediated online through these platforms. They do not exist as physical spaces for most participants (excepting those who contact them on the phone) and so analysis of these portrayals can inform how new infrastructures, business models and values can contribute to renewed *a priori* conceptions which may give more space to social and environmental concerns. What kinds of discourse are they trying to create? Are they presenting us with a conception of their industries as radical, bank-bashing alternatives trying valiantly to serve un-met needs in society, or as sound, prudent investment opportunities for the discerning investor subject?

As noted above, the analysis engages with the 'signifiers' (text, visuals, media) whilst trying to uncover more deeply the 'signified' in terms of their conceptual underpinnings which are understood to be 'doing work' (Gibson-Graham, 2003, p98) in producing and constituting changing conceptions of the idea of social utility in finance. Thus the data analysed here sits alongside participant observation and interviews to give a more thorough understanding of the multiple and contradictory struggles over the concept of finance and its potentiality to be in some way 'socially useful'.

### **3.4      Interviews**

#### **3.4.1      *Method***

Interviews are a popular form of qualitative data collection, particularly suited to data collection focused on insider experience, privileged insights and experiences (Whisker, 2008, p192). Compatible with other qualitative methods, interviews can be a rich source of data, enabling new insights by provoking interviewees to reflect on their experiences and by doing so, making meaning as they go (Seidman, 2013, p7).

As Peck and Theodore argue:

When they work well, interviews should be interactive, dynamic encounters, not merely extractive, fact/opinion gathering exercises;

they entail dialogue as much as digging. Depth interviews enable researchers to probe contending accounts and evaluate proto-explanations amongst a range of knowing interlocutors; they provide opportunities to excavate the social and political context of decision making, to delve into the “reasons for reasons”, and to hand back circulating narratives and proto-explanations for verification, qualification, or rejection. In other words, interviews enable the *purposeful* coproduction of social data, at the nexus of interviewee worldviews and the evolving bundle of questions actively pursued by the researcher. (2012, p26)

Silverman (2013a, p20) argues that research should not just seek to focus on the experiences of people, but should instead look past their representations to see how those experiences are located in social organisation. In this research, the representations of the interviewees have been supplemented by substantial participant observation and discourse analysis alongside a theoretical framework to situate the representations in the wider theory and practice of finance.

Care needs to be taken in transcription to pay attention to how the knowledge gained in interviews is co-created in the space between the interviewer and the interviewee. Omission of researcher’s context and questions would fail to recognise that ‘interview interactions are inherently spaces in which both speakers are constantly “doing analysis” – both speakers are engaged (and collaborating in) “making meaning” and “producing knowledge” (Rapley, 2004, pp27). The other danger of transcription is that the interviewer may inadvertently invite a retrospective re-writing of history (Garfinkel, 1984). This was especially true for this research because of the positionality of the subjects as leaders in an emerging field in contemporary finance and the analysis must take into account that the interviewees may be trying to craft a particular vision of their platform or industry and may not be overly self-critical or reflective.

### **3.4.2                  Approach Taken**

In-depth semi-structured interviews were arranged with a range of stakeholders across reward-based crowdfunding and peer-to-peer platforms – in particular their CEOs and founders, regulators, and industry bodies. This type of interview enabled the provision of valuable in-depth information regarding founders and

CEO ideas about what crowdfunding is, how the industry is more socially useful (or otherwise) and why they set it up the relationship between users in those particular ways.

A key finding that came out of the discourse analysis was that, despite prominent industry discourse at the time around identifying themselves as 'social finance' and emphasising the peer-to-peer nature of the platforms, the companies, particularly those in peer-to-peer finance, were beginning to roll back the capabilities of creditors and debtors to directly interact on their platforms. The relevance of this is that it was becoming clear that, despite positive discourse around bringing together lenders and borrowers, some platforms were directly intervening to prevent this interaction in any meaningful way. Whilst this is discussed in some depth in chapter 5, methodologically this meant that what was important to look at was the decisions by the platforms to change direction and make the creditor-debtor relationship more, rather than less, opaque. This meant that, particularly in peer-to-peer finance, the platforms themselves are the mediators of the creditor-debtor relationship, and thus it was the platforms, rather than the end-users, which became important to interview.

In reward-based crowdfunding, the platforms are important as mediators of the creditor-debtor relationship, however the end-users are also important in the shaping of the platform. I was able to interview two businesses or organisations who had raised funds through CrowdFunder and Funding Circle and these were helpful in outlining the experience of the end-users. This limited end-user data was supplemented through the discourse analysis of the platforms. As set out in section 3.3.2, this involved analysing the publicly available data on end-users, an area in which reward-based platforms are very transparent, with open and available datasets. Other, larger, research studies which investigate donor motivations were also used to gather as much data about end-users as possible to supplement what was gathered here in participant observation, discourse analysis and interviews.

Candidates were selected according to their professional roles and as part of the complex network involved in the practice or research of these new innovations.

Requests were sent to 25 platforms and organisations (including regulators) and 16 interviews were carried out. Although this may not seem a particularly large number, it is a response rate of 59% in a small industry with a handful of established players. The industry was exceptionally small at the time, and I interviewed all of the biggest peer-to-peer platforms with the exception of Funding Circle, who did however pass on some data to assist the research, and Trillion Fund, who at the time of the request were in the process of merging with BuzzBnk and who were unable to agree to an interview.

In terms of crowdfunding, I interviewed the major platforms in the UK, which then as now were dominated by CrowdFunder, by far the biggest. I was also able, through my contacts, to interview Kickstarter while in the US, when they usually turn down academic requests in favour of pointing researchers to their open datasets. I was not able to interview IndieGoGo, which was a similar omission to Funding Circle, however I did have access to their publicly available data. What is notable about both sets of interviews is that I interviewed the vast majority of players in a very small field. Despite a lot of entry into the market from 2015 onwards, the field is still dominated by the big players I was able to get access to (along with Funding Circle and IndieGoGo). This shows that the interviews I was able to undertake, and my substantial participant observation of these emerging markets, enable this thesis to provide a ‘thick description’ suitable for diverse economies of finance research.

The first stage of the interview process was participant recruitment. In order to contact and recruit participants, interviewees were emailed, and/or telephoned, provided information about the study, and sent a consent form with information about the project. Interviews lasted on average between 30 and 60 minutes, and all were recorded for the purposes of transcription. Interviewees had the option to remain anonymous or to be cited in a manner specified in the consent and information forms and the vast majority were happy to be named, excepting those with more politically sensitive jobs (regulators). The interviewees’ contact details are maintained on a secure database which can be used to contact them if information they have provided is to be used and cited in research outputs.

The risks and my proposals for risk management were as follows. In identifying participants in the research outputs, there was a risk that the views expressed in the interview could have implications for participants' professional positions. Each research participant had all the required information prior to the interview and given clear opportunities to withdraw from the study at any time. They were given information about the topic well in advance of the interview and had adequate time to carefully consider the subject material. This enabled them to give fair and balanced responses to any questions. Finally, interviewees will be contacted before their details and any quotes or information is published or otherwise disseminated in research outputs, so that they can ensure they are happy with their participation.

Although low-risk, I also made adequate provisions for my own safety and was as careful as possible. I thoroughly researched the relevant sites of research. I took into account the location of my accommodation, my ability to travel or catch public transportation, local or seasonal weather patterns, and any other factors that could lead to situations threatening my wellbeing. I always carried a mobile phone with emergency contact details. I informed family members and my supervisors of my whereabouts and provided them with my address and contact details.

Full ethical approval was granted by Newcastle University Ethics Committee in June 2014. Approval was applied for on the basis that extensive information was given in advance to participants regarding the study. Where possible, this information was sent via email. This allowed participants to be well-prepared and informed about the research, their role in it, and any other relevant information. This information included:

- Researcher contact details and affiliations.
- The research aims and objectives.
- Information on the research methodology, and the exact dynamics and workings the interview process.
- Information regarding the specific role of the participant in the research.

- Information about what will happen to the data, and how and when research outputs will be disseminated.
- Information about who is funding the research.
- Information regarding the participant's right for any material gained from the interview to be kept confidential, and information regarding how their information would otherwise be used.

During the research, participants were given the opportunity to access a copy of the information sheet at the start of the interview and a consent form with options for anonymity and recording was signed before the commencement of the interview. The interviewees were also given a participant debriefing sheet, outlining the important details above and informing them that they can request to be removed from the study at any time. All data collected is kept securely and where possible participants have been given the opportunity to review their input as it was used in the research.

### **3.4.3            *Data Collected***

In total, 16 interviews were carried out. As noted in section 3.4.2, this is a response rate of 59% in the very small industry of the time, and this builds upon the substantial participant observation carried out with (often the same) people at Finance Innovation Lab events. Of particular note is the understandings that were built up in a number of the high profile workshops with the key industry players, from CEOs to regulators to government officials. Crucially, these understandings enabled a depth to the questions asked in interviews, building upon the participant observation and the discourse analyses carried out on the relevant platforms, organisational, or regulator websites, reports and forums.

Organisation	Name	Position
Zopa	Giles Anderson	CEO & Founder
RateSetter	Rhydian Lewis	CEO & Founder
Quidcycle	Frank Mukahanana	MD & Founder
ThinCats	Kevin Daley	MD & Founder
Rebuilding Society	Nick Moules	Marketing & Communications Manager
Crowdfunder	Phil Geraghty	MD
Crowdpatch	Emily Allen	Birmingham Patch Leader
Kickstarter	Ben Cole	Product Manager
Keystone Law	Simon Deane-Johns	Consultant Solicitor
Finance Regulator	Three anonymous regulators from three UK regulatory bodies	Various departments/levels
Finance Innovation Lab	Chris Hewitt	Leader Disruptive Finance
Nesta	Liam Collins	Policy Advisor
Snact (crowdfunding project)	Illana Taub	Co-Founder
SuperJam (peer-to-peer project)	Fraser Docherty MBE	MD & Founder

**Table 3.3. Interviews completed**

All interviews were recorded and transcribed as soon as possible after the interviews. Brief notes were taken during the interviews, and as soon as was practicable afterwards reflections on the interviews were written down.

Formal analysis was not undertaken until all interviews were completed and transcribed to avoid imposing meaning from one interviewee onto the next. Transcription was careful to capture the interviewer's questions, and to make clear the pregnant pauses in the conversation, to ensure that these spaces of thought, which are part of the meaning-making the interviewee is engaging in, are not lost for the analysis (see Seidman, 2013, pp118–9).

### 3.4.4 **Analysis**

In-depth interviewing generates a lot of text to analyse which needs to be reduced to that which is of the most significant interest. In this I broadly followed Seidman's (2013, pp120–32) approach to analysing and interpreting interview material. As he states:

There is no substitute for total immersion in the data. It is important to try to articulate criteria for marking certain passages as notable and selecting some over others in order for the process to have public credibility. It is also important to affirm your judgement as a researcher. You have done the interviewing, studied the transcripts, and read the related literature; you have mentally lived with and wrestled with the data, and now you need to analyse them. As Judi Marshall (1981) says, your feeling of rightness and coherence about the process of working with the data is important. It is your contribution as the researcher. (2013, p130)

Firstly, the interviews were grouped into sets that were relevant for peer-to-peer finance, reward-based crowdfunding, and those which had relevance for both (an example of this latter being regulators' interviews). The interviews were then read in their sets, several times, with particularly interesting passages, quotes or issues being marked. Once a whole set was read and sections indicated, I used these to identify themes that came out across the interviews within that set. This was done on paper using tentative labels to allow for movement in the categorisation of the themes that were emerging.

Once themes had been found, there was an iterative process of alignment between these themes and the theoretical work identified in the thesis. At first, various prior categorisations were attempted to sort through and present the interview data in the case studies. However, after a couple of attempts it was clear that the empirical data was not suited to being 'shoe-horned' into the existing theoretical categories. It was at this stage that I decided to use Peebles' literature review of the anthropological work on debt (Peebles, 2010) to create my own categorisations which fitted much more smoothly with all the data collected, from participant observation through to interviews. Once these categories were selected (sociality, spatiality, temporality and subjectivity-creation practices), I

was able to return to the thematic analysis of the interviews and collect the themes under these headings to analyse them with the rest of my data.

Each theme was written up, copying key passages and quotes to collect them together within each set. This greatly assisted in the selection of quotes to be used in the write-up. As participants, excepting the regulators, were happy to have their names used for the study, it was decided that the identification of the interviewees with their quotes was important in order to try to show the thinking processes of the platforms on key issues to maximise the impact of the new empirical data. Quotations were used to provide depth and richness to the case studies, particularly to provide the thick description advocated by diverse economies research.

### **3.5 Case studies**

#### **3.5.1 *Method***

Case studies are a relevant and useful way to investigate and present specific phenomena, but also to see differences and similarity within and between cases, which is particularly important for diverse economies research. Following Punch (1998), each case study has to have boundaries to delineate what is and is not included and each case will be illuminating for the central research concern – the creditor-debtor relationship. Typical definitions see case studies as an intensive analysis of an individual unit, they are a valid method for in-depth investigations and, as George and Bennet (2005) show, they are a popular choice for research, making up the main research method in over half of all the articles in top political science journals.

Intrinsic case studies are an in-depth ‘opportunity to learn’ (Stake, 1995, p6) about the industries, concentrating on the diversity within the chosen ecologies of peer-to-peer and reward-based crowdfunding. Comparisons between the cases also enable us to understand the different dynamics possible within the broader industry of crowdfunding. As Lund (2014) notes, all research involves tension and movement between the specific and the general, and the concrete and the

abstract. To be able to say something about the applicability of research to more generalised theory – in this case what crowdfunding can tell us about the potentiality of finance more broadly – necessitates comparison based on ‘resonance’ with other cases. Resonance is understood as ‘different elements, dynamics, and relations could be recognized from one case to the other. Such cases are not necessarily similar... In fact, it may be the differences in contexts that make the particular qualities of organizations, dynamics, and relations resonate and be mutually illuminating’ (Lund, 2014, p226).

### **3.5.2            *Approach Taken***

Two concrete micro- cases of subsections covering two of the new crowdfunding ecologies, peer-to-peer finance and donation- and reward-based crowdfunding were chosen as intrinsic case studies. These ecologies are illustrative of the two ‘extremes’ of crowdfunding – peer-to-peer lending harnesses a very particular notion of its alterity with the mainstream finance sector whilst carrying out quite traditional lending activities. At the other extreme, the same basic technology of crowdfunding is used in reward-based crowdfunding to connect up creditors and debtors to ‘exchange’ more than just money with each other.

The cases present the specific state of those ecologies between 2012 and 2015, with the majority of interviews and discourse analysis being carried out between 2014 and 2015. The cases are an information-oriented selection based on maximum variation to maximise the utility of the information based on expectations about their information content. The expectations were derived in part from theory – that the important relation is the creditor-debtor relation, also by Gibson-Graham’s call to look for difference; and in part from experience as a participant observer at numerous Finance Innovation Lab events, workshops and meetings which steered the author to the most well-developed and fastest-growing sector of the alternative finance community. They also have, by the nature of their business model, the most explicit focus on the creditor-debtor relation, even if it is not defined as such or thought of by those sectors in those exact terms. The cases bring together the participant observation, discourse analysis and interview data to look for the difference and similarity that exists

within each subsection of the industry and between the cases. This enables this thesis to show how the same technology of connecting the creditors and debtors is being harnessed to meet different perceived social values and ends.

The collection of data for the case studies uses a mixed-methods approach because of the nature of the cases. For example, peer-to-peer finance platforms severely restrict the ability of the user to modify her engagement with her peers outwith that which is enabled by the platform's rules and regulations. This means that investigating peer-to-peer finance will benefit from data collection on the decision-making behind the creation of the rules that restrict the user's autonomy, therefore elite interviews with key decision-makers are important in seeing how they are trying to construct these alternatives. Similarly, donation-and reward-based platforms set the basic rules which shape the platforms and the activities that are promoted on those sites, however there is more scope for the users of the sites to interact, so, as noted in section 3.4.2, supplementary data focused on the end-users becomes relevant in this industry.

Teddlie and Tashakkori called this mixed-methods research with an emphasis on qualitative methods, or more simply methodological eclecticism which involves 'selecting and then synergistically integrating the most appropriate techniques from a myriad of QUAL [qualitative methods], QUAN [quantitative methods], and mixed methods in order to more thoroughly investigate a phenomenon of interest' (Teddlie & Tashakkori, 2012, p136). Mixed-methods research is an iterative, cyclical approach to research which works both on justification (testing theory and hypotheses) and discovery (understanding in more depth, generating new theory and hypotheses) and this project is driven initially by the latter, seeking to understand this new area and its implications for finance as a whole (Teddlie & Tashakkori, 2012, p141). Holstein and Gubrium (2013) prefer to call it a mosaic of research efforts and here, with the topic under consideration it is appropriate to see the data collection plan as an 'investment' in a 'portfolio' of research methods, which are presented in the cases.

### 3.6 Limitations

As with all PhD research, time, access and resource place limitations on what is feasible, necessitating a reflexive approach to the topic and choice of empirics. The decision of what to focus on, from all the different approaches to banking reform, was initially guided by pre-conceived notions of which innovations were likely to have the 'greatest' impact on the banking system. At the time of commencing the research in 2012, the most exciting and rich seams for this project were thought to be found in Positive Money, a campaign for monetary reform; Occupy Wall Street, a group of anarchist activists trying to create a different politics of change in finance; and peer-to-peer finance, who were, at the time, calling themselves 'social finance'. It became clear relatively quickly that it would not be possible to adequately tackle all of these disparate approaches with the necessary theoretical depth in one doctoral research project. Decisions about the necessary narrowing of interest coincided with two things. One was that my theoretical research into the nature of money and debt resulted in the identification of the creditor-debtor relationship as a central concern. Another was that the combination of exposure to diverse economies research and collaborative work with the Finance Innovation Lab both challenged my pre-conceptions about the nature of research and influenced my selection of the case studies.

On reflection, I have a tendency to be attracted by big questions and grand sweeping conclusions. This sits with a politics that sees as urgent the need to tackle the excesses of the banking and finance system head-on. I wanted to do a PhD that would give me the skills and the knowledge of the economy, finance and banking that would allow me to contribute towards change. I still have that broad aim, but it has been modified to become somewhat more modest, reflecting two things that happened early on in the research process. First, as I read for the first time *The End of Capitalism (As We Knew It)* (Gibson-Graham, 2006b), I understood its particular challenge to myself as a researcher: to realise that in the search of the big answers to the big questions, I myself was likely doing damage to my ability to enable a new future, so sorely yearned for, by not paying due attention to the multiplicity of difference that exists already in the

present. Second, I started the collaboration with the Finance Innovation Lab, who, without reading Gibson-Graham, had also begun to realise that they can either try to pull down the current system, or seek to build the new system around a culture and ethics that places people and planet at its core. They decided to support those who are attempting to build the new, creating methodologies that challenge the *status quo* by performing diverse economies – to show the world how to make other worlds possible.

In the light of these personal reflections and the attraction towards the work of the Lab, a decision was made to focus on innovations which explicitly attempt, in some way, to do finance and banking ‘better’. Combined with my identified interest in debt as a key component of banking and finance, it became clear that peer-to-peer finance, as a recent and under-researched alternative financial innovation which makes explicit the creditor-debtor relationship, was the best choice for a case study. I knew that theoretically and practically I had to resist my urge to dismiss this sector out of hand, and instead consciously adopt a stance of curiosity towards this phenomenon, to see where, why and how it is different, and where, how and why it is similar. This was especially important as the political discourse of the time was placing great hope in peer-to-peer and crowdfunding more generally as a route to a more diverse and socially useful finance system. I wanted to attend to these notions, and follow them to see how they would change over time. What did they mean when they talked about ‘social finance’ and doing banking ‘better’? Would they create space for more social notions of finance or would they collapse into the mainstream?

As the participant observation research progressed, a decision was made to do a complementary study of reward-based crowdfunding as the spaces and type of ‘social’ created are vastly different to peer-to-peer finance, even though initially the mechanics of the explicit nature of the creditor-debtor relationship seemed similar. Showing how each industry was, in its own right, shaping particular notions of the social in finance is one aim. Another was in having the ability to compare the differences and similarities between the two which allows an analysis of what other forces may be acting to constrain or enable the development of different kinds of creditor-debtor relationships.

Another limitation which affected the thesis was the intrusion of real life, in particular giving birth to my first child, which resulted in a necessary extension of the timescales of the research. This meant that the period between the principal data collection period and the final write up was measured in years, during which time the industry had changed quite a lot, especially in the final year of the thesis. If resource (time and money particularly) was not an issue, it would have been very illuminating to collect second interviews with some of the key original participants, to ask directly the reasoning behind big changes (as seen in Zopa, Ratesetter and Funding Circle in particular). The impact of not being able to do this is that the thesis has to be more modest in its conclusions, as without primary data it is not possible to say definitively why these changes which are shaping the future direction of the industry have taken place. Professionally, whilst academic research on peer-to-peer was quite limited when this project began, the delay in finishing has also meant that others have written papers before me, which could reduce some of the impact of this specific study. However, some recent work (Gray & Zhang, 2017; Langley, 2016; Tooker & Clarke, 2018) has a complementarity with this research which points towards the gaps in the literature which this thesis build upon and deepen (see chapter 7, section 7.2).

### **3.7 Summary**

This chapter built upon the ontological and epistemological positionality of the research as outlined in chapter 2, which is that knowledge is a social construction and therefore care has to be taken by the researcher not to ignore more ‘marginal’ phenomena, suggesting that an orientation towards alternatives can be productive in enabling potentialities in finance. This thesis takes the position that research is political and performative, and therefore if new alternatives are to be found, they must also in part be created by focusing research on the creation of spaces to imagine new possibilities. A focus on new innovations in finance which do something novel with the creditor-debtor relationship after substantial participant observation in a collaboration with the Finance Innovation Lab, coupled with theoretical work, led to the selection of two case studies focused on peer-to-peer lending and reward-based crowdfunding.

Discourse analysis was carried out on the platforms and industries which helped to form areas for questions in a series of semi-structured interviews. The participant observation, interviews, and discourse analysis were then written up as two distinct case studies.

This chapter has contributed towards extending a diverse economies approach to finance, which will be further explored in the following chapter where the concept of alternatives in finance are explored in some depth.

## Chapter 4

## The Alterity and Sociality of Alternative Finance

Alternative economic and political spaces reflect a diversity of exchange relations, social networks, forms of collective action and human experiences in different places and regions... that are not reducible to capitalism. (Fuller, Jonas & Lee 2010, pxxiii)

Chapter 2 showed the ways in which the credit-debt relation can be theorised as diverse along a continuum and argued that the literature does not specify the nature of the 'social' in the creditor-debtor relation. This chapter will therefore investigate what is meant by 'alternative', 'alterity' and 'the social' through the development of a Latourian approach to the social in diverse economies of credit-debt. This chapter seeks to open out our understandings of 'the social' by looking at previous alternatives to understand what may be constraining or enabling change, thus contributing to the first part of research question 2, *'How is "the social" assembled in peer-to-peer finance and reward-based crowdfunding?'*.

The term 'alternative finance' has become increasingly widespread since the 2008 financial crisis, yet the nature of what is meant by the term 'alternative' is unclear. Are the credit-debt relations created essentially 'the same' as those in mainstream market finance as seen in table 2.1 but created through an alternative institutional configuration, *i.e.*, non-banks, or is there something more fundamentally different claimed by the new alternative finance industry? This chapter will contribute to an increased understanding of the diversity of alternative economic spaces, focusing in particular upon those alternative financial spaces which are explicitly claimed to be, in some sense, 'social'. There are many examples of alternative financial spaces which seek to create different kinds of sociality, from Rotating Savings and Credit Associations (ROSCAs), to Local Exchange and Trading Schemes (LETS), the Rolling Jubilee and Islamic finance amongst others, which will be discussed throughout this chapter.

This chapter will proceed as follows. First, section 4.1 investigates what 'alternative' might mean in different contexts, and develops the concept of 'alterity' in order to emphasise the dynamic, contingent and ambiguous qualities

of alternative finance. Section 4.2 looks to Bruno Latour's (2007) *Reassembling the Social* to define what is meant by 'social', in order to begin looking at how the social can be assembled, finding that, in the same way that 'the alternative' is contingent and relational, 'the social' is also a dynamic relation that is always being (re)constituted through the practices of the actors involved. Then, in the following sections, I am repurposing the four categories<sup>20</sup> that Gustav Peebles applied to his review of anthropological work on credit and debt (2010) – social, spatial, temporal, and bodily<sup>21</sup> to bring some focus to the assemblage of the sociality of credit-debt relations. For the purposes of delving deeper into the 'social', the categories are re-ordered to see 'the social' as a master concept which the other three categories – spatial, temporal and bodily/subjectivity – help to deepen and explore. Each subsequent section then looks at how sociality is created through the practices of: spatiality (section 4.3); temporality (section 4.4); and subjectivity-creation (section 4.5). Finally in section 4.6 an analytical framework for understanding the sociality of alternative finance is summarised in order to give direction to the empirical case studies of peer-to-peer finance and reward-based crowdfunding in chapters five and six respectively.

The framework created in this chapter helps us to delve deeper into the pathways and decision-points on the route to the creation of new types of social finance – how do spatial, temporal and bodily analyses open up the category of the social to help outline what enables and constrains attempts to create new kinds of social in finance.

#### **4.1        Alternatives and Alterity**

Firstly, what is meant when something is called 'alternative?'. The concept of an economic alternative is chaotic and varies over space, time, and industrial sector (Leyshon, Lee & Williams 2003, p17). In line with the diverse economies approach outlined in chapter 3, the 'alternative' is theorised as a highly unstable and

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20 Where Peebles is using these categories to divide up pre-existing literature on credit and debt, I am repurposing them to bring different perspectives on practical attempts to re-make the economy within the sector termed social or alternative finance. It is considered productive because it allows interaction between theoretical analyses of credit and debt with the practical approaches seeking to re-make credit and debt relations.

21 The concept of 'bodily' is also focused to concentrate on subjectivities, of which the creation, maintenance or destruction of new or enduring debt subjectivities is of particular interest to the alterity and sociality of alternative forms of finance.

relational concept which is necessarily contingent on something else – *i.e.*, our ever shifting common and individual understandings of the ‘mainstream’.

Maurer argues that alternatives are often seen as ‘the same’ as the mainstream, but different in ‘scale, meaning, or institutional location’ and to reflect this, he calls for an understanding of alternative that is closer to the Latin root *alternare* which implies oscillation – a movement back and forth between an ‘is’ and an ‘as if’ (Maurer, 2012b, p415). In other words, there are ambiguities to alternatives that cannot be understood in dichotomous or binary terms – alterity is not a property that a thing possesses (or lacks) but instead, as Amin, Cameron and Hudson state, ‘the nature of the alternative offered by the social economy is, in most cases, not only highly fragile and circumscribed by the maintenance of the mainstream economy but is also dependent upon it’. (2003, p28). The alternative is inspired by the mainstream, at the same time as being locked in a constant struggle with it.

This is a key point, which the Finance Innovation Lab took as part of their philosophy, particularly in their recognition that creating new forms of finance would necessarily involve parts of the mainstream. As well as working with civil society and other ‘outsiders’ they also sought to work with ‘intrapreneurs’, those who work within the current financial system but want to change it. The Finance Innovation Lab recognised that these ‘intrapreneurs’ have a deep understanding of the current system and the problems it has, and so are (sometimes) best placed for analysis and ideas to create new alternatives. There was also a recognition that, as Amin, Cameron and Hudson (2003) note above, these new alternatives are going to be limited by the circumstances in which they arise. A new bank is going to be limited by the current regulatory and payments system, the culture and expectations of banks, the financial and accountancy systems of the day. Any new alternative is not necessarily going to be able to revolutionise or transform all of these things at once.

In part, the kinds of change we do see are thus in part circumscribed by the particular analysis of the ‘problems’ of banking and finance that the alternative sets out to resolve, as well as by being embedded in the current socio-economic-

political context and the constraints that this brings. So, for example, we will see in chapter 5 that the peer-to-peer industry, whilst constrained by many of the mainstream structures and concerns of 2012–15, did not seem to have an objection to the current payments system and its cartel-like ownership by the big banks. At the same time, they did greatly concern themselves with the regulatory system, seeking and indeed campaigning for regulation in a time of ‘light touch’ approaches from the Government. For them, the payments system did not greatly affect their operation; as a peer-to-peer lender rather than a bank, one method of payment is the same as any other. Regardless of whether someone pays by bank transfer, credit card, or PayPal, what was important for them was the interest differential and making a ‘fairer’ deal for the creditors and debtors. But in a post-2008 world, with the recent ramifications of light-touch regulation fresh in the memory, the industry expended a lot of effort to make a change in the regulatory dynamics of the UK financial system.

The passing of time can also affect the alterity of alternatives: something that begins as a radical idea may be taken up by the mainstream, changing the nature of the mainstream itself and ‘successfully’ negating its previous ‘outsider’ status.<sup>22</sup> Sometimes that is a valid aim of alternatives, to affect the practical working of the mainstream. Alterity is not a fixed and stable concept, and therefore how it changes and adapts over time in tension with the mainstream must be taken into account.

If the alternative is to be understood relationally within the context of ideas about ‘the mainstream’, then how the mainstream is constituted in the discourses of the alternative also shapes our understandings of both. What then is the mainstream? Maurer (2005, p415) has a straightforward approach which he takes from the English translation of Marx’s concept of *Produktionsweise* – he argues that the mode of production is exactly that – the central tendency, the most frequently observed value in a distribution. The mainstream is that which is seen and recognised most often, but, crucially, this approach allows for an understanding of the already existing diversity of the mainstream. The work of

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<sup>22</sup> See the concept of ‘recuperation’ of alternatives by capitalism – for a critical take on this see Parker *et al.* (2014, pp368–9)

Fuller, Jonas and Lee helps to further elucidate the nature of the relationship with the mainstream by showing that:

alternatives always embody the actual material and social circumstances in which people exist, flourish and/or struggle to survive; they emerge contingently from efforts to carve out viable – socially necessary – economic and political places within what otherwise are ever-fluctuating socio-spatial circumstances. (2010, pxxvii)

So here I argue that there is a conception of ‘alternative’ which recognises a tension with the mainstream and shows how alternatives always emerge from within particular sets of material and spatial circumstances (which are further discussed from section 4.3). Concepts such as ‘alternative’ and ‘mainstream’ are made and re-made by participants and Maurer states that as researchers we should be drawing attention to:

how participants make alternatives and how those alternatives, once specified and rendered objects of reflexive knowledge, oscillate in and out of phase with the central tendency, and what aspects of them continue to produce dissonant vibrations even when in phase with that mode. People do not “do” one mode of finance or another mode of finance; they productively engage in and perform a plurality, thus blurring the line between alternative and dominant, formal and informal, embedded and disembedded, or any of the other familiar dichotomies that have animated so much critical scholarship on economy and finance. (2005, p415)

The cultural influence between the mainstream and the alternative can be so strong that it leads Maurer to argue that the strength of the interconnection can be so great that it can make more sense for them to be seen as one entity rather than two distinct spheres. Discussing Islamic finance and mainstream banking he argues that ‘the growth of conventional finance cannot be understood to be separate from the development of Islamic finance, and vice versa’ (Maurer, 2005, p40). The interconnections between the alternative and the mainstream also remind us that alternative economic spaces are not static and idealist but instead dynamic spaces which will fluctuate in response to changes in both (Fuller and Jonas, 2003, p56). Returning to the idea of diverse economies of credit-debt, this

understanding of alternatives brings up a need to pay attention not just to the diversity and potential in any given static point in time, but instead to be sensitive to the ways in which diversity slips closer to or further away from the mainstream. Crucially for the case studies, this thesis will actively look for the dynamism of the diversity of the credit-debt relations of peer-to-peer finance and reward-based crowdfunding.

So, if the term ‘alternative’ denotes a contingent relationality with ‘the mainstream’, then our second question asks whether simply being different to mainstream practices is enough to define ‘alterity’? Is every alternative financial form really ‘alternative’? The work of Fuller, Jonas and Lee argues that the sheer proliferation of alternatives raises the question of whether the adjective ‘alternative’ should be applied to all new and emergent economic and political spaces, irrespective of their diverse forms. They argue instead for a definition of alterity as ‘being alternative by believing in the possibility of an economic and political other’ (Fuller, Jonas & Lee, 2010, p4). So, whilst there may be alternative forms, they are arguing for the recognition of some form of politico-normative intent to designate something as having alterity. Returning to Gibson-Graham’s diverse economies in table 2.3 I argue that the way in which they categorise certain economic practices as ‘capitalist’, ‘alternative-capitalist’, and ‘non-capitalist’ demonstrates the ambiguous nature of alternatives. Whether or not the practices have ‘alterity’ in a deeper sense relating to the motivations of those involved is something that Gibson-Graham investigates through their participatory action research and that this thesis will look for in its case studies.

Similarly, Fuller and Jonas’ (2003) work on credit unions created categorisations which describe activity relationally with the mainstream in such a way that the alterity of the enterprise is central. The three categories are: ‘alternative-oppositional’, where actions are most clearly in contrast to mainstream activity (what may be seen as the ‘true’ ‘non-capitalist’ alternative); ‘alternative-additional’, where the activity signals similarity with the mainstream but another option is provided (alternative-capitalist); and ‘alternative-substitute’, to denote activities which fill gaps in mainstream provision where the activities may or may not be engaged in being alternative. Of these, alternative-substitutes often arise

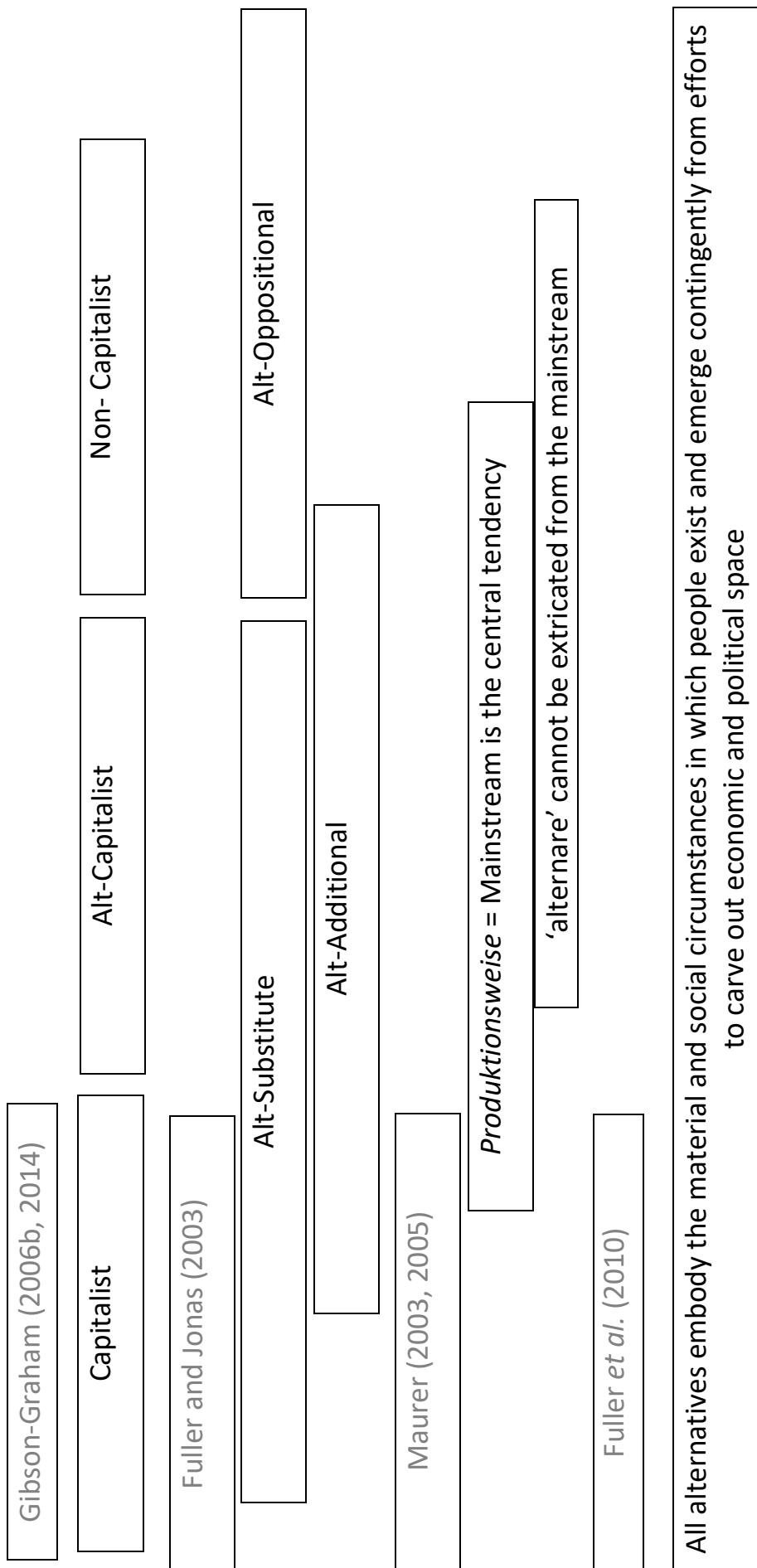
as coping mechanisms when existing provision is limited or missing, and alternative-oppositional organisations are set up deliberately to challenge mainstream institutions with the key difference being that they are actively performed as alternatives (Fuller & Jonas, 2003, p8).

Amin, Cameron and Hudson (2003, p27) argue that the 'social economy' is a distinctive third sector which tends to focus on the space between the market and state and which looks to fulfil a gap either left by the retreat of the private sector or the unwillingness of the public sector to provide (for example due to budget cuts). Much of the social economy is thus found to innovate new types of institutions to fit into these gaps, hence the rise in recent years of not-for-profit companies, social enterprises and community businesses. It is an alternative praxis to the mainstream economy, but it is not one that seeks to replace or reform the mainstream. Amin, Cameron & Hudson (2003, p31) argue that the third sector is a vulnerable space as it is highly dependent on the public sector, and they conclude that the third sector is best understood as an alternative way of organising public provision rather than as an alternative to such provision (2003, p45). Similarly, only rarely does the social economy replace or compete with the private sector, thus is it playing a gap-filling role tackling both public and private under-investment. Here I argue that a political orientation can shape the content of alternatives by requiring or normalising particular types of activities depending on the cultural, regulatory and practical norms and behaviours of, for example, third sector organisations and their relationship with both the private and public sectors. What this work shows is that alternatives do not exist in a vacuum and are thus brought into wider political and economic forces, potentially leading to struggles to retain alternative-oppositional status in the face of pressures to redefine success in ways that favour more mainstream conceptions of economic 'viability'.

To summarise thus far, there are many approaches to understanding the different ways in which something can be considered 'alternative'. What is important for this work is to focus on those alternatives that are actively seeking to create something different. Figure 4.1 below sets out the range of understandings about alternatives. As is seen, theories of alternatives and alterity allow for more or less

overlap between categories, with Fuller and Jonas (2003), Maurer (2005) and Fuller, Jonas & Lee (2010) placing an emphasis on the contingency of alterity which is fundamentally determined by resource, time and the motivations of the participants in tension with the mainstream. Finally, if we return to the current diverse economies conception of finance laid out in table 2.3, I argue that this conception represents quite a clear attempt to delineate the mainstream of 'mainstream market' from 'alternative-market' and 'non-market' finance.

Although it leaves the diverse economies taxonomy looking somewhat static in comparison, but represents a development, rather than a critique of the original. Such a development is needed to take account of the blurring of 'alternative' and 'mainstream', which has made the binary division between them increasingly difficult to see. This thesis argues that the original static model may not work well for some alternative forms of finance such as crowdfunding. For this reason this thesis will seek to return to this typology in each case study chapter to see how these different definitional boundaries hold up against peer-to-peer funding and reward-based crowdfunding. Each case will apply these assessments of alterity to see if they have any explanatory power or whether some other theoretical approach such as those outlined above is needed. It will also be seen how an attention to the temporality of diversity and how it shifts over time.



**Figure 4.1. Typology of alternatives**

Moving on, another key aspect of alterity which is emphasised by Maurer (2005), Fuller and Jonas (2003), and Amin, Cameron and Hudson (2003) regards the motivations of the participants. It has been argued above that a belief in economic and political others is necessary to be truly alternative, however it is also the case that alterity is not synonymous with normativity. To really understand the impact of alternatives it is important to look both at how alternative they are, and also how socially good they are and are perceived to be. The most common example given in alternative finance circles is that whilst Wonga (an online pay-day lender) is an innovation in short-term loans and is different operationally to mainstream banking practices, it is not a positive innovation but a negative one because of the way it is seen to be using new technology to entice consumers into high cost loans (Brignall, 2013). Wonga could be perceived as alternative-additional, or perhaps as alternative-substitute form of finance, as it fills in a gap in provision between banks and illegal loan sharks. But the legitimisation of this kind of exploitative activity shows that 'alternative' is not the same as 'better' – it is simply different, in some way, to what is generally understood as common practice.<sup>23</sup>

However, it is usual in alternative or social finance for participants to partly identify their difference as an explicitly normative approach to finance. Much as feminist approaches in economics take it as read that economics and finance are part of society and ask how policy can, for example, produce and ameliorate poverty and inequality (Pollard, 2013, p417), alternative economic spaces are ones that insert distinctive social values and ideals into the supposed economically rational values of the wider economy (Fuller & Jonas, 2003, p56). UK social banking for example sets itself apart from commercial banking through its 'attempt to revalue forms of economic activity based on ethical principles and a belief in reconnecting investors with borrowers' (Buttle, 2007, p1076). One way they can do this is by adding the concept of social profitability to the mainstream concept of economic profitability, creating space for positive investments in

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<sup>23</sup> Interestingly, Wonga paved the way for an explosion of sub-prime pay-day lenders, which then saw a sharp contraction after the Financial Conduct Authority started regulating them in 2014 with companies dropping from over 400 to 144 by the end of 2016 (see Smith, 2017)

activities with social added value (San-Jose, Retolaza & Gutierrez-Goiria, 2011, p151).

This thesis then takes the position that ‘alternatives’ are always and already present and they are relational, contingent and ambiguous and can be categorised in various ways through different typologies, such as those discussed earlier. The working definition for this research is that ‘alternative’ denotes the existence of alternative practices which depart from the central tendencies of the mainstream. Alterity is a related concept which denotes a characteristic found in those alternatives which ‘believe in the possibility of an economic and political ‘other’ (Fuller, Jonas & Lee, 2010, p14). Alterity as a concept draws attention to the intentions, perceptions and motivations of those practicing alternatives in a way which ‘alternative’ does not. This gives rise to the concerns in this thesis of the contingent nature of diverse economies of credit-debt, for example giving scope to look at if and how intentions shift over time, fail to materialise, are subsumed by other motivations, and so on. Because there are a wide range of ‘other’ economic forms, the thesis has as a central concern those ‘alternatives with alterity’ which seek to alter in some way the creditor-debtor relation, and which make some claim to be, in some way, more ‘social’. The remainder of this chapter will focus on the concept of the social, before showing how that in turn is constituted through spatiality, temporality and subjectivity.

## **4.2 Sociality**

So, if alterity is often expressed and understood through claims to difference that turn on the ‘social’ character and content of those alternatives, then I argue that it is important to think about the nature of the social, both in itself and in how alternatives constitute the social in tension with the mainstream. The remainder of this chapter will focus on how the sociality of the credit-debt relation is constituted.

What is being referred to when ‘the social’ is raised? This thesis showed in chapter 2 that the approach in sociological and anthropological work on credit and debt, as Peebles’ (2010) review shows, is a reaction against mainstream

economic theory in that it is seeking to restore and give primacy to something called 'the social'. As Latour (2007) identifies, this is perhaps the defining feature of sociology, especially when it encounters the economy. Work by Zaloom (2006), Di Muzio and Robbins (2017), and Shipton (2009) seeks to uncover or make explicit that it is social relations that lie behind what are at first glance seemingly impersonal, technical market transactions. This type of work is certainly useful in producing specialist language ('reciprocity', 'sharing', 'transfers', 'enactions') which helps uncover the diversity of economic movements which prove that even the most mainstream financialised practices cannot be reduced to mere economic rationality or self-maximisation (Peebles, 2010, p228).

This field, as described by Peebles and others, centres on uncovering a hidden sociality that lies 'behind' a façade of impersonal abstractions. However, the forms of finance that are the object of this thesis begin from a different place: they are, from the outset, claimed by their practitioners to be 'social' in some way. The sectors which describe themselves as 'alternative finance' often attempt to describe mainstream finance as impersonal, detached and not working for the best interests of society as a whole, or of specific target groups (such as savers, borrowers, or homeowners). Whilst chapter 2 argued that that all credit-debt is generative of social relations (see also Joseph, 2014), the alternatives under discussion, that are variously named 'alternative', 'social' or 'crowd' finance, seek to produce relations that are explicitly more-than-economic in some way. Tooker and Clarke call these innovations in finance 'relational finance' which they define as 'digitally mediated financial experimentation that mobilises informal, peer-to-peer and crowd social relations' (2018, p4). Relational finance at once makes the 'social' of finance explicit, whilst simultaneously making that same 'social' available for marketisation and politicisation (2018, p5; see also Langley, 2016).

But, what is the social that is being referred to? Latour in *Reassembling the Social* (2007) argues that the main approach to this question has been to posit (or take for granted) the existence of a particular phenomenon called 'society' which is held to be different to other domains such as politics, law, ethics, and economics. This allows sociologists and those using a social approach, what he terms the 'sociology of the social', to apply a social dimension to non-social phenomena –

*i.e.*, ‘there exists a social “context” in which non-social activities take place; it is a specific domain of reality’ (2007, pp3–4). It is worth noting that a lot of the anthropological work that Peebles (2010) describes seems to be guilty of this.

Instead of this approach, which he calls the ‘common-sense’ or ‘default’ position (2007, p4), Latour sets out in great detail why references to an unspecified social in this context actually hides our ability to see, specifically, how what is termed ‘society’ is actually made and re-made, through what mechanisms, and by whom. This approach impairs what is often the aim of such work: our ability to accurately describe the connections between things which make up the social, and our consequent ability to uncover, adapt, or renew asymmetries and power structures. He proposes instead seeing the social as contingent and transient and, ultimately taking a position which is reminiscent of Gibson-Graham’s anti-essentialism, he seeks to problematise the social to force us to actually take stock of how different socials have come about. Latour states this clearly when he argues that:

There is nothing specific to social order; that there is no social dimension of any sort, no ‘social context’, no distinct domain of reality to which the label ‘social’ or ‘society’ could be attributed... there is no such thing as society. (2007, pp4–5)

Whilst there may indeed be no such thing as ‘society’, in the sense that there is nothing stable and unchanging that makes up a distinct domain that can be pointed to and examined, he does believe that ‘the social’ does exist. However, it is something that is only created and visible at the confluence of lots of other ‘things’ as they meet and form new associations between them. In this alternative approach the ‘social is not some glue that could fix everything... it is what is glued together by many other types of connectors’ (p5). The social thus becomes a very peculiar movement of ‘re-association and re-assembling’ (p7), which is only visible by the traces it leaves when new associations are produced between other elements (p8). The task of paying attention to the social becomes a lot more difficult as you have to ‘substitute the shorthand of the social in favour of the painful longhand of its associations’ (p11).

Latour does concede that in most situations, the common approach (what he terms the ‘sociology of the social’) is reasonable when it is describing what has already been assembled together:

It is true that in most situations resorting to the sociology of the social is not only reasonable but also indispensable, since it offers convenient shorthand to designate all the ingredients already accepted in the collective realm. (2007, p11)

So whilst it is acceptable to name ‘society’ when we look at the current make-up of what is generally accepted as the social, he argues that if we are looking at the future, or at attempts to make new kinds of social, his method of reassembling the social should be used. Crucially, for the object of this study, ‘when innovations proliferate, where group boundaries are uncertain, when the range of entities to be taken into account fluctuate, the sociology of the social is no longer able to trace actors new associations’ (Latour, 2007, p11). The task of the researcher who understands the social as a contingent and unspecified entity *à la* Latour is to ‘follow the actors themselves’ to find out what new connections the actors are seeking to form to see what kinds of social are being assembled together.

How are different actors in alternative finance trying to re-make the social and what new associations are they trying to trace? In these questions, the quest to create new kinds of social in finance – or, in more Latourian terms, to create new associations between finance and other actors, be that charities, individuals, businesses or communities – becomes key to understanding alterity and the potentialities for change. Following the actors themselves is perhaps the crucial step in uncovering new types of sociality in alternative finance. Whilst the ideas might start with the individual, the new can become part of wider consciousness, perhaps forming new social expectations, when it is taken up by others and instituted in other realms such as politics, economics and the law. The actors involved in alternative finance innovations are thus important in shaping emerging forms of sociality. To follow the actors, Latour (2007, p39) argues we must see them not as mere intermediaries, but as mediators in new types of sociality which create different types of outcomes. This reflects back to the

discussions in *Interrogating Alterity* about how practitioners are shaping both alterity and sociality (Fuller, Jonas & Lee, 2010). In Leyshon, Lee and Williams' terms, we need to pay close attention to how these actors (various oppositional movements and projects) are 'thinking' and 'performing' the economy otherwise (2003, p4). Leyshon, Lee and Williams see economies as both material and social<sup>24</sup> constructs where the ideological/theoretical and the practical/performative draw strength from one another; it matters both what actors are aiming to do (their desires and motivations), and how they structure their innovations to make room for new types of socialities.

What this study will do is look at the social in alternative finance through the case studies in chapters 5 and 6, with two aims. The first aim is to look at the social purpose of alternatives – what are they claiming to do, how are they claiming to be different, and why? Here it is important to listen to the actors themselves, as even the use and choice of certain terms by participants to describe their activities enables a glimpse into the perceived social purpose of what it is they do or are aiming to do. Paying attention to the names given to things can also highlight the differences between actors and their aims; for example Maurer finds that amongst experimental currency participants, those who preferred the term 'alternative currency' tended to view their activities as seeking to create a whole new economy separate from the national economy, whilst those who preferred 'complementary currency' understood their projects as supplementing the national economy with an informal economy (2005, p26) . Here it is argued that even actors within the same project or experiment can have conflicting ideas about their shared social purpose, in what they are trying to do, and what kind of relationship they want to have with the mainstream.

Aspirations to be 'better' than or 'different' from the mainstream can vary widely and although there will be a multiplicity of motivations from participants (North, 1999), paying attention to descriptions by participants, organisations, business lobby groups, politicians and regulators of alternatives can help us to grasp at the social purpose(s) which are invoked alongside and behind innovations.

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24 'Social' in this context means created, reinforced, destroyed, or re-made by sets of actors.

The second way that this study will look at the formation of the social in alternatives is by looking at their social content – with a focus on the sociality of the creditor-debtor relation – to see what has actually been assembled. Using the framework developed using Peebles' (2010) work on credit-debt as a guide, the sociality of the creditor-debtor relation can be found through looking at the assemblage of the spatial, temporal and subjectivity-creation practices of alternative finance. If the nature of the social is not pre-determined and is instead shaped by the participants themselves, this allows us to look at the actually existing content of the alternatives and to make some conclusions using their own yardsticks of success or failure. Often, the social that has been created can look very different when the original purpose is revisited. For example, North's (1999, p77) study on local exchange trading schemes (LETS) found that those participants who were hoping to create more anarchist networks of oppositional institutions were not able to convince enough of the other participants or the wider population of Manchester of their shared social purpose and, because of this, their local LETS scheme fell short of their expectations. Latour argues that attempts to re-make the social are not always successful:

To be social is no longer a safe and unproblematic property, it is a movement that may fail to trace any new connections and may fail to redesign any *well-formed* assemblage. (2007, p8)

So whilst alternatives can aim to be social, and try to form new associations, they may fail. Looking at why they fail can help us to see what has constrained attempts to re-make the social. In other words, how are existing social relations impacting on attempts to re-make the social in the creditor-debtor relation? Disjunctures between the stated social purposes and the actual social content of alternatives can be investigated using the spatial, temporal and subjectivity-creation framework to see which practices and factors may have enabled or constrained the ability of actors to shape the social in the ways that they originally envisioned. The framework is also useful to understand how practitioners articulate and practice particular understandings of the social. The rest of this chapter will develop the framework by looking at how already existing forms of alternative finance have shaped the creditor-debtor relation in their own

ways. Each of the three practices – spatiality, temporality and subjects and subjectivity-creation – will be looked at in turn.

### **4.3 Spatiality**

In other words, by re-imagining capitalism as a network that has constantly to be achieved, it becomes possible to identify those places within space economies where the network is very weak, and where potential exists for new forms of alliances, social formations and economic geographies first to take root, then to become established, and finally to flower and bloom. (Leyshon, Lee & Williams, 2003, p12)

Economic geographers have long called attention to space and place to ground discourses of financialisation and capitalism in everyday life. Spatiality is also key to looking at how debt is organised; as Chris Harker argues, we must recognise ‘the active role space plays in creating, maintaining and undermining debt relations’ (2017, p614) – debt both constitutes space, and is constituted by space.

In this section, I argue that spatiality impacts on the creation of the social in three main ways that are relevant to the formation of the social around the creditor-debtor relation. Firstly, through ideas of scale and locality; many alternatives start from a ‘small or local is beautiful’ approach as I will show from looking at credit unions and ROSCAs. Secondly, through ideas about networked and relational space, where in contrast to spatiality and sociality based on place, belonging is not tied to territory but reaches across to connect people in other ways, for example in credit unions which have a common bond based on occupation rather than locale. Thirdly, using Harker’s (2017, p605) terminology, the third set of spatial practices concerns that which sets ‘boundaries’ around the creditor-debtor relation, for example the spatial limits of regulation or common bonds of trust.

#### **4.3.1 Scale and Locality**

The first spatial practice that is common in alternative forms of finance is that which creates alternatives around ideas of scale and locality. Often, and in resistance to the perceived global and globalising nature of mainstream finance, a

smaller scale and a local focus are often thought to create more social forms of finance, embedded in local communities. The classic example is that of credit unions. Fuller and Jonas (2003) argue that the size of credit unions has a big impact on their alterity in relation to the mainstream. Traditionally, credit unions are also to be rooted in an area, with membership of the union dependent on your abiding association with that area, your 'common bond', although they can also be connected in other ways, for example through profession or employment. The social in these alternatives is grounded within particular ideas of their size and location, and this shapes the kind of sociality that is created. Fuller and Jonas ask how these 'spaces and places in practice preserve such values and ideals, their local autonomy and the social, economic and political basis of their "alternative" nature' (2003, p56).

Where credit unions in the UK have tended to come from what they call a 'social' or 'ideational' approach, seeking to provide for and be rooted in local or community social need, Fuller and Jonas (2003) show how recent developments have taken credit unions in a more instrumentalist direction, privileging efficiency and sustainability over other concerns. This for them signals a switch from leaning towards the public sector to leaning towards the private sector, which signals a change in the logics that underlie the sociality of the credit union. They call this shift a move from credit unions taking an 'alternative-oppositional' approach, where they actively seek to embody something different to the mainstream, to an 'alternative-additional' or an 'alternative-substitute' approach, where the credit unions are seen as either an additional choice amongst mainstream options, or as the only option for filling a gap in local provision (2003, pp57–63).

This intersects with debates within the credit union community as to their political orientation and their social purpose – do they exist to fill gaps left by the private sector in poorer communities, for example, or do they exist as a means to express solidarities amongst communities as a turning away from the private sector? These approaches would entail different choices from participants which would take credit unions either closer in form to mainstream finance, or closer to the communities they seek to serve. Choices about where the alternatives are

rooted can constrain or enable alterity and the type of sociality that is being created.

There has been a ‘redefinition of the concept of “small” within the credit union context’ (Fuller & Jonas, 2003, p62), which has led to policy and organisational choices which de-problematise actions such as the widening of the common bond or the merging of smaller credit unions to create a bigger geographical reach. The pursuit of efficiencies of scale is emphasised by suggestions by some in the credit union sector (and by policy-makers and regulators) to create a Central Services Organisation to centralise activities such as administrative tasks and also to potentially allow closer ties with mainstream finance to ‘back’ the credit union movement. Success in the move away from local institutions is framed in terms of key measurable ‘economic impacts’ and Fuller and Jonas (2003, p68) argue that the extent to which credit unions are moving away from the local scale to something bigger is often dependent on the kind of support offered by and attitude of Local Authorities where civil servants and local officers may take a more instrumentalist approach than the credit unions may prefer themselves. This approach on the part of credit unions widens perception of scale and can and has de-linked some unions from the small and local.

It is important to note, however, that smaller and more local is not automatically ‘good’, particularly if the nature of the problem being tackled is bigger. Sometimes a strongly local focus can hinder the ability of alternative institutions to work effectively and sustainably; for example work in very deprived communities may limit the capacity of the social enterprise to draw on the wider resources of a bigger geographic area – Amin, Cameron and Hudson (2003, p36–7) give an example of a successful community project in Teeside which would not have been possible if, instead of being city-wide, it was restricted to one housing estate or neighbourhood. It is easy to see how this tension can fundamentally affect the kinds of sociality created, based on different ideas of the spatiality of credit unions. Different motivations and influences will naturally arise depending on the scale of the alternative.

The local can also be problematic due to the assumptions of the benefits of a local scale. Local or community-based actions are not automatically or necessarily inclusive. Amin, Cameron and Hudson showed that there can be quite firm resistance from sub-groups within communities which 'illustrates how problematic the idea of local community remains in areas already divided on racial, class and other grounds' (2003, p36). They suggest three questions that can be asked which can bring specificity to the concept of scale. Firstly, what do we mean by 'local' – the degree to which social enterprises relate to local areas varies enormously from social enterprises on local housing estates, to council regeneration projects, to regional or larger scales. Secondly, is the 'localness' defined from within the community or by other factors such as regional or national policy? Finally, has 'local' been distinguished as a site or scale where alterity has developed, or has 'local' been presented as the alternative itself? If the latter, we can begin to see issues where 'community-owned' initiatives can be controlled by local elites and project staff, preferring to maintain the *status quo* as opposed to being controlled by local people forming alternatives for themselves, which may or may not be in opposition to mainstream approaches. The benefits and drawbacks of scale are therefore relative to each alternative and the context, purpose and practicality they are working in.

To give another example, Rotating Savings and Credit Associations (ROSCAs) bring together networks of people in such a way that the local connection is necessary, but there must also be a wider connection (in the example below, a connection to Cameroon). ROSCAs are groups 'formed upon a core of participants who agree to make regular contributions to a fund which is given, in whole or in part, to each contributor in rotation' (Ardener, 1964, p201). Ardener outlines the operation of some Cameroonian ROSCAs based in the UK and argues, that for these communities, the central objectives of the 'njanji' (ROSCA) are 'to show solidarity towards one another, to network and socialise and possibly further altruistic objectives' (2014, p5) . If we were in any doubt about their social importance, she argues that, for Cameroonians, the inability to join a ROSCA is tantamount to 'social exclusion' (Ardener, 2014, p5). As can be seen in this case, ideas around 'local' and 'community' shapes the sociality of the ROSCAs in a

number of ways, including the need for the associations to build and maintain communities of Cameroonian living in the UK.

#### **4.3.2                    *Networked and Relational Space***

The network idea is indeed vital for understanding the spatial organization of money and finance. There is a very real and significant sense in which money space is a complex system of networks of financial flows, transactions and relationships. (Martin and Pollard, 2017, p23)

Reflecting the relational turn in human and economic geography, spatiality is important not just in terms of physical location but in the ways in which relationality functions to be constituted by *and* constitutive of the spatial organisation of money and finance. As Martin and Pollard (2017, p24) argue, interactions between agents, firms, institutions and social groups define the nature of geographic space itself as well as the meaning and relationship between those actors and the places where they are located. Networks have meaning, but the nodes themselves matter, especially in finance where some nodes dominate, creating a 'lumpiness' in the spaces of money (Martin & Pollard, 2017, p24). Seeing space relationally can help to open out the richness of a geographical approach to money and finance. As Massey asks 'what might it mean to reorientate this imagination, to question the habit of thinking of space as a surface? If, instead, we conceived of a meeting-up of histories, what happens to our implicit imaginations of time and space?' (2005, p4). This relational approach, recently well applied to alternative finance innovations (Clarke & Tooker, 2017; Tooker & Clarke, 2018), is complementary to the Latourian project of re-assembling the social in finance by giving attention to the ways in which relationality is both constituted by and constitutive of particular kinds of sociality.

So, returning to the Cameroonian ROSCAs, in addition to the ways they call up notions of locality, wider relational networks are also tapped into, with one of the central purposes to send some money back to Cameroon from the UK. The solidarities expressed amongst Cameroonian in the UK are therefore also extended out to wider social networks across the world, based upon need and

solidarity. In contrast to alternative financial spaces that are spatially grounded in locality, many newer forms of alternative finance seem to exist largely as online spaces, with limited territorial and larger virtual claims. The idea of the networked social is a novel one, in which digital finance is seen as different because of its relationality.<sup>25</sup> Therefore, I argue that the ways in which those spaces are constructed, and whether the platforms themselves have agency (in a Latourian sense<sup>26</sup>), mean that attention must be paid to ideas of networked and relational space and how these may reinforce or alter existing creditor-debtor power relations. The ways in which these relational and networked spatialities are constructed can therefore either strengthen or dilute existing asymmetries of power by re-making or re-imagining the spatialities that may be used to normalise, obscure, or challenge existing power relations.

The concept of boundaries as set out by Harker (2017) provides a focus on debt relations and the way in which boundaries work in debt as social exclusions which limit points and disconnections of relations. What was seen above is that some alternatives may be largely based online, with particular notions of networked and relational space, however these institutions do have a location which matters. The platforms which enable the establishment and maintenance of virtual space are always emplaced, tying the virtual to territorial locations, for example. Often such ties are created by regulation and the limits that this places on the kinds of sociality enabled, but they can also arise through the ways in which the common bond of credit unions or the definitions of ROSCA's, LETS and other alternatives are defined, drawing boundaries around their work. Sometimes, I will argue, the boundaries can be impressed upon alternatives through cultural norms and expectations.

In terms of regulation, although an example from the more mainstream side of finance, a study of the European venture capital market (Martin, Sunley &

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25 See the forthcoming issue 'Technologies of Relational Finance', a special section of *Theory, Culture & Society* guest edited by Chris Clarke and Lauren Tooker and with contributions from Chris Clarke, Nigel Dodd, Bill Maurer, Scott Mainwaring, Taylor Nelms, Lana Swartz and Lauren Tooker

26 For Latour, agency encompasses both the human and non-human where objects have a plausible role as participants in a course of action, as he states 'things might authorize, allow, afford, encourage, permit, suggest, influence, block, render possible, forbid, and so on' (2007:p.72). The activity of objects become visible when: i) we study innovations (once they are no longer innovative they disappear from view); ii) routine, traditional implements are viewed from a distance (using time, space, ethnology, etc.); iii) there are accidents, breakdowns and strikes ('then completely silent intermediaries become full blown mediators', p81); iv) we bring background objects into view using archives; v) we use thought experiments and counterfactual histories.

Turner, 2002) is illustrative in showing how physical localities can create spatial bias which (re)create networks where emerging industries mirror pre-existing financial market 'lumpiness'. In the UK, over 60% of the small emerging venture capital industry is based in London, mirroring the close geographical association of the venture capital industry with financial centres across the world. Martin, Sunley and Turner give two reasons for this: firstly, new financial institutions are often born out of the existing finance sector; and, secondly, they continue to be located near financial centres because the proximity enables them easy access to 'the pools of knowledge, expertise, and related business services, and the concentrations of potential investors found in these agglomerations' (2002, p136). So I argue that this is proof that the networked relationality of finance can impact on the physical spatiality and *vice versa* (Martin & Pollard, 2017, pp23-4).

The territorial location of alternative financial institutions is relevant because, as is seen in the case of the venture capital industry, the actual investment activities also largely end up being located in areas geographically close to the industry itself. In the UK this creates a spatial bias towards firms and investments in or around the South East of England – further impacting the already apparent North-South divide and increasing spatial inequality. This spatial bias led the UK Government to intervene to try to encourage the venture capital industry to invest outside of the South by creating a £50 million Regional Venture Capital Fund in order to more equitably share the investments geographically across the UK (Martin, Sunley & Turner, 2002, p144).

Spatial and relational proximity to traditional finance networks can also be a limiting factor due to the culture and expectations of particular areas or industries. For example, European policy, which seeks to encourage an expansion of venture capital, is based on the expectation of increased lending (especially start-up capital) to more socially useful investments for small and medium enterprises (Martin, Sunley & Turner, 2002, p136). These expectations are based on the US experience where capital for start-ups and entrepreneurs is more freely available and culturally expected in comparison with the UK and Europe. The experience in the UK and the EU is that the venture capital industry has tended to focus the majority of its investment into the less socially useful investment of

management buy-outs (funding for which is often available from other sources). In the UK, this cultural bias against start-ups and early stage financing mirrors the attitudes of banks and the preference of the financial industry to focus on high reward and lower-risk activities, so whilst policy-makers have sought to encourage investment based on successes elsewhere, it is not clear that the benefits could be transposed without any corresponding change in the cultural norms and expectations of the existing economic area(s).

I have argued that spatiality can both feature in and impact on the development of ostensibly social financial alternatives in the following ways. Firstly, some forms of finance may invoke and mobilise spatiality when claiming to be social – for example the localism of credit unions, the networked connections of ROSCAs and digital finance – but the institutional make-up of those forms of finance also have a location that matters, for example in their concentration in urban centres. Physical and networked or relational spatiality can lead to greater influence of the cultural norms and expectations of the prevailing regulatory and territorial cultures which may act upon and shape the alterity and sociality of the alternative. Spatiality thus matters both to social purpose and social character.

A focus on the spatiality of alternative financial experiments through looking at how these networks are organised by scale and locality, networked and relational space and boundaries helps us to look at how alterity and sociality are actually shaped, and where some of the key decisions, bifurcation points and therefore potentialities for change may be found. Spatiality enables an exploration which helps us begin to see the shape of alternatives and their relation to the mainstream, but there are two other categories – temporality and subjectivity-creation – which intersect with spatiality and affect and shape alternatives and the potentialities that they enable or constrain. These will now be taken in turn.

#### **4.4 Temporality**

...what are the enormous quantities of money concentrated in banks, insurance, pension funds, etc., and manipulated by finance but potentialities, immense concentrations of possibilities?  
(Lazzarato, 2012, p48)

Peebles' (2010, p230) review of the anthropological work on credit and debt foregrounds the importance of the temporal relation – whether good or bad, debt welds people to particular temporal regimes and this projection into the future is critical. The credit-debt relation is a promise to pay which stretches out into the future, constraining the debtor to current and future activities that will enable repayment. As a financial promise, it is one of future value, value which has to be created by the debtor and given over to the creditor. Lazzarato is clear on the violence that the performative debt promise means as it 'presupposes a mnemotechnics of cruelty and pain to inscribe the promise on the body' (2012, p41) and he reminds us that this is where Nietzsche found the origins of blame, guilt and conscience. All finance innovation has one sole purpose – to 'possess the future in advance by objectivising it', by 'subordinating all possibility of choice to the reproduction of capitalist power relations' (2012, p46). Money expresses power not as mere purchasing power, but as a power for 'prescribing, ordering, that is, a set of possibilities for choices and decisions with regard to the future' (2012, pp83-84). If this is so, then how 'social' are the futurities created by alternative monies and finance?

#### **4.4.1            *Enacting Possibilities***

If we return to ROSCAs, credit unions and LETS, they are primarily expressed as a projection into the future of solidarities. ROSCAs, for example, are normally set up to be interest free and are not usually seen by the participants as loans but as rights to which they are entitled, the only restriction on which is the time at which they receive their 'turn' (Ardener, 2014, p3). There is a heavy sociality to these associations which Geertz argues are 'essentially a device by means of which traditionalistic forms of social relationship are mobilised so as to fulfil non-traditionalistic economic functions' (1962, p2). Money (in the form of rotating savings) does not normally accrue interest, and the projection into the future of this kind of debt appears to be primarily to strengthen social ties and express solidarities within a group. The futurity of the credit-debt relation of ROSCAs then appears to expand possibilities for the participants by gaining them access to important social and professional networks as well as access to solidarity funds and flexible forms of credit. I argue that this is an example of the

creditor-debtor relationship being arranged in such a way that it almost makes the categories disappear behind other social connections – everyone is simultaneously a creditor and a debtor and each participant promises to pay, but they appear to be ‘buying’ into networks of support and solidarity.

Credit unions can also be seen as an expression of solidarity with participants seen as sharing a ‘common bond’ through employment, community or location, providing a basis for mutuality and trust between members. Once this common bond has been established, like ROSCAs membership is not defined by creditworthiness or ‘financial health’ but by ability and willingness to save. Interest rates are often low and credit unions are seen as a means to expand access to credit to poorer members of the community. Credit unions also have the benefit of enabling money to stay within communities by circulating between borrowers and savers which has the potential to improve the overall wealth and resilience of a community which could, in turn, have the potential to increase positive potentialities not just for credit union members but also the wider communities in which they are found. The organisation of credit and debt by credit unions and ROSCAs which gives importance to on-going ties of sociality and solidarity prompts an important question which affects the potentiality of the ‘social’ – how are the burdens of future obligations shared by creditor and debtors?

#### **4.4.2            *Timescales***

Maurer (2005) showed that often experiments that try to call up solidarities do so because of a feeling that social relations have disappeared from finance. Often this desire can be for something relatively mainstream in itself, for example, wanting to return to the ‘good old days’ of bank managers, local decision-making and even the return of passbooks (Murray-West, 2012). This prompts us to ask what kind of temporal dimension do the creators of alternatives think that they are operating on? Do they see what they are doing as a projection into the future of what could or should be (Leyshon, Lee & Williams, 2003, pp13–4), or as a re-making of relations that were common in the past? The future is key in terms of the creditor-debtor relationship, it exists as a potential field for alternative

relationships, but there is also the possibility of the past and its imagined relationships as being constitutive for alternatives in the present. Maurer's (2005) study on Islamic banking and finance and Ithaca dollars finds the projects focusing on attempts to re-create the past. Ithaca dollars sought to tap into a (perceived) history of barter and alternative economies in their local area and thus hoped to 'bring back' practices that had, its backers thought, been squeezed out by the mainstream economy. Islamic finance similarly seeks to re-create a particular type of ethical banking practice as described in the *Qur'an*. Maurer's analysis is that these projects aim to 'return to a world before the modern separation of fact and value, economy and society' and have created new hybrids that have 'folded past and present together in the projects they were attempting to live now' (2005, p8).

Nevertheless, the concept of the past is one that Maurer problematises for two reasons. Firstly, the past that was being alluded may never have ended as it may actually have continued to the present. Just as some members of the Ithaca community had always bartered before the introduction of the alternative currency, there were some who had always participated in Islamic finance. Maurer's point here is that there is not necessarily a distinction, and there may always be some level of continuity, between the past, the present, and the future and we require an attention to temporality to pick up on this continuity. Secondly, Maurer (2005, p9) found that the practices being reclaimed in the present were never realised in the past in the same way that they were being recuperated in the present. The examples he gives centre around the awareness of the participants of the literature around alternative economies and that, rather than take examples from the practice of the Tiv or the Trobrianders, participants would be more focused on the theories of Mauss or Bohannan. Attempts to re-create past values in the present are therefore going to be mediated somewhat by the positionality, aims and objectives of the mediators. Time and our understanding of past and current events will be affected by what stories are told about them.

One interesting point that Maurer focuses on is how temporality affects the alterity of alternatives; as we have seen earlier in this chapter, he argues that

alternatives exist in a space between difference and sameness but they oscillate between the two over time. A good example he gives is that of the collapse of the Bretton Woods consensus; he argues that having a floating exchange rate and a floating interest rate rather than being seen as anathema to Islamic banking and finance can instead be seen as compatible with it. Floating exchange and interest rates contain within themselves the capacity for a fixed exchange rate and no interest if the float remains stable and the rate falls to zero. This actually happened in the course of his research which led to intense debates in the Islamic finance community and ‘to the extent that Islamic finance is constituted by these kinds of debates, what has been called the financialization of the world economy after the end of Bretton Woods is thus always-already “Islamic banking and finance” (Maurer, 2005, p10).

The duration of projects might then differ in their effects and their political impact. I argue that what we find when we think about timescales is that experiments may be brief in terms of their implementation – but they may have an impact of greater longevity than the length of the project. There is sometimes power in the temporary *frisson* caused by political acts. A study by Peter North (1999) focuses on the different potentialities found in Local Exchange Trading Schemes (LETS) which he argues project a different vision of the future, but one which may be shorter-lived. North realises that many of these experiments are transitory – these resistant spaces may only operate for a brief length of time – they are temporal spaces realised only fleetingly. Each LET is thus a ‘temporal, cognitive, heterotopia’, what Bey called a ‘temporary autonomous zone’, a ‘momentary effervescence structurally limited in its implementability and suggesting the need for meta-narrative solutions rather than microsolutions’ (Bey, quoted in North, 1999, p73).

Where alternatives grow, fizzle and die out, North is arguing that this illustrates perhaps something more innate about the problems they were set up to solve, rather than the necessary impossibility of the alternative itself. Attempts to set up a local bank, for example, may fail not because local banking can never work, but that the current economic, political and regulatory system is set up against it (or perhaps set up in favour of the mainstream banks), thus preventing or limiting its

existence. In such instances, micro-solutions such as localised resistance may not be enough, and instead those seeking alternatives must look to bigger structural change to make progress. Whilst some might aim for alterity, they are at the same time locked into the circumstances that they find themselves in and are thus constrained by the resources and context within which they operate. Timescales are thus one of the things which might constrain or enable different kinds of sociality.

Nevertheless, the longevity of experiments does not necessarily destroy any value that they might hold. Rob Aitken's (2015) work on the Strike Debt project that emerged from Occupy Wall Street found that their Rolling Jubilee (crowdfunding the buying up of debt on the secondary market and then cancelling it) was only ever envisaged as a finite project. Activists never saw it as a permanent solution or as something that could form an existential challenge to the debt-based economies of neoliberalism. Instead, the project had value as an emblem, as something that disrupts the ways debt and financial markets are seen and crucially, one which was trying to reach out to debtors to change their subjectivities. Specifically Strike Debt was drawing attention to the temporality of the creditor-debtor relationship, showing how the seeming 'permanence' and immovability of debt, in the sense of being tied to a particular future where debt dominates and constrains possibilities, can actually be a more fleeting and more freeing relationship – if the creditor has other motives (in this case a political one). Here I argue that Strike Debt organisers sought to turn an 'economic space' into a 'political space', one which liberates the hidden possibilities inherent in the creditor-debtor relation, albeit temporarily. Similarly, one of the creators of the Ithaca dollar said 'I do not believe that any of these tools should exist any longer than is required for them to perform their function' (Maurer, 2005, p49). Interventions can work on three different temporal dimensions i) the duration of the project (Strike Debt is temporary); ii) the duration of their effects (the debt cancellation is measured in years); and iii) the political impact of the project (which is difficult to assess from the present).

A final point on how temporality impacts on finance and its alternatives is when we think about the physical speed of transactions. Karin Knorr Cetina and Alex

Preda (2007) looked at how the sheer magnitude of change in the speed of transactions due to technological advances affects the whole stock market system, from the roles that workers play, the way information is displayed, to the global flows that sweep across continents. Previously, traders' execution networks would involve multiple people to place bids, and the physicality of the trading led to necessary time lags in the operation of the stock market. Now, 'in the 21st century a historically unprecedented, integrated system of new institutional components, electronic circuits, software, hardware, and systematic information processes make up global financial markets' (Knorr Cetina & Preda, 2007, p116). The speed at which these transactions take place has radically changed the activities that happen in these now quickened spaces. Whilst speed was important previously, there was a much bigger role for human decision-making, but the 'replacement of embodied transactions and transmission capabilities by a set of technological and behaviourally enhancing components' (Knorr Cetina & Preda, 2007, p117) has fundamentally changed the relations able to happen there. Knorr Cetina and Preda (2007, p120) argue that this new speedy market is informational – contrasted to the earlier material and embodied life world.<sup>27</sup> This raises the question – what impact does the speed of the intervention have on the alternative?

Temporality affects the shaping of the social in alternatives in a number of ways. Calling attention to the temporal disposition of the participants in the purpose of the platforms can deepen our understanding of their aims and the potential for success within their own perceived time-frames. For example, if an experiment is trying to re-create a relationality that never actually existed in the form that its creators think it did, then they may find their task much more difficult than those trying to re-create supposed 'past' relations that have actually continued in some form over time. Here I argue that attention to the diverse temporalities of credit and debt can help in the tracing of the creation of different socialities. I have also shown that just because an alternative is short-lived does not mean it is not a success – that depends on the aims of participants regarding the social

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<sup>27</sup> But, as seen in the spatiality section, even the informational world is always grounded in the material (see MacKenzie, Muniesa & Siu's work on the embodiment of financial markets, 2008).

purpose of the alternative spaces they are trying to create. It also depends on the participants themselves, who they are, what they are trying to do and the subjectivities that they are trying to (re)create, which will now be explored.

#### **4.5 Subjects and Subjectivities**

When it comes to the whole matter of credit and debt, the floors for so many are falling out: nearly everyone is implicated, everything is imbricated, everydayness is inundated. It is time to get a grip, to find a toehold. And thus we argue that, in this austere era of collapsing floors, it is of the greatest necessity to reimagine our day-to-day encounters with and critical approaches towards credit and debt – in bringing to account the subtlest and most profound correspondences and clashings of the quotidian and the quantifiable (and what circulates in and through their intimacies and ambiences) – from the ground on up. (Deville & Seigworth, 2015, p618)

I argued in chapter 2 that indebtedness enables an extension of finance into the very intimate spaces of everyday life to the point at which it can shape our ability to have control and autonomy over our current and future possibilities (Aitken, 2015, p849). Following Peebles' (2010) use of the category of 'bodies' in the theoretical literature on debt, which outlines the interest that thinkers as diverse as Nietzsche, Simmel, Deleuze and Guattari, Brown, and Pietze all have in the correlation between debt and bodily punishment, I am expanding the category to enable the analysis of more than individual bodies – to look at the subjects attempting to create new types of finance and the subjectivities of credit and debt in those spaces. This section will briefly discuss the role of the subjects who are (re)creating sociality, and then focus on the subjectivities that are being (re)created and how these impact on the kinds of social that are assembled in alternative or social finance.

##### **4.5.1 Subjects**

Thinking about the creation of alternatives suggests thinking about creators – 'who thinks and performs the economy otherwise'? This asks us to look at both the literal demographic 'who' and the creation of subjectivities that can enable people to engage with debt in different ways. Subjects and subjectivities draw

attention both to the material realities of finance, so looking at who is leading and participating in experiments in alternative finance (*i.e.*, the subjects), and to what kinds of subjectivities they are (re)creating which should help to ground our understandings of debt as an embodied process and as an imaginative process of subjectivity-creation. Giving attention to these topics can open up new forms of potential political resistance to violent, exploitative and destructive debt. If one is able to understand finance not just as something that happens ‘out there’ but within the everyday lived realities of life, within the intimate spaces of our lives, in our homes, our cars and our back pockets, then we can hopefully make visible new spaces, places and subjectivities for emancipatory debt politics.

Perhaps most simply put, a focus on ‘who’ asks us to look at simple demographics and the effect that this can have on what types of social is created and how alternative any given new type of finance is. But is there a particular demographic to mainstream finance? There is a perception that in the UK it is largely white, middle class males who make up the majority of banking and finance boards, management and staff. Women find it more difficult to access finance (Marlow & Patton, 2005), men especially dominate certain areas of finance, making up 88% of business angels for example (Mason & Botelho, 2014). Maurer paid attention to the way finance ‘set some people apart as it brought others together’ (2005, p4), and we know that, traditionally, finance tends to cater to the overserved and that – if you are considered creditworthy, banks will send you unsolicited pre-approved applications for credit cards, whilst on the other side of the coin, some struggle to gain access to basic bank accounts. The poorest in society – ‘the great unbanked’ (estimated to be around 2 million people in the UK) – pay what has been termed a ‘poverty premium’, a higher cost because of lack of access to credit and banking services. This has been estimated at an extra £1,300 for the poorest families (Bone, 2016, pp13–4).

There is, as Maurer puts it in his study on offshore finance, ‘a certain banality’ (2007, p128) to the ‘who’ of mainstream finance; it is the people you expect to be hiding their money away – wealthy individuals holding assets, US mainstream corporations circumventing trade restrictions, money launderers, terrorist financiers, tax evaders and current and former governments who are hiding

money. Similarly, a report on alternative finance (focusing on crowdfunding) found that this new sector mirrors traditional finance, being largely made up of middle class male lenders located in the South East (Baeck & Collins, 2014). But what is known about the demographics of alternatives? Not all research focuses or gives information on the 'who' of alternative finance, but there are some interesting questions raised when it is remarked upon.

Financial alternatives tend not to be created by the same people found in mainstream finance. Women are dominant in ROSCAs, and in mixed associations, women are often chosen to be treasurer for their 'prudence and reliability', although they are less likely to fulfil the role of president (Ardener, 2014, p5). In the UK, LETS are usually set up and ran by women (Leyshon, 1998, p436) and, interestingly, greater involvement by men coincided with attempts to introduce competition into the system and/or set their exchange rates with sterling as opposed to skills or time (which is more equitable). Men therefore re-introduced the problems of scarcity that LETS were seeking to overcome in the mainstream. Peter North's (1999, p75) study found that anarchist members of Manchester LETS tried to deepen the network in order to more radically distinguish their currency from traditional money, and pushed for the 'bobbin' to be equated to non-monetary participation of, for example, one hour's work or one completed job rather than parity with pound sterling. Here the participation of different political affiliations created tension and different potentialities for the alternative economic project.

Looking at the gender, age, race, politics, ability, class, level of education and other demographics of creators and participants can be useful where that data is available; as I have shown, some alternative finance theorists have already found value in understanding the development of alternatives around some of these classifications, however, as with all of the themes that are being explored in this chapter, it will not always be possible or desirable to try to tell a story on these metrics alone. The most interesting and illuminating aspect of the 'who' of alternative finance, which aligns with a theoretical interest in the creditor-debtor relationship, is that of the creation of alternative subjectivities, and what that creation can do to enable or constrain the creation of different types of sociality.

#### 4.5.2 *Alternative Subjectivities*

The mainstream debt economy creates particular types of subjectivities and control over our innermost thoughts, morality and behaviours in order to survive and grow. As I argued in chapter 2, debt (in terms of everyday borrowing) is an embodied process which requires the creation and maintenance of particular subjectivities including those of the responsible and entrepreneurial borrower (Langley, 2008, 2014, 2016), where the embedding of credit-scoring practices entails the expectation that one has to learn how to have a good credit rating, in the way the rating agencies (and therefore all major finance providers) determine. For some, the metrics may seem strange, as thrift and saving for purchases and paying using debit accounts are more likely to damage your credit rating than taking on credit cards (because these produce less data about you). Nevertheless, if one wants to participate in economic life and get a mortgage or loan, for example, then one has to play this game. You have to change your mindset to think and act in a way in which your credit score will improve: 'prudence and thrift are displaced by new moral and calculative self-disciplines of responsibly and entrepreneurially meeting, managing, and manipulating the outstanding obligations that arise from extended borrowing' (Langley, 2008, p186).

Financialised capitalism requires deeper integration with debt as well as the creation of new markets in debt and the seeming ubiquity and expansion of debt within our personal and political lives. This ubiquity de-politicises debt relations and the expansion and centralisation of the debt economy; as Langley states, 'dominant representations of everyday borrowing currently serve to silence political debate over the ever-expanding outstanding obligations of a majority of households in Anglo-America' (2008, p206). Lazzarato puts it more provocatively, stating that the debt subject, the 'dividual' 'does not act, but instead functions in an enslaved way', instead of choosing or acting upon their own ideas 'he [sic] functions according to the programs that use him as one of his constituent parts' (2012, pp147-9). For Lazzarato (2012, pp161-2) that means that the political space to begin the fight against the violence of debt cannot under any circumstances be that of the nation state but can only be found through the forging of new

subjectivities which can enable ‘the capacity of debtors to think and act collectively’ (pp157–8).

This approach reflects the discussions in chapter 2 and of feminist approaches which seek to re-politicise understandings of financial markets (Pollard, 2013). Peebles argues that whilst the anthropological literature assumes a hierarchical creditor-debtor relationship, in 2008 the AIG financial crisis showed that debtors held a lot of power (Peebles, 2010, p226). This argument however supports the Lazzarato and feminist approaches as debtors were only found to be powerful in aggregate and *en masse* – debtor ‘dividuals’ have no power to affect the situation to their advantage but debtors as a whole group could theoretically have the ‘power’ to crash the system, but in return would lose their homes and jobs. The idea of alternate subjectivities that enable or allow for collectivities around debt and finance is important – so what collective or subversive subjectivities can be found in experiments in alternative finance? Credit unions seek to collectivise debt and emphasise their social nature which organisationally lies at their heart through the common bond. Recent developments in the UK (Jones, 2012) have sought to widen the scope of the common bond which may or may not influence the future of credit union development and may mean the potential dilution of the effect of the common bond on creditor-debtor subjectivities.

What about other experiments in alternative finance? Aitken’s comparative study of peer-to-peer lending and the Rolling Jubilee provides some rich examples about the formation of different alternative subjectivities and practices which reposition finance and the everyday ‘as a reaction to the ways in which institutionalised finance establishes a wide distance between finance and the everyday and yet simultaneously inserts everyday bodies into exotic financial arrangements or instruments’ (2015, p846). Both peer-to-peer and the Rolling Jubilee make a series of claims that people can reclaim and occupy space within finance as bodies capable of intervening. The Rolling Jubilee invites bodies to occupy the interior spaces of finance but to ‘hack’ the ‘little exploitable parts’ (Aitken, 2015, p847) of those spaces by crowdfunding to buy up debt on the open market, then cancelling the debt and informing the debtors that they no longer owe the money.

As a ‘unique critical gesture’ (Aitken, 2015, p845) the Rolling Jubilee uses the technology of crowdfunding to bring together debtors (because we are all debtors) to collectivise to create debt cancellation to show that it is possible to have a different relationship between creditor and the debtor. Others urge the creation of experiments to discover ‘how a common life can be arranged differently, based on the recognition that wealth begins and ends in what we owe to each other, anybody to everybody and everybody to anybody’ (Dienst, quoted in Aitken, 2015, p850). The Rolling Jubilee seeks to up-end the received creditor-debtor subjectivities by making visible the potentiality of different choices – in this instance the decision of people to become creditors in order to spend their money cancelling debt rather than seeking value maximisation. Similarly, De Goede outlines how ‘the politics of making strange’, such as carnival and laughter, ‘do not aspire to culminate in a new world order, but do transform people’s everyday experiences of money and finance in important ways’ (De Goede, 2005, p380).

Peer-to-peer finance on the other hand, whilst trying to create different types of creditor subjectivities, is instead ‘increasingly enfold[ing] everyday practices back into abstract financial relationships’ (Aitken, 2015, p847). Both Rolling Jubilee and peer-to-peer come from a place of discontent with mainstream creditor-debtor subjectivities but one is openly trying to create a different way of doing everyday finance whereas the other is more of a political statement seeking to create some discursive power around the actions (and choices) of creditors. The educational value of Rolling Jubilee helps to uncover the mechanics of finance – that creditors can buy up your debt at a discount – and that it is wholly possible for that discount to be passed on to you (by reducing your debt) or by forgiving that debt entirely. It breaks down, albeit temporarily, the inevitability of contemporary debt relations and expands the possibilities for both the creditor and the debtor subject.

In what other ways have alternatives sought to raise political consciousness and open up new ways to reclaim power and autonomy? LETS enable actors to up-end traditional money/debt relations by starting with the skills and needs of individuals first, with exchange and value to come later:

Putting the needs and skills of a community first, and then providing a method of exchange that enables skills and needs to be put together irrespective of the prior existence of enough value to pay for needed services, it is argued by proponents, re-inscribes money as a mere measurement of the skills of a community rather than a thing within itself. (North, 1999, p70)

The focus in LETS is understanding the possibility of multiple and dispersed challenges to power relations and on the 'proactive creativeness and dynamism of political action which makes other power relations visible' (North, 1999, p72). This reflects the Gibson-Graham approach to class relations which seeks to enable individuals to make visible their own different and competing subjectivities in order to find new spaces within their own lives to choose to perform the economy otherwise. This approach, which North calls a 'heterotopia' (1999, p73), calls for the development of multiple spaces where different political relations can exist side by side – to see politics as a process – in which he sees LETS as a 'creative effervescence' and a 'technology of liberation'. Despite the potential that North (1999, p74) sees in LETS, he also draws attention to that which holds back this power – the nature of the domination the experiment opposes and the subsequent power and capacity of the actors involved to resist.

Here I argue is where friction can occur between the social purpose of an alternative and its social content – *i.e.*, the actually existing reality of day-to-day participation. This is a really important potential 'constitutive outside' to the alternative that is in part proscribed by the reality of the dominant mainstream and raises questions about the ability of people to have the time, education and access to be able to create new subjectivities for themselves or others. The composition of alternatives is complex, and whilst this thesis will ask questions around the agency of alternatives, through looking at demographics, subjectivities and the impact of objects, it will be cautious in providing concrete answers to those questions, aiming instead to say what can reasonably be said about how agency shapes, promotes or constrains the limits of possibility in relation to alternatives.

#### 4.6 An Analytical Framework for Understanding the Sociality of Alternative Finance

This chapter has expanded on the analysis of diverse economies of credit and debt laid out in chapter 2 and has looked at how existing alternatives have been able to carve out spaces of alterity from the mainstream. It has done so by looking at how the social has been assembled and produced by the perceptions and practices of subjects through spatial and temporal practices alongside the creation of alternative subjectivities. This chapter has shown how these practices help to shape and create particular kinds of social but observed that these categories are loose and cannot be applied to every form of alternative finance in exactly the same way.

Contributing to research question 1, '*What can a diverse economies approach contribute to theoretical understandings of the credit-debt relation in finance?*', the thesis proposes this framework as a means to examine alternative economic spaces for the potentialities for different kinds of creditor-debtor relationships. Following on from chapter 2 which highlights the need to examine and pay attention to alternatives, this chapter has argued that seeing 'the social' and 'the alternative' as contingent and undetermined and 'always in the process of being (re)made' highlights the places where change is either constrained or enabled, illuminating future possibilities and potentialities. As a first step, I argue that we should ask what the participants were or are aiming to do, *i.e.*, their social purpose. Contributing to the answering of research question 2, '*How is 'the social' assembled in peer-to-peer finance and reward-based crowdfunding?*', this framework enables an analysis of what has actually been created via their spatial, temporal and subjectivity practices, *i.e.*, the actually existing social content of the alternative. Whether or not the alternative is overthrowing (big 'c') Capitalism, we remind ourselves of Gibson-Graham's critique and focus on the ways in which the alternative might be expanding, pushing at and embodying something other than the expected mainstream (and more exploitative) business model. We can critically evaluate the boundaries of its alterity, the possible shapes of future experiments, and the ways in which existing social relations act on attempts to

re-make the social of the creditor-debtor relation. This thesis seeks to examine alternative economic spaces for the potentialities for different kinds of finance.

This thesis started with introducing the Finance Innovation Lab's mission to 'create a financial system that serves people and planet'. However, despite there being a wealth of literature which looks at alternative financial experiments, we do not yet appear to have a radically different financial system. Does this mean that alternatives have been unable to have a substantial impact thus far? The short answer is 'yes': the literature is on the whole quite dismissive of the potential for systemic-level change to come from small- and even medium-sized experiments in alternative finance. Why? I have argued in this chapter that the most important factors that determine alternatives' sociality are found in their spatial, temporal and subjectivity-creation practices, and it is in these factors that we can investigate the limited nature of alternatives.

The spatiality of alternatives constrains and enables alternatives. We saw in section 4.3.1 that many alternatives share an analysis of the problems of a global and globalising finance, and therefore root their organisations in a smaller and more local dynamic. Fuller and Jonas (2003, p62) showed how the redefinition of the concept of 'small' in relation to credit unions led to policy and organisational choices which sought to scale up. This is not necessarily 'bad' but it does limit their potential. Regulatory contexts do change the underlying model, highlighting some of the tensions that are inherent in scale. There are no easy answers to this problem, and it is a huge factor constraining the impact of most of the alternatives in this chapter, from ROSCAs to LETS and credit unions.

Gibson-Graham tells us however that scale is also important to the analysis of alternatives, and that they should not necessarily be dismissed. If one has an interest in systemic change, but recognises the limits of capitalocentric thinking, then one must think about the tension between these two theoretical axis. On the one hand, the ambition for systemic change is real and practical; taking just climate change into account, it is clear that deep and radical change is an immediate need. However, on the other hand, we have the problem of how to achieve that change. If it is not coming from those with the potential for a global

scale, *i.e.*, mainstream finance, nor from government, then what are the options? Here is where diverse economies thinking seeks to contribute, to advise us that we might not actually see the systemic change we need, to recognise that progress is not inevitable, or perhaps, more hopefully, that we might not be capable of seeing where the next transformation will come from.

On an individual scale, ROSCAs, credit unions and LETS may well have been transformative for the people involved in them, but they do not contribute to a systemic-level change. If however we think about temporality, whilst these alternative financial spaces may not directly change the financial system, some of the people within them may possibly at some stage contribute to something more systemic.<sup>28</sup>

Subjects and subjectivity can also limit the ability of alternatives to deliver greater impact. However, increased diversity of subjects does not automatically lead to radical challenge or transformation. In the UK, Starling Bank, an online-only challenger bank, has a woman CEO and founder and they currently have 40% women in their staff (they are openly upset that they have not yet achieved a better gender balance). Whilst the bank itself operates on a more user-friendly, functional basis for customers, the gender make-up of the staff and CEO have not automatically created something that challenges *all* elements of what is wrong with banking, but I argue that it does raise a challenge to all the other UK banks to make much bigger strides for their gender and racial diversity.

On reflection, whilst there are interesting cases discussed in this chapter, it will be interesting to see in chapters 5 and 6 if the spatial, temporal and subjectivity-creation practices of peer-to-peer finance and reward-based crowdfunding constrain and enable possibilities in different ways.

This chapter has built upon chapter 2 and has contributed to diverse economies and debt literatures by creating a framework for examining contemporary

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<sup>28</sup> For example, Alexandra Ocasio-Cortez, the Democratic Representative for New York's 14th District travelled to Standing Rock, a protest, and she came back and stood to run for office. She is now transforming the political system in the US by being different, younger, more working class, more Latina, more female, she is one change in a very big political system and is calling attention to climate change, financial reform and green jobs. The Standing Rock protest was environmental, and probably did not aim to enable the change in Ocasio-Cortez, but this example illustrates how potential is there in a lot of situations, and we cannot always control how the actual change pans out.

experiments in the creditor-debtor relationship with a focus on what enables and constrains attempts to create ‘alternatives with alterity’. What follows in chapters 5 and 6 is the application of this framework to peer-to-peer finance, and reward-based crowdfunding.



In the previous chapter, I discussed existing theoretical work relevant to a framework for the understanding of alternative finance. It was found that whilst alternatives are always already present, what is of interest to this thesis are those claims to alterity which seek to somehow disrupt, challenge or re-make the creditor-debtor relation in finance. The emerging framework looks at the claims to alterity and social purpose made by alternatives and how these are attempted through their spatial, temporal and subjectivity-creation practices. In the two case studies in this chapter and chapter 6, the sociality of the industries will be discussed, looking to see what has been created. Does their social content live up to their social purpose and why? Importantly, this framework seeks to highlight how actually existing social and power relations (in Latour's terms, what has already been assembled together) may have either constrained or enabled the creation of new kinds of sociality in the creditor-debtor relation.

In this chapter I will use this framework to examine the peer-to-peer finance industry, focusing on individual and business lending as a substantive attempt to address the main aim of the thesis, which is to look at how contemporary creditor-debtor relations are being shaped by the emergence of different forms of finance post-2008. By looking at the varying spatial, temporal and subjectivity-creation practices at play in this sector of crowdfunding, this chapter will outline the different socialities that these practices are enabling, encouraging or constraining and how they may contribute to the evolving role of crowdfunding.

A brief outline of the history and functioning of peer-to-peer is discussed in section 5.1 to provide background and context for the development of the emerging industry. Section 5.2 examines the relational claims the industry makes about their social purpose and alterity (and/or similarity) with mainstream finance. Section 5.3 investigates the spatial practices of the industry regarding scale and locality, networked and relational space, and boundaries. Section 5.4 outlines the temporal practices of peer-to-peer lending, examining what solidarities are projected and how assessments of creditworthiness might create particular futurities for creditors and debtors. Section 5.5 looks at the subjects of

peer-to-peer, both in terms of the platforms and the creditors and debtors, before moving on to discuss the subjectivity-creation practices at play. We see how the development of the ‘ethical entrepreneurial creditor’ and the ‘grateful, savvy debtor’ play a role in the creation of sociality based upon the claimed mutual benefits of peer-to-peer lending. Discussion of the social content assembled around these practices will follow in section 5.6 before offering concluding thoughts in section 5.7 about the possibilities that peer-to-peer may enable in banking and finance.

### **5.1 History and Context**

The first peer-to-peer lending platform in the world, Zopa, was founded in the UK in 2005 by Richard Duvall, James Alexander and David Nicolson, who had worked together at the online bank Egg. Market research carried out by the founding team found that ‘freeformers’, self-employed, project-based or freelance workers, *i.e.*, people who were not in standard full time employment, were underserved by traditional forms of finance. They believed that there were potentially six million people in the UK who fell into this category and who were creditworthy (in the sense that they could afford loans) but either did not qualify for existing finance products or were people who did not want to work with banks (Kupp & Anderson, 2007, p12). The team decided that they could ‘do better’ and set up Zopa which stands for ‘Zone of Possible Agreement’, a term from negotiation theory which denotes the overlap between one person’s bottom line and another’s top line. If those lines cross one another, then an agreement can be reached. The platform’s aim was to match up savers and borrowers for mutual benefit. Zopa’s success can be measured in the rise of other peer-to-peer lenders and the growth of a new sector in the alternative finance industry.

Peer-to-peer platforms are internet-based, which provides them with the ability to offer higher interest rates for savers, and lower interest rates for borrowers, with no hidden fees. Those borrowers who are accepted onto Zopa were found to access loans approximately 20% cheaper than mainstream banks (Simon, 2013). The ability to do this is an outcome of the lower overheads of the online business model; once the development of IT infrastructure, software and maintenance has

been accounted for, the majority of the transactions are automated, which drives down transaction costs. The platforms can cover their costs and make profit through the fees they charge, which can be the difference between the borrower and saver rates, or the charging of flat rates for some services. It is worth noting at this stage that the fees charged in peer-to-peer are on the whole much lower than that charged in reward-based crowdfunding, which will be discussed in chapter 6.

Online platforms enable borrowers to link up with lenders (in the form of the 'crowd') in a more direct relationship, with the platforms acting as facilitators or introducers (*i.e.*, as intermediaries). The platforms provide a number of intermediary functions: introducing the lenders and borrowers, undertaking credit risk-scoring or facilitating this through external credit-scoring companies, setting interest rates or providing an infrastructure which aggregates data to let the internal market set the rates, and often providing some form of protection against default, for example a protection fund or by organising debt collection for loan default. Some peer-to-peer platforms also provide an automatic bidding function for lenders who do not want to actively choose each individual loan, but instead choose the spread of risk and interest rate they prefer which the platform then automatically aggregates and bids on loans on the lender's behalf. The benefits to participants are two-fold. Debtors can borrow relatively cheaply over shorter periods for smaller amounts compared to credit cards and loan rates from mainstream banks (Kupp & Anderson, 2007, p15) with transparent costs and no hidden charges such as early repayment fees. Creditors receive a higher interest rate than is currently available from mainstream banking and savings accounts and are able to choose the balance of risk to return and also have steady fees, which are agreed upfront.

Peer-to-peer finance rapidly expanded in size following the financial crisis of 2008–9 and the subsequent credit crunch. The industry trade body, the Peer-to-Peer Finance Association, has established a wide definition of peer-to-peer finance providers as: 'platforms that facilitate funding via direct, one-to-one contracts between a single recipient and multiple providers of funds, where the majority of providers and borrowers are consumers or small businesses.' (Peer-to-

Peer Finance Association, 2011, n.p.). Table 1 below outlines the different verticals in peer-to-peer lending. As can be seen, consumer lending, which was what Zopa were set up to do, has been surpassed by both real estate lending and peer-to-business lending.

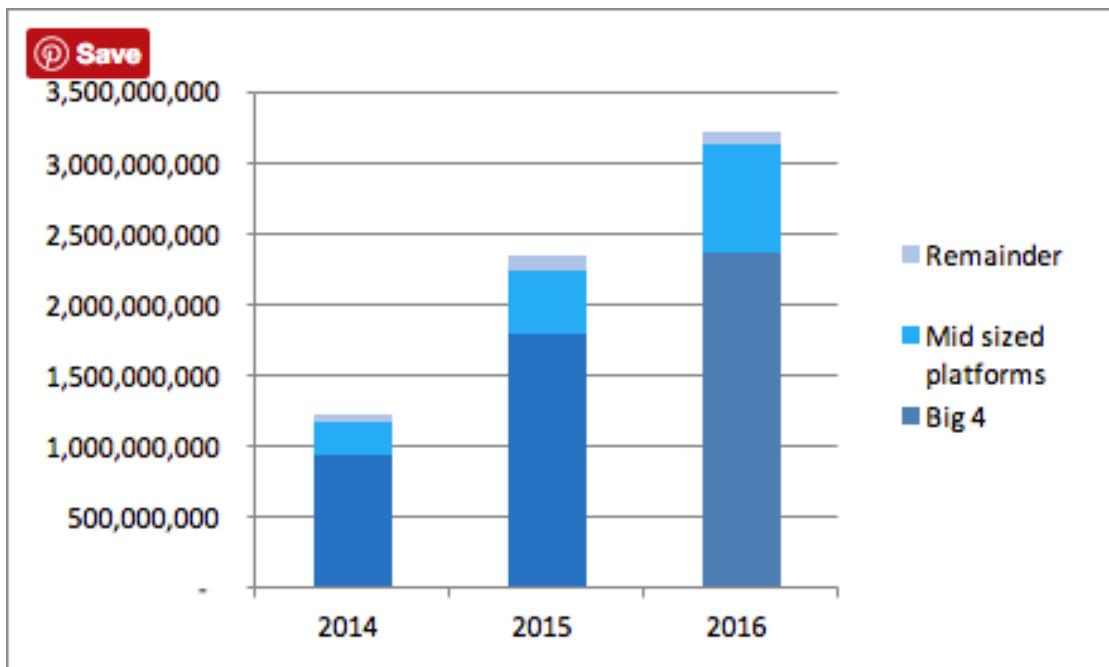
Model name	Definition	Volume in 2015
Peer-to-Peer Business Lending	Secured and unsecured debt-based transactions between individuals/institutions and businesses with trading history; most of which are SMEs.	<b>£1,490m</b> (£881m excluding real estate lending)
Peer-to-Peer Business Lending (Real Estate)	Property-based debt transactions between individuals/institutions to businesses; most of which are property developers.	<b>£609m</b>
Peer-to-Peer Consumer Lending	Debt-based transactions between individuals/institutions to an individual; most are unsecured personal loans.	<b>£909m</b>

**Table 5.1. Alternative finance volume by sector, 2015**

Source: Zhang et al. (2016)

In 2015, peer-to-business and peer-to-peer individual lending surpassed £2.4 billion and, in 2016, lending volumes increased by two-thirds to push the cumulative total to over £7 billion (Shoffman, 2017a). The biggest platforms (those with market share over 10%<sup>29</sup>) are as follows: in peer-to-peer Zopa (55.9%) is followed by Ratesetter (31.2%); in peer-to-business Funding Circle overwhelmingly dominates (70.4%); and in peer-to-property LendInvest (60%) also dominates, with its closest competitors being Octopus Choice (12.7%) and Landbay (10.6%). As you can see from **Error! Reference source not found.** below, there has developed a 'big four', in remarkable symmetry with the banking sector.

<sup>29</sup> Market share as a percentage of each vertical is in brackets. Data from Altfi (2017).



**Figure 5.1. Peer-to-peer growth showing the dominance of the 'Big Four'**

Source: BondMason (2016)

The growth of the industry, coupled with the regulation of the sector by the Financial Conduct Authority in April 2014, has seen peer-to-peer become an important, albeit still relatively small, sector of the overall UK financial system. This was consolidated with the launch of the Innovative Finance ISA which was expected to increase interest in peer-to-peer by enabling tax-free investments, of which there were estimated to be around 16 products launched by the end of 2017 (Shoffman, 2017b). There have been signs of the initial rapid growth slowing down, with only an 84% increase in the size of the industry between 2014 and 2015, which innovation charity Nesta warns might not be sufficient for the volume of loans needed for the industry to work (Baeck, 2016). Despite this, the share of peer-to-peer business lending to small- and medium-sized enterprises [SMEs] is increasing, with the industry supplying an estimated 13.9% of new bank loans to small businesses in 2015 (Zhang *et al.*, 2016, p9).

## 5.2 Alterity and Social Purpose

...I think that [regulation] represented a concession finally from the Treasury who were probably the last believers in banks, in kind of... the stories of the banks, they finally capitulated and said "well clearly we're going to need to promote alternatives because the banks are not going to return to health any time soon and even if they do it's no guarantee that they'll lend to the real economy.

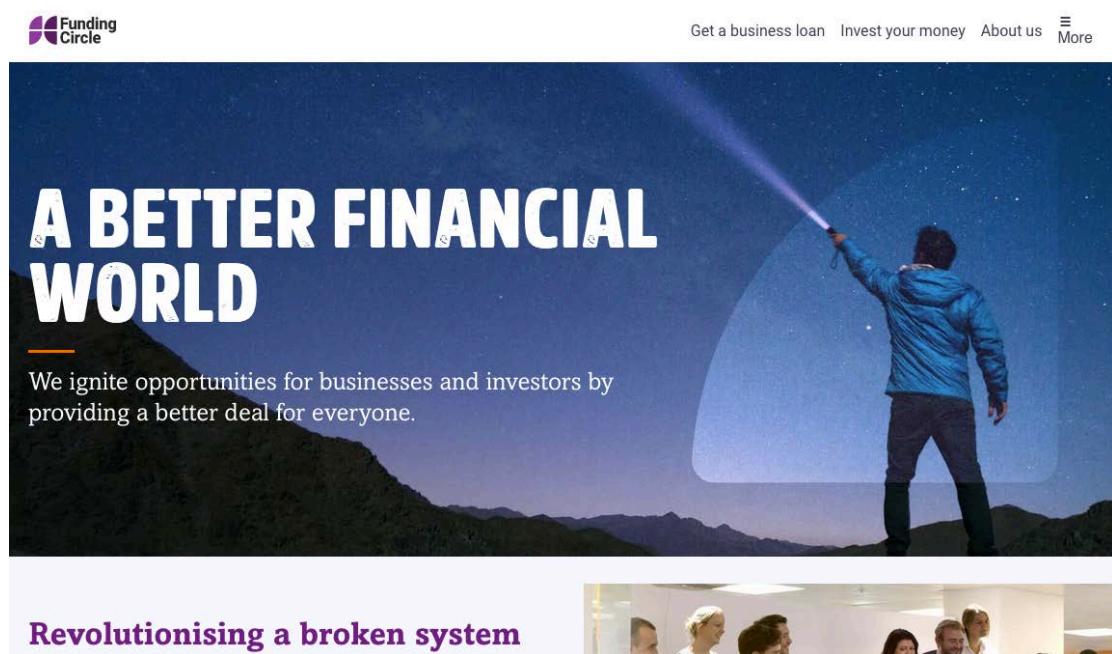
(Simon Deane-Johns, Consultant Lawyer)

I could see that there was, blindingly obvious in my view, opportunity to offer a new product, this is the advent of the internet, that could basically give people a better deal. It's as simple as that. (Rhydian Lewis, RateSetter)

Returning to the definition of alterity as 'being alternative by believing in the possibility of an economic and political other' (Amin, Cameron & Hudson, 2003, p4) this section will set out the ways in which the peer-to-peer industry tries to set itself apart from banking through the mechanics of its platforms and their transparency. This section also looks at the ways in which the industry is moving towards, or mirroring, the mainstream, guided by the transference of ideas and the impact of regulation on its legitimacy.

The perception of peer-to-peer finance is that it is often seen as 'alternative' and as part of a market that is 'other than' or a 'challenger' to mainstream finance, in particular to banking. Gray and Zhang (2017) show that anti-bank sentiment was a motivating factor for a significant proportion of those they surveyed who used peer-to-peer platforms. They argue that this suggests peer-to-peer finance offers: an 'alternative financial mechanism worth pursuing for symbolic as well as financial reasons' (2017, p589). Their 'non-bank' status, also leads to support from the Government; in 2012 the Department of Business, Innovation and Skills provided £100 million to 'non-bank' channels, of which approximately £80 million went to peer-to-peer to support lending to SMEs. Deputy Prime Minister Nick Clegg said: 'We need to break open the market here in the UK, with more competition within the sector as well as more alternative sources of finance, outside of it' (2012, n.p.).

This idea, that peer-to-peer finance is different due to its non-mainstream status, is promoted by the sector itself. In figure 5.2 Funding Circle are trying to market the perception that they are 'revolutionising a broken system' by investing over £3 billion to businesses and reinforcing their 'SME-friendly' credentials by saying 'when small businesses succeed, everyone benefits'. They go on to say that this investment has led to the 'direct and indirect' creation of 80,000 jobs. What is alluded to is that if these platforms did not exist, this money would not reach those businesses because mainstream finance is not doing its job (allocating capital) properly.



**Figure 5.2. Funding Circle's 'About Us' page**

Source: Funding Circle (2017)

Another clear difference in how the peer-to-peer industry functions in comparison to the banks, is in regards to their use of money. Banks are able to create money, which they do when they advance loans, creating 97% of the money supply in the process (the remaining 3% is Bank of England-issued cash<sup>30</sup>). As peer-to-peer lenders do not have the ability to create money, it has been argued that peer-to-peer lending can be seen as private sector full-reserve

<sup>30</sup> For a more in-depth overview of this function see McLeay, Radia & Thomas (2014)

banking. Providers are not able to create new money out of debt, as the mainstream banking industry does, which means that all the money that is used in peer-to-peer loans is already existing money (Kaminska, 2013). One perceived benefit of peer-to-peer, then, is an increase in the velocity of the money supply within the constraints of the existing system, in addition to reduced transaction costs and reduced 'friction' in circulations. This is supported by the perception that peer-to-peer is fulfilling a gap in the market where banks are not lending to the real economy, despite considerable and regular injections of public money.

It is worth noting also that the interviewed regulators very much saw this 'new' space as one which, politically, is simply filling a gap in the market. As one regulator put it 'the banking system for very small companies is just failing at the moment and crowdfunders are just going to be filling that gap. They are doing something that should be happening but which isn't in the banking system' (R2). Thus the emerging peer-to-peer industry is expanding within the banking system, not in isolation from it, nor in opposition to it. Far from being 'alternative', there is the potential that peer-to-peer finance is only possible because of this gap – if interest rates go up or banks start lending again, there is the danger that this gap will disappear. If we were thus to point towards where peer-to-peer finance would fit within the typology of alternatives in figure 4.1 then in Fuller and Jonas' (2003, p8) terms they would be seen as 'alt-substitute' in that they are seen by the regulators as providing activities which fill a gap in mainstream provision, however the question is still open as to whether those activities are engaged in *being* alternative in terms of believing in an 'economic or political other'.

However, others see a role for peer-to-peer outside of the low interest rate and lending gap. For those people who think banks do a bad job at allocating credit, there could be a role for peer-to-peer who, it is argued by industry expert Simon Deane-Johns, could play a role in a more efficient and fairer credit system:

I think banks are poor at allocating credit, I mean, I'm not the sort of person that says that we should end banks' role in the creation of money, the fractional reserve system seems pretty good to me. But that is not to say that just because banks create money that they should be the ones to allocate it, allocate where the credit goes or

where money goes, that role is better served by frankly, umm, things like peer-to-peer platforms, or perhaps other forms of, umm, yeah... you could easily see the evolution of sort of pure, underwriting services that don't deploy any capital at all, which I suppose in some ways is what a peer-to-peer platform is, you know, it brings an underwriting capability and a mechanism for allocating funds.

The second most obvious point of difference between traditional banking models and peer-to-peer lending is the possibility of the creation of a direct relationship between borrowers and lenders. Savers<sup>31</sup> are not only able to see what purposes their money has been lent out for or invested in, but they are also, in some cases, able to pick and choose the particular businesses they want to support, hence the claims sometimes made that crowdfunding in a more general sense has increased 'participation' or 'democracy'. There is a tendency to talk about crowdfunding in such a way that the crowd becomes the main focus for analysis, when, as Langley and Leyshon argue, the platform should be at the centre; platforms are 'a distinct mode of socio-technical intermediary and business arrangement incorporated into wider processes of capitalisation at the centre of digital economic circulation' (2016, p1) . Platforms are not mere intermediaries, connecting up borrowers and lenders, they play an active role and so I argue that we must look at how they 'actively induce, produce and programme circulations' (Langley & Leyshon, 2017a, p19).<sup>32</sup> We shall return to this in section 5.3.3.

However, putting aside for the time being the effect of platform intermediation – the fact that peer-to-peer finance provides the potential for relationships at this level separates the sector from the mainstream where it is nearly impossible to see how banks use particular savings. Douglas Rushkoff points out that direct relationships have the potential to undermine central authorities, and that historically there is a precedent for these direct relationships:

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<sup>31</sup> There is some controversy around whether platforms should be calling participants 'savers' or 'investors' due to the linked perceptions of risk involved, for ease of reference 'savers', 'investors' and 'creditors' will be used interchangeably to mean the participant who is making their money available to be lent out to 'borrowers' (also called 'debtors').

<sup>32</sup> This also reflects back to Latour in chapter 4 regarding the agency of 'things'.

...centralized currency was developed by monarchs in the 12th and 13th century to prevent peer-to-peer transactions and promote individual to central authority transactions. What people want is the ability to transact. The money they want to use to transact is also used by speculators to extract value from communities. And it's not something that can do both jobs well. (Rushkoff, quoted in Jordan, 2010; as quoted in Gibson-Graham, 2011, p10)

The power relations of peer-to-peer relationships are partly different because of the return of 'direct' transactions, despite the intermediary functions discussed, which of course structure the ways in which people interact on their platforms. A key question this raises is 'how does peer-to-peer finance affect processes of exploitation in the creditor-debtor relationship'? Firstly, I will argue that the processes of peer-to-peer still contain the potential for exploitation, however it is also the case that an experiment in being alternative does not have to eliminate all exploitation to be useful; and instead we should be looking at the ability to create direct and clear relationships between creditor and debtor as allowing for the possibility of 'moments of identification between class processes' (Gibson-Graham, Resnick & Wolff, 2001, p12). In other words, the ability to create direct, peer-to-peer relationships does not automatically result in more socially useful finance, but it has the potential to encourage more social interaction, which in turn could have socially beneficial effects. We return to the ways in which the peer-to-peer industry try to forge the idea of direct relationships in section 5.5.

However, with peer-to-peer lending most platforms have in some way mechanised and routinised interactions, obscuring the direct relationship between creditors and debtors. Lenders choose their interest rate or risk level, and the platform automatically matches them up with borrowers based on that criteria. For example, with Zopa it works like this; borrowers join as members and are given an Equifax rating of either A\*, A, B, or C. Once borrower identity is confirmed, then Zopa underwriters individually assess the borrower's ability to repay. Once this process is complete, lenders proffer money to a pool of people with similar credit ratings, and all borrowers who fit that criteria are offered the money on the loan. All offers on the loan are ranked by both the rate lenders have set (low to high), and the time the offer was placed (earliest to latest).

Money (only £10 or £20 *per* lender) goes to the borrower until the loan amount is fulfilled. The borrower's rate is the average of the full spread of interest rates offered by the lenders, ensuring that each lender receives the rate required. Originally, Zopa offered the ability for lenders to set their own rates for the borrowers, but this was stopped in favour of the platform setting the rates. It also formerly allowed lenders with as little as £10 to become a creditor on the platform, before changing the rules to a minimum donation of £1,000, ostensibly to ensure that only those who can afford to 'diversify' are lending on the platform.

RateSetter, another peer-to-peer lender, as is perhaps expected from their name, continues to let their customers set their interest rates, with no minimum level, but here the information about the borrowers is not very detailed and is ultimately based on aggregated borrowers rather than individuals – a compromise that dilutes the creditor-debtor relationship in a different way to Zopa. RateSetter CEO Rhydian Lewis explained it like this:

Yeah, with our model you know that you are lending to a bunch of borrowers who RateSetter deem to be creditworthy. Ultimately, you don't know much more than that. We give you all the statistics, how old they are as a group, how much income they earn as a group, how many of them, bad debt, that's done at an aggregate level, which is different to the other peer-to-peer lenders. Actually there's a purity in what they do which we have actually slightly pushed away, which is very grandiose, which is product by product, or loan by loan, but we, so we've taken that away, and pulled out aggregate level. There's compromises basically, depending on whether you want something simple and safe, which definitely compromise on certain elements of peer-to-peer lending, or you want it incredibly straightforward, you know classic peer-to-peer but you will find it will be complicated.

Funding Circle also has a routinised, automated lending technology, Autobid, but this provides a wider range of criteria to 'personalise' investments such as interest rate, choice of diversification (e.g., no more than 1% of portfolio to any one business), and the ability to choose which sector or region investors wish to lend

to. The main emphasis of Funding Circle is on determining ‘what is important to you’, and that means that they provide the infrastructure for people to also handpick companies to lend to. In their online ‘Marketplace’, investors are able to access a wide range of information about the companies who have been deemed creditworthy including photographs of the business, the reasons for the loan, company accounts dating back at least two years but averaging eight years, and plans for the future. A feature that directly connects and enables a conversation between the lenders and borrowers is the ‘Q&A’ tab, where potential investors can ask questions of the borrowing business. Mark Thompson, Director of Funky Junk Ltd said: ‘when our loan was at auction, a lot of the questions asked were very intelligent, a few of which made me stop and think, “well, that’s a very good point”. In a way, it felt as though we had a relationship with a whole bunch of people out there who were urging us on’ (Funding Circle, n.d.).

So across the three biggest peer-to-peer lenders there exists both difference with the mainstream and difference with each other, with varying levels of opacity obscuring in some way the potential relationship between creditor and debtor. Zopa were criticised by some participants on their forum (now shut down) for stepping away from the ability of lenders to set rates, with some participants saying that they were now less ‘peer-to-peer’ and more ‘peer-to-a-pot-of-money-to-peer’ and this was reflected in interviews with regulators (who wished to remain anonymous) where they said ‘it almost looks like retail banking – the crowd sounds quite a lot like a bank with retail depositors’. RateSetter lenders still retain the ability to set rates, but the borrowers are hidden by aggregation, affecting the potentiality of different creditor-debtor relations in a different way. Funding Circle did show that perhaps the peer-to-business sector allows for both the ability to set rates and the possibility of interaction between individual creditors and individual debtors, although, as of 18 September 2017, the ability to manually choose which businesses to lend to and which loan parts to sell was withdrawn. The replacement is an upgraded form of the Autobid and Autosell tools, so, even here, the potentialities for a meaningful direct creditor-debtor relationship is disappearing.

The mechanics of the platforms also mark a difference with the mainstream in terms of their commitment to transparency, something that is easier to achieve in peer-to-peer due to the relative simplicity of their operations in comparison to bank loans. In particular, costs are transparent with no hidden charges such as early repayment fees. Zopa have won a series of awards including 'most trusted personal loan provider' in the Moneywise customer awards for six consecutive years (2010–16). Transparency is not just a side benefit of the platforms but is central to their operations due to the need to both attract customers and satisfy regulators that those customers are protected and able to understand how the platforms work. If regulators decided that platforms were too complex, then the industry fear is that access would be restricted to sophisticated investors only, and thus mass market participation would be ruled out, destroying the industry. CEO and co-founder of Zopa, Giles Andrews said:

...this is a product everyone can understand. It's really simple, we built it for everybody... if there's anything we can do that makes it even clearer so that we can offer it to everybody and not have this barrier [we will do it]. Most rich people have access to lots of financial products, most of them are crap, they can buy all kinds of weird and wonderful stuff, and poor people can't. I mean if you're a non-wealthy person, what can you do to save? ...you can put money in the bank and get a terrible return, or you can do something risky like stocks and shares... [there is] nothing else you can do, so we're saying that, this product actually is really good for people like that, so let's work on what we disclose and all that stuff, but at least allow people to have it unencumbered and we won that argument [with the regulators] thankfully – that was the really important one.

Fees must also be transparent and upfront. Zopa make their money in three ways: from the fees charged to the borrowers (0.5% of loan amount) and savers (0.5% annual fee), from selling payment protection insurance to those who need it, and through referring people who could not access Zopa loans to other providers.

Other platforms have higher costs and more complex fee structures: ThinCats for example provides loans to businesses from sophisticated private investors and the 'Sponsor' (someone who undertakes due diligence on the loan) charges between 2 and 4% of the total of the loan, the platform itself charges 1.5% and a listing fee of

£1000. The borrowers, who may have a slightly riskier profile (as the platform does not rely solely on credit-rating agencies – discussed in section 5.2.3) typically pays between 9 and 13% plus fees. The lender is not charged a fee. However, while there may be a big variation in fee structure and lending within the platforms themselves, on the whole the platforms are fairly transparent and have to be, as Deane-Johns explains:

...like any online service, you have to remove as much friction as possible, nothing can be too many clicks away as it were. But, at the same time, it's committed to showing people that there is another side to the market. It is showing them exactly where their money is coming from, or where it's going, the pricing of it, the fees there being charged. It's about making that very, very transparent, unlike a bank or traditional investment firm which basically encourages you to sit back and relax. All you have to do is to sign this piece of paper and put your money here and everything else will be taken care of, you know that, that involves some sleight of hand, and lots of distractions from where the money is going, and who is making money out of that money.

Transparency is also about the platforms displaying default rates, something which the Peer-to-Peer Finance Association has written into its standards. This is a sharp contrast with mainstream banking practices where it is nearly impossible to imagine walking into a bank and seeing a poster displaying their historical and projected rates for defaults on loans. Thinking back to chapter 4 and the discussions of the power of ‘making strange’ financial practices that have become commonplace, the emphasis in peer-to-peer on the transparency of their business practices does have the potential to create greater understandings of the ‘normalcy’ of debt and default as an expected outcome of doing business. Default in peer-to-peer is not seen an aberration in and of itself, only to the degree at which it is present.

It is clear from interviews that the industry wants to change the mainstream by growing and taking a bigger market share away from the banks. Lewis (RateSetter) said ‘I see mass markets as a sign of something working, I don’t turn my nose up at it.’ Similarly Andrews (Zopa) states:

And I want us to be very big, and not just Zopa, I want the whole industry to be very big, and clearly I want Zopa to be the biggest player in it and I want the industry to be very big. I mean I think peer-to-peer could take 50% plus of the unsecured personal lending market from banks.

A third point regarding the tension between the ‘alternative’ of peer-to-peer and the mainstream was made by the regulators who, whilst finding the industry interesting and exciting, were keen to point out that they are but a tiny part of overall finance: ‘It’s really very small, we get all excited about it then we remember it’s very small’ (R1). They did concede that the new ideas that come through have the potential to disrupt existing industries through the growth of new ideas and through partnerships with mainstream institutions (such as that between Santander and Funding Circle formed in 2014) and by introducing ideas that bigger players feel like they have to react to. The entrance of institutional investors into the peer-to-peer marketplace (Dunkley, 2017) as well as the announcement that Zopa have applied for a banking licence is relevant here too (Burton, 2017).

It is clear then that the peer-to-peer finance industry is an alternative space, but one that seeks to disrupt the mainstream through its operational mechanics and transparency, whilst also being in the process of becoming the mainstream. This tension is further played out when we begin to look at how the industry differentiates itself through its spatial, temporal and subjectivity-creation practices and how those shape the emerging socialities of the industry.

### **5.3        Spatiality**

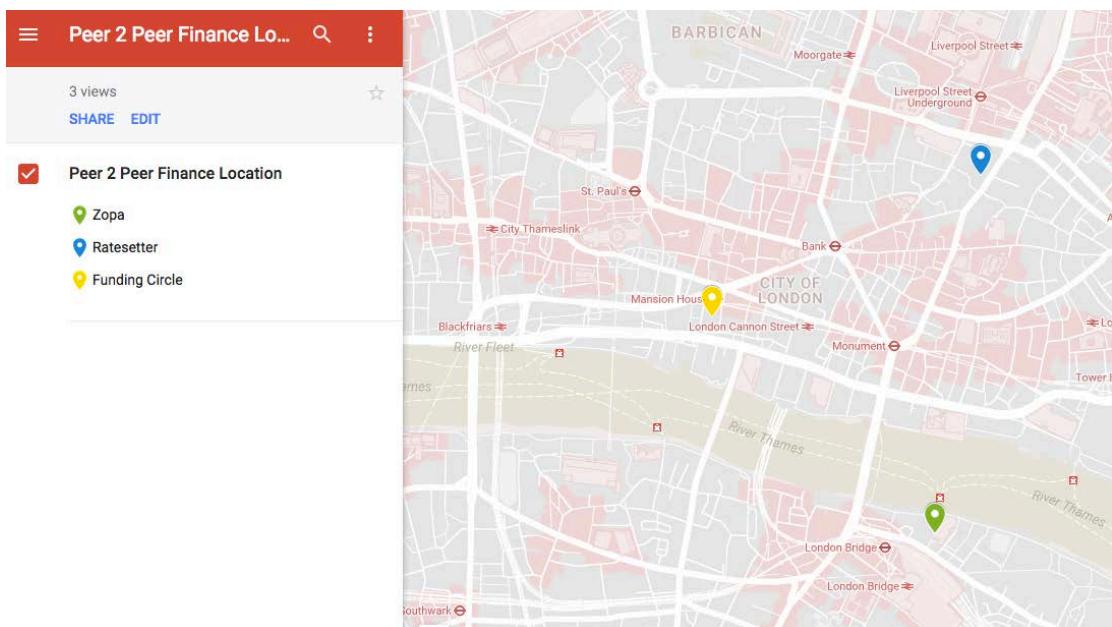
The spatiality of peer-to-peer finance is analysed by looking at the approaches to scale and locality, networked and relational space and the boundaries of the sector.

#### **5.3.1        *Scale and Locality***

I showed in chapter 4 that claims to small scale and locality shaped a number of forms of alternative finance, in peer-to-peer it is less ‘small is beautiful’ and more ‘bigger is better’. Scale is important to the platforms and the industry as a whole.

Locality is also not important in the same way. All of the peer-to-peer lenders operate on a national scale (of the UK). Whilst there may be an argument that this is still 'local' in scale in comparison to the global reach of the banking and finance sector, locality is definitely shaped on a larger scale than other alternatives. Also, in terms of lending, far from disrupting existing patterns, for the most part, peer-to-peer finance replicates existing flows of finance. London is the most active region of the UK in terms of funding raised and provided, followed by the South East, South West and West Midlands, with Scotland as the fifth most active debtor region, and the East of England the fifth most active creditor region (Zhang *et al.*, 2016, p29).

The three biggest peer-to-peer platforms are also all located within one kilometre of each other in the East of London, with Ratesetter and Funding Circle within the perimeter of the City of London, and Zopa just outside of it across the Thames; thus I argue that peer-to-peer is spatially located firmly within the 'belly of the beast' of mainstream finance. Location in the East of London also links platforms with other key neworks across digital economy and FinTech hubs (see Langley 2016, p311).



**Figure 5.3. Locations of the three biggest peer-to-peer platforms**

Source: Compiled from publicly available company addresses, May 2017

Does the industry placing itself into the locality of mainstream banking and finance influence peer-to-peer culture, aims and objectives? I believe that physical and cultural proximity to the City of London affects the possibilities available to the new industry, for example in the subjects who populate peer-to-peer as I will show in section 5.5.1, and in the acceptance of conventions that have become standard and normalised as we will see in section 5.3.3. I argue that we can see choices being made by the industry (whether consciously or by default) to adhere to the currently conceived standard of 'respectability' rather than challenging those norms and values.

### **5.3.2            *Networked and Relational Space***

Peer-to-peer would seem to have the potential to transform some of the uneven and unequal spatiality of credit-debt relations by forging those relations across digital space (Langley & Leyshon, 2017a). The use of the internet expands the scope of people seeking funding to reach out to others, both within their personal networks and through the cultivation of new digital networks of communities of people linked by the platform. In peer-to-peer, this networked space is crucial, as you can only interact with platforms online, but in the peer-to-business platforms there is also the possibility of creating offline connections, particularly if those connections would help to fill the loan. On Funding Circle the platform can be a way to forge new connections in offline spaces. Physical interactions with businesses are filmed and shown on the website, and there is also the possibility that investors in the business may visit and/or purchase products and services from them. Kevin Daley from ThinCats illustrated the potential for real life connections being made in these online spaces:

Now he was one of the first deals we had on our platform and I thought it sounded a bit dodgy, second-hand motorcycle dealer, I don't know anything about motorcycles but we'll put it up and see what the members say. Within half an hour I had a call from the guy who had originally gave me the idea, saying his business, turns out he runs a website selling motorcycles parts, you know the bearings and things like that which he imports. He said, they're one of my customers, I like that business and I'll back that because I like him.

Another guy rang me up and said “I’m 86, I don’t really like computers and I’m needing some help making a bid, I’ve only just put some money onto the platform but I used to love motorcyles. I can’t ride anymore, but I’d like to back it and put a thousand pounds on it.” That was the second call I had, the third call, “I’m a lender on the platform, and I’m thinking about buying a second-hand motorbike, he’s only about 30 miles from me so I think I’ll pop down on the weekend, have a look at what he’s got in stock and see if there’s anything that I’m interested in. I’ll check it out and if I like it I might lend as well”. So those sort of social aspects, people get engaged because they like the idea.

Here we see that ThinCats enables multiple kinds of connections because the creditor and debtor are directly linked up as in ways which only been the case in peer-to-business lending. There is no potential for these kinds of connections in Zopa and RateSetter, which shows that the types of spaces created online can either create or exclude the possibility of certain types of interaction and relationship between creditors and debtors. Data from 2015–16 shows that in peer-to-business, only around 42.3% of creditors used the auto-bidding selection feature, meaning the majority of creditors do interact with individual projects (Zhang *et al.*, 2016, p37). As it stands, peer-to-business loans provide the greatest potential for connections between creditors and debtors through the medium of the platform although ThinCats may be the only one to continue to enable this with the change of the Funding Circle platform to become Autobid-only.

### **5.3.3      *Boundaries***

Regulation and the necessitation of ‘due diligence’ are the two main ways in which the peer-to-peer industry places spatial boundaries around their activities, and these shape the social that is created. Firstly, regulation territorialises the industry, placing it firmly in the UK, legally under the remit of the Financial Conduct Authority which reinforces British banking and finance norms on the sector. This also locks the emerging industry into whatever future direction the regulators may decide to go in, limiting future possibilities. However, it is noted that this new industry has put a lot of resource into cultivating good working relationships with the relevant regulatory bodies and the industry thinks that it

has, by taking the lead in shaping the regulation, been able to punch above its weight in terms of gaining a measure of power and control might not have been there if they had taken a less active or anti-regulatory approach.

Peer-to-peer finance has a relatively unique story in that it actively courted UK regulatory bodies, seeking regulation. Initially, the emerging industry (Zopa, RateSetter and Funding Circle) set up the Peer-to-Peer Finance Association in August 2011 with the aim of industry self-regulation to 'ensure this innovative and rapidly growing sector maintains high minimum standards of protection for consumers and small business customers, as it brings much needed new competition and innovation to the banking market' (Peer-to-Peer Finance Association, 2011). The Association quickly moved on to publicly lobby for governmental regulation of their emerging industry, something which the Treasury and regulators resisted for some time, arguing that they did not want to 'stifle' innovation.

The Financial Conduct Authority, who took over the regulation of consumer credit from April 2014, finally carried out a consultation and agreed to bring peer-to-peer under their remit. There are three main rules that have been applied (Financial Conduct Authority, 2015). First, ensuring that customers have access to clear information about lending. Second, core consumer protection measures must be adhered to, including the protection of client money and the meeting of minimum capital standards. Third, the platforms must all have resolution procedures in place in case of insolvency so that loan payments will continue to be collected and paid out to investors. The industry welcomed this regulation, setting it apart from mainstream banking which tends to resist regulatory supervision. Peer-to-peer is thus seen as directly challenging the anti-regulation culture of banking and seemingly trying to pre-empt and avoid the kinds of scandals which have plagued banking and finance.

The drive towards regulation appears less unusual when we investigate the three main benefits of this regulation to the industry. Firstly, it gave the new players some legitimacy, which helped them to grow and give confidence to consumers. Secondly, it was seen as a practical step to ensure that regulation (which was

inevitable) was introduced in a controlled, proportionate manner and worked in the interests of the industry itself. As Lewis of RateSetter tells the story:

Yes, I think the authorities found it totally baffling why a young and innovative industry was knocking on their door asking for regulation – it seems counter-intuitive... so it's important that there is a degree of supervision. That's what I am interested in, kind of an audit, every so often, people come in and actually don't just take it as read that you are doing what you say you are doing, but actually check, and I believe in that. So that was the motivation for pushing for regulation because it gives a framework, I think where we had various points of view as to what the framework needs to be, but I totally believe their needs to be a framework.

So we pushed and pushed and pushed, and umm, initially... the Government was very resistant because they thought it was too small, too niche, bit of a headache to think through the framework, etc. and they are quite a deregulating coalition I would say, that's their instinct, umm, kind of getting rid of red tape as opposed to bringing it in. And they didn't want to regulate too early because it was innovating so quickly. So that was their first instinct, but we explained actually that it was growing very quickly, that it wasn't just a small niche thing, that in a couple of years it would suddenly be quite, actually quite significant in terms of the customers and things like that. And once they saw that actually happening in practice, secondly... it's now an objective of the regulator and Government to encourage competition in banking, it used to be the case that they had to give due regard, which effectively means "think about it then ignore", because that's what due regard means normally, because unless you are forced to do things you give due regard to them and then move on, but it's now a statutory requirement.

So, the combination of the Government seeing that it was really growing and becoming relevant to people, and second that it actually fitted into their agenda of promoting competition in banking, those two things suddenly made them think, ah, actually we should make the effort to create a framework for this industry.

The regulators themselves seemed uncomfortable with the provision of regulation on the platform level, and as the sector grew they believed that it would be more appropriate to regulate based on the type of business:

R1: The idea, that they are an intermediary, that is right, but as they grow, while they could technically still be an intermediary, if they are doing it in more sophisticated transactions, they would need to be regulated in different ways, because you can't just stand back and say "I'm an intermediary" if what you are doing is more and more complicated.

R2: If you're an intermediary who are also providing the credit-rating and -scoring service which consumers are relying on to make their investment decisions you are offering a view in there in a way that's...

R3: A large play is made of the wisdom of the crowd, but if the crowd is using the same tools and data to assess the risk of the transaction it is not patently obvious that it is an effective, genuine diverse view.

R1: That is how it works at the minute, you are a crowd, but you're a crowd of sheep.

Finally, new entrants to the market now require full authorisation from the Financial Conduct Authority (FCA) before they can operate (Financial Conduct Authority, 2015). Existing firms were allowed to continue to do business with interim permission whilst waiting for full authorisation and they were also given a transition period where they could operate with lower minimum capital requirements. It is much more difficult to set up a peer-to-peer platform in 2017 than it was before regulation and the drive for regulation can arguably be seen as a way for the first peer-to-peer lenders to consolidate their market share and place barriers to new entrants.

Therefore the drive for regulation at once sets peer-to-peer apart from the mainstream, whilst simultaneously placing the industry more solidly into it with the regulation functioning as a way to reassure potential customers that it is a safe and reliable (Rogers & Clarke, 2016) and potentially giving the platforms the same level of legitimacy as mainstream banking and finance (Langley, 2016, p312). Regulation brings added benefits, as Kevin Daley, the co-founder of ThinCats stated: 'it's a marketing tool because they can say "we are now regulated" and it's

all about a marketing tool. They can say to investors “now we are regulated” and it doesn’t make much difference from what they did before’.

The FCA regulation requires platforms to give clear information to customers so that the customers can make assessments regarding risk. This has resulted in a particular spatial boundary being drawn around the practices of credit-scoring. In particular, this has contributed to the reproduction of the patterns of lending we saw in section 5.3.1 and has led to the peer-to-peer industry catering to the over-served in finance. Whilst it may have filled a gap in terms of giving greater access to loans, at potentially lower rates than might have been available in mainstream finance, it has not, by and large, extended credit to the under-served in society.

As Lewis from Ratesetter states:

...there's another question as to how much peer-to-peer finance has broadened access to finance to be honest. But I think it has, it hasn't gone [pause] it hasn't quite gone, I mean it hasn't extended credit where credit wasn't previously given, but I do think it came at a time when credit just wasn't being given. It did step into the breach, but it hasn't necessarily... just to be completely clear that, it's not just a soft touch whereby, “oh that's great here's a system that could give credit to people who wouldn't get credit elsewhere,” which it can sometimes be perceived as. I mean that's hopeless, I mean I, my personal, it's a very sensitive thing credit, I'm no expert but I do have feelings about it and it is a complicated subject so, and it's important that it's not a soft touch as it doesn't help.

Langley (2016, p310) draws attention to the calculative practices of due diligence which both necessitates a platform-level reliance on credit-scoring practices, but also calls up an investor subject who is expected (particularly in peer-to-business loans) to undertake their own due diligence and decide on their own personal levels of acceptable risk and reward. The investor subject will be returned to in section 5.5.1 after looking at the reasons why platforms have fallen back into a ‘default mode’ of credit-scoring as the main measure of creditworthiness.

If we return for a moment to the working definition of money as a social relation of credit and debt and recall the analysis of chapter 2 that debt is a power relation, we are reminded that power is central to the concept of

creditworthiness. Lapavitsas emphasises the role of trust within the relations between creditor and debtor, and how that relates to power: 'money and credit, moreover, represent relations of trust and power in capitalist markets that are mobilised to facilitate the profit-making activities of industry... As a consequence, relations of trust and power acquire a social and specifically capitalist character.' (2003, p3). By 'specifically capitalist character' Lapavitsas means that 'the credit system is a set of social mechanisms that socialises trust and power in the interests of capitalist profit-making' (2003, p7).

What does this really mean when we are thinking about peer-to-peer as a new innovation in lending and borrowing? Credit is a social invention where fungible assets are exchanged for future promises to pay but these social relations are backed up by networks of institutions which provide or exclude access to money, which is 'the most powerful of all the social technologies' (Ingham, 2004, p202). Furthermore, as Germain argues: 'the social and political implications of credit thus concern who controls the access of others to credit, who is privileged by access to credit, and who reaps the competitive advantage which access to adequate credit implies' (1997, p17). It is thus of great importance to understand who is granted access to credit, who is included, who is excluded and how the relationship between the creditor and debtor is managed.

The relationship between peer-to-peer platforms and access to credit is largely based upon the technologies of credit-rating agencies which Zopa, RateSetter and Funding Circle all rely on to assess the creditworthiness of potential borrowers. Assessing creditworthiness is not new, as Graeber pointed out, for most of history money was literally trust (Graeber, 2010) – however the personalised assessments of past days where bank managers would undertake face-to-face interviews and gather information and references from people to judge the strength of a promise to pay has been replaced by data gathering techniques through credit-rating agencies. Now, as Langley (2014, p453) shows, advances in credit history and scoring techniques have played a crucial role in commercial lending decisions. Today in the UK Experian and Equifax dominate in providing standardised information on current and potential customers by reducing the quality of

creditworthiness to a ‘simple, single number that “decides” whether or not an applicant is, in fact, worthy of credit’ (Ritzer, quoted in Langley, 2014, p454).

The power of the peer-to-peer lenders to pick only the best and ‘most trustworthy’ of borrowers certainly aligns with the analysis from my research. As the quote at the beginning of the section shows, the platforms I interviewed were keen to emphasise that they are not extending credit to the ‘under-served’.<sup>33</sup> As Lewis from RateSetter stated: ‘it is important to recognise that RateSetter is competing with mainstream banks and building societies for those borrowers; they are not people who cannot find finance elsewhere’. Zopa turns away around 75% of borrower applications (Simon, 2013) which mirrors the figures at Ratesetter, who turn away around 83% of applications. As we have seen in section 5.3.1 this contributes to the reproduction of existing spatial patterns of lending. It is also worth noting the issue of the variation in loan pricing for creditworthy debtors depends on the credit score – the lower the credit score, the higher the rate – again reproducing structural inequalities found in mainstream market finance. This is justified within a discourse about risk, which we will return to in section 5.4.

I showed in chapter 2 that the politics of the creditor-debtor relation is often justified by reference to particular moralities of debt. What we find in peer-to-peer is that there is a specific morality, emphasised to justify the decisions made around credit-scoring practices. One of the regulators phrased it succinctly: ‘having people deep in debt isn’t going to be socially useful either’ (R2). Whilst this may well be true for some applicants, the underlying assumption is that those who fail the credit-scoring cannot afford the loan – which, considering the story of the origins of Zopa – is not always the case.<sup>34</sup> When asked if one of the original social purposes of Zopa, to cater to ‘freeformers’, those who do not fit

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<sup>33</sup> Or perhaps also the ‘undeserved’ as there may also be a normative categorisation going on here too. The platforms have not been set up to try to reach those excluded by finance so there seems also to be a lack of recognition about the limitations of credit-scoring and the sometimes dubious reasons for excluding people from mainstream finance.

<sup>34</sup> This idea, that success in credit-scoring equals the success of the person, business or project seeking credit, is reflected in reward-based crowdfunding which is discussed in chapter 6.

inside traditional measures of creditworthiness, was ever achieved, Andrews (Zopa) states:

That was one of the hopes, some of the people in the business had a background in credit. I didn't, and their perception was that banks and computer models, you know the famous Little Britain sketch you know "the computer says no", and that is based on sort of incomplete data, umm, and to use a horrible piece of industry jargon what's called a "thin file".

Which means you're either very young and we haven't got built up data about you or your circumstances have recently changed or you've been locked up in prison or something like that but there's not a lot of stuff about you, and, and one of the founders always told a story about how he left his employer which was Egg the online bank, you know the sort of seven-figure sum in the bank with an IPO [initial public offering], you know, probably the wealthiest he had ever been in his life, but he had had a company car, company mobile phone, he hadn't borrowed any money for ten years, he didn't have a mortgage, he walked into Carphone Warehouse in his first day of self-employment and said "I want a phone" and failed the credit check. So he was sort of inspired that that was a nonsense and [asked] how could we do something better?

Now, here is a stated purpose, one of the founding aims of the company – to do credit-scoring better – however as Andrews went on to explain, they came up against both cultural and material barriers:

The reality is that it is really hard to do something better, and we've been, we have built something better, but probably not made the amazing step-change we would have liked, to lend money to people for whom there is not data, because at the end of the day, credit can't be a subjective business, it has to be an objective business based on data.

It is worth briefly pausing to draw attention to the phrase 'credit can't be a subjective business', because we know from chapter 2 that historically, credit was exactly that. While it may be true that 'credit as currently defined' cannot be subjective because of, for example, the way that regulation works in the peer-to-

peer industry, it is interesting that a system ostensibly committed to putting borrowers and lenders in touch is still unable to shift some of the risks of credit onto the lender. This is partly due to the approach of the platforms, as this thesis will show in chapter 6 that crowdfunding platforms place the entire burden of risk and credit ‘scoring’ onto the lenders. Though, theoretically, both peer-to-peer and reward-based crowdfunding link up creditors and debtors directly, the balancing of risk between platform, creditor and debtor are dealt with very differently because of the spatial practices at play, not least the boundaries set up by regulation.

Returning to the matter at hand, Zopa’s approach to the problem of credit-scoring has been to supplement the rating agency data with alternative sources and to invest in infrastructure, software and people. This is an approach taken in Fintech more broadly, where several start-up companies are trying to use big data and ‘smart algorithms’ to move credit-scoring beyond credit history alone (Reisinger, 2015). In the peer-to-peer industry, Zopa have even gone so far as hiring people who worked at NASA and CERN, with Andrews stating: ‘we probably buy more and more interesting sources of data than the banks do, we use the data more intelligently and therefore we’ve got half a chance of coming up with that more useful function, but that’s not really easy’. So there is an ambition to try to perhaps push the boundaries of how to judge creditworthiness, but to do so by gaining better data and ways to analyse it. More recently this has resulted in the launch of a new offering Zopa Plus which extends loans to borrowers rated in the higher risk categories D and E. To allow for the extra risk that this entails, Zopa have set a minimum investment of £1,000 to ensure diversification. This is a different approach which signals Zopa moving into ‘less-than-prime’ markets for more ‘sophisticated’ creditors, as opposed to their original focus on minimum £5 investments and high quality borrowers.



**Figure 5.4. Zopa's risk markets**

Source: Zopa (2017)

RateSetter have taken a slightly different approach; where Zopa have up-scaled in terms of their investors to allow them to offer loans to riskier borrowers, RateSetter have focused on trying to supplement quite traditional credit-scoring practices with their own affordability criteria (which is now mandated by the FCA for certain types of loans). As Lewis explains:

In the run up to the financial crisis, everyone was going on the basis of creditworthiness which is a completely different concept to affordability. One is whether, I mean, one is an indication of somebody's propensity to pay, whether they are believable, which is what credit is I always think, and the other is their ability to repay. So you can be highly creditworthy with no chance of affording the loan. But in the run up to the crisis everyone began to rely on the science of credit scores, which don't take into account affordability, it was a car crash waiting to happen. So we really focus on affordability.

Peer-to-business platforms have a greater emphasis on the innate riskiness that is natural in business lending and ThinCats use a system of Sponsors (who are usually ex-bank managers),<sup>35</sup> to visit and assess companies to judge their creditworthiness and suggest rates that would be suitable for the loan auction. This structure is the closest that a peer-to-peer lender has gotten to enabling a

<sup>35</sup> Looking forwards to section 5.4 we see that perhaps this way of doing things is a re-creation of past ways of doing things, even down to the people the platform is getting to do it. The bank managers of the past are the peer-to-peer lending sponsors of the present.

more personalised credit-scoring and the Sponsors are seen to place their reputations at risk when they put a company forward. However, again, like Zopa, the platform is only open to those who are able to put in a minimum investment of £1,000, although in ThinCats' case they prefer those who can invest £20,000 or more. The risk is transferred to the lender to undertake their own due diligence, and hold the Sponsor to account.

Funding Circle sits somewhere in the middle, the Autobid allows investors to set their level of risk and return; alternatively investors can pick and choose individual businesses based on criteria that is important to them – rate, location, business, sector. The ability to see and make decisions on who to lend money to enables the potential for a wider range of criteria to be factored into decisions of creditworthiness. Iyer *et al.* (2009) carried out a study of screening in the peer-to-peer market where customers have access to traditional credit-scoring as well as extra 'soft' information about borrower quality. They found that information such as pictures of borrowers and textual descriptions of their desire for a loan enables lenders to predict chances of default with 45% greater accuracy. They also discovered that soft information was more important when dealing with 'lower-quality' borrowers, or those looking for smaller loans. Some level of social interaction with the borrowers can enable better decisions than the quantified credit-scoring data alone. Nevertheless, the ability to directly connect where possible has problems as well as benefits, as several studies have found that online social lending is not in a utopian space where traditional prejudices have been put aside. Ravina (2012) and Duarte, Siegel and Young (2012) found that more physically attractive borrowers were more likely to receive loans, and Pope and Sydnor found that black people were 25–35% less likely to get a loan than white people of a similar credit score.

What this thesis finds with peer-to-peer lending then is that while credit-scoring is a central practice, there is a variation in how different platforms shape and mould their business models in relation to doing acceptable due diligence. There is also some leeway in how the 'rules' of due diligence are applied in practice. There is however a strong link between the types of creditors and debtors in what is judged acceptable in terms of risk. If you want to allow people to invest smaller

amounts into the platform, then there is a perceived duty to ensure that the underlying loans are not too risky on the assumption that those with less to lend will not be able to understand the risks and the priority becomes keeping the platform ‘simple and safe’, as in the case of RateSetter for example. Conversely, if you want to extend loans to people with lower credit scores or partial credit history then it is expected that you will restrict sales only to those deemed to be more sophisticated investors. For example for Zopa and ThinCats this is correlated with wealth and they both have a minimum required investment of £1,000. From an initial push in the industry in the early 2010’s to allow everyone to invest with minimums of £10, there is now more diversity in terms of which kind of creditor is allowed to be linked with which kind of debtor and this has a big impact on the purpose, structuring, marketing and ethos of the platforms.

## **5.4 Temporality**

The discussions around creditworthiness begin to touch on the different temporalities at play in the creditor-debtor relations created in peer-to-peer lending, of which there are two points to highlight here. First, I will consider the role of solidarity and the balance of power in the rate/risk dilemma and what effect that might have on the potential futurities of both parties. Second, I will discuss the kinds of timeframes at play in the peer-to-peer industry.

### **5.4.1 *Enacting Possibilities***

Firstly, we saw in other alternative forms of finance that there was often a way for more than money to be changing hands, and for solidarities to be expressed which would enable more positive futurities for the debtors in particular. In peer-to-peer, solidarities are raised, but in a way which benefits the creditor rather than the debtor. For example Lewis from RateSetter thought that the social aspect, in terms of debtors knowing that creditors are fulfilling the loan rather than a bank might make a difference when it comes to difficulty with repayments, he said, ‘I think they [borrowers] realise that they know the money is coming directly from other people and if they default the other person suffers as opposed to a big faceless organisation’. Similarly, Andrews from Zopa said:

I think that there is evidence that people are more likely to repay not just because our models are better, but because it is so clear to people that they are borrowing money from people. And we do our collections in-house as well, so when someone stops paying, one of the messages we give them is you know, “you do know you borrowed money from people don’t you? And you are letting someone like you down, are you sure you can’t make a slightly higher contribution than the £1 you’ve offered?”. That kind of message seems to be reasonably effective, now, how effective that becomes at scale, it’s difficult to tell, but there’s something in it.

Here solidarities with other people ‘like you’ are called up to the benefit of the creditor in order to try to get higher repayment. Moving on, the reliance on credit-scoring practices and technologies discussed in section 5.3.3 has two main impacts on the temporalities of debt – either an immediate closing down of possibilities through refusing access (if the platform is cherry-picking borrowers) or an opening up of new paths by allowing access to funding by the crowd. Further to this, those accepted are then subject to a wider variation in interest rates depending on the platform and how they operate. Also, as we saw in section 4.3.3 the underlying reality is that lending to ‘people like you’, when the majority of lenders are white and male, could be playing a role in the exclusion of non-white and less attractive borrowers (Duarte, Siegel & Young, 2012; Ravina, 2012). Thus some socialities are perhaps being created or re-produced, alongside the reduction of possibilities for certain demographics through the connecting of creditors and debtors.

For individuals, credit-scoring practices entail price differentials based on the perceived risk of the loan. On RateSetter for example, borrowers who make the grade to be accepted onto the website but who have a lower rating will pay more than A- and A\*-rated borrowers. These ‘credit-rating fees’ go into the Provision Fund, put in place to cover any potential losses to the lender. As of June 2016, the Provision Fund is covering £625,517,650 of outstanding loans; this belongs to lenders but is held in trust by RateSetter in case of losses. If credit and debt is a relationship of power, then the platform has here made a decision that the debtors pay the price for the near elimination of risk to the creditors. This results in the creation of a relationship that is much closer to that of a savings account

with a much better rate than is currently available in mainstream banking, but a relatively similar risk profile (unless something goes drastically wrong).

RateSetter made changes to the structuring of their Provision Fund in 2017 in case of worse than expected bad debt where the fund would not cover losses.

Now in such an event, all eligible lenders would take a hit on their interest, thus pooling resources without damaging their capital. This leads to a slight balancing of risk and reward where the creditor is expected to take on some, if not all, of the burden.

What is interesting to pay attention to is the way in which bad debt is dealt with in Funding Circle. Bad debt (stable at around 2% since 2013) is discussed as being a reality of lending to businesses, and there is a recognition that although the Credit Assessment Team rate each business individually and assign them a risk band of A+, A, B or C, that circumstances can change and sometimes companies will default. But this risk is contained in the acceptance of a higher interest risk and the expectation that an investor will diversify their risks. Zopa is interesting, as over time it has moved from having a 'Safeguard' fund, with low risk, to an expansion of risk profiles for borrowers and a more vigorous embracing of risk, which is to be taken on by the creditors, with the usual debt collection processes for the debtors.

If an individual debtor is aggregated with other similarly scored borrowers with a standard interest rate for that grouping they will gain a measure of certainty that the loan will be accepted and they will know the cost of their on-going monthly payments. For those who are assessed individually, such as those businesses on ThinCats, the nature of the auction and the vagaries of the crowd's response to the loan request creates much more uncertainty in the process. There is a measure of control, as the business can set maximum interest rates and amounts, but a lot is dependent on the supply and demand of loans on the site and the wider financial system at any given time. As Daley (ThinCats) explains:

If it's a special deal, low risk, we'll say don't bid unless you can bid less than [an] 8% [interest rate]. Trouble is, there's been so many deals that the lenders have gotten greedy and say they won't lend unless it's 10%. I've got my pension in and I have to admit I won't

lend on less than 10% because I've set that rule for myself. Whilst the banks are not active in the market we have no real competition, so we can get away with it. As more competition comes into the market it'll drive the rates down. I think then our typical rates will be around 8%.

In this system in particular, the creditor is largely in control and able to set the terms if there is a lot of competition for creditors, but if there are not a lot of lending propositions then more money will be chasing the same loans, theoretically increasing competition and driving the interest rate down. For the debtor business, they may be able get a loan when they have been refused elsewhere, but there is no guarantee that the time, effort and resource will pay off in a process that may take considerably longer than if they were able to get a loan from a more traditional source.

#### **5.4.2            *Timescales***

There are however temporal benefits with peer-to-peer lending that may also open up possibilities for the peer-to-peer debtors, or at least provide some future stability in relation to the timescales set out by the platforms. Importantly, there are generally no early repayment fees. Once a loan has been agreed the term and rate is set and not subject to early calling in. As a regulator (R3) put it when discussing the fact that crowdfunding has not been tested in a full business cycle:

There might be slightly better outcomes in that one of the features I hear about a lot of the last crisis wasn't just [that] the ability to do new investments stopped, but actually a whole pile of stuff you'd already got loans for were being pulled back and covenants were being exercised to the letter of the law rather than "can you service the debt?". Crowdfunding may not have that problem because once the deals are done [they] are pretty much pushed off to one side and can be administered separately, so there could be a benefit there but it might be in the margins.

It may well be a benefit 'in the margins' for the regulators, but for the individuals and businesses who have been subject in the past to foul play by banks like RBS who have been accused of 'crushing' businesses to boost company profits through the now notorious 'Global Restructuring Division' (Chapman, 2016), the solidity

of crowdfunded loans is a very tangible benefit indeed; it enables a measure of certainty, perhaps freeing them up to focus on other parts of their business or lives, or at the very least enabling confidence that their loan will not push them into unnecessary bankruptcy.

On the flip-side, as debtor loans cannot be called in early, creditors largely have to wait for the loan to mature to get their full return, however there are an increasing number of secondary markets compared to five years ago. These are universal but particular to each platform. Zopa's market is available all the time, but any unsold loans are removed after ten days. ThinCats' market is open 9-5 on business days and the loan auction lasts for seven days. Funding Circle has traded £77 million on its secondary market up to June 2017. All have rules about which loans are able to be offered for sale, and all stress that the market is not a guarantee that creditors can withdraw their capital at any time. So like mainstream finance, there does exist the ability to cash in loans early, but there are more restrictions which may lock creditors in to longer timescales.

As mentioned earlier, the regulators have some concerns about the newness of the platforms, and the fact that they have not been tested yet. They hold a cautious awareness that peer-to-peer could be a product of its time – it may only be possible during a period of great distrust in the banks, and record low interest rates making the rates that are able to be offered on the platforms very competitive. As one regulator said (R2):

There's a question to how much this is just a cyclical response in the downturn, and as the banking sector recovers how will they fare? We don't really know yet how they will respond as they haven't been through a cycle themselves, it's not really been tested yet so it really is untried.

And another (R3) followed up with:

At the moment there's nothing to say they won't suffer a similar fate in a crisis as they are as reliant on a steady stream of investors as they are on a steady stream of lending propositions. If in a crisis, no-one wants to invest, they could dry up like anybody else.

They did concede that as peer-to-peer works differently from banks, that any shocks would be experienced on a different timescale, and that ‘anything that provides a slight disconnection will be a step forward’. The regulators also mentioned that in their view the peer-to-peer platforms move at the speed of technology firms, not finance, and that the platforms are not happy to hear ‘we’ll get back to you in 26 months, which is how the regulatory world works’. French and Leyshon remind us that the impact of technology and the internet on new economies is not always beneficial, especially where it can exacerbate existing inequalities: ‘the discourse of speed, efficiency and consumer empowerment that surrounds e-commerce and e-finance is politically freighted, as it seeks to normalise and justify longer-run processes of uneven development’ (2004, p275). So whilst peer-to-peer lending might be speeding up the lethargic finance system, there needs to be some awareness that speed may not always disrupt existing power relations and may instead reinforce them.

So overall in peer-to-peer finance I argue that the temporalities in terms of the balance of future obligations are again broadly replicating that of mainstream finance, in that the creditors are not expected to actually take on too much of a burden of risk, through the provision of safeguard funds, or through the practices of cherry-picking the ‘best’ borrowers who are less likely to default in the first place. There is however a range of different practices, with, broadly speaking, the peer-to-business sector expecting their investors to understand the risks inherent in business investment more so than peer-to-peer individual lending, which has more of a tendency to seek to protect the creditor. Decisions around who is deemed worthy to be a lender, saver or investor on the platforms also shapes expectations of risk and reward. For the debtor, there is a generalised temporal benefit in that largely they will not face any increased interest rates and they have the power to pay back loans early with no charge for doing so. Despite this, the futurity of their debt relation with their creditors is not unlike what it would be in mainstream finance thus reinforcing existing creditor-debtor power relations.

## 5.5 Subjects and Subjectivities

This thesis has shown how some of the platforms have strayed from some of their stated ‘social purposes’ where they sought to be different from banks in specific ways, for example, in targeting creditworthy but under-served people (like Zopa’s ‘freeformers’), but have been constrained by having to function within dominant political, regulatory, and cultural practices. Despite some increasing similarities with the mainstream, like the partnership of Santander and Funding Circle,<sup>36</sup> or the criticism that some platforms are more like a ‘peer-to-a-pot-of-money-to-peer’, the industry as a whole is still held up as being a more positive, socially useful alternative financial space. I will argue in this section that this ‘success’ is partly explained by the creation of particular social relations which help to create a perception of mutual benefit, of a ‘win-win’ industry, through the creation and emphasis of particular kinds of creditor and debtor subjectivities. After outlining the subjects who make up peer-to-peer finance, two subjectivities are identified which build on Langley’s entrepreneurial subject (2013) and which enable the creation of perceptions of mutual benefit, that of the ‘ethical, entrepreneurial creditor’ and a ‘savvy, grateful debtor’. Because of this, peer-to-peer lending platforms are able to be seen as more ‘social’, even if material outcomes are not always vastly different to mainstream finance.

### 5.5.1 Subjects

Most of the key people running the businesses come from large financial corporations inside the City. Zopa, for example, were founded by a team coming from the online ‘challenger’ bank Egg. Whilst not a large or dominant player in the banking sector, Egg was innovative at the time, being an online-only operation. Whilst there is some measure of ‘slightly outsider’ status found in Zopa, the other two biggest peer-to-peer platforms, RateSetter and Funding Circle appear to be solidly made up of people coming from the mainstream as illustrated below.

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<sup>36</sup> Santander refer small business customers to Funding Circle when they are looking for a loan, and in return Funding Circle will signpost borrowers to Santander where they are looking for ‘day-to-day relationship banking’. See Funding Circle (2014).

According to their website, RateSetter is currently run by nine featured people (in August 2014), all of whom have extremely strong links to the mainstream banking system. The Chief Operating Officer Peter Behrens was a banker at the Royal Bank of Scotland, and the others are firmly from established mainstream finance; Lazard, RBS, Mastercard, Lloyds Banking Group, KPMG and JP Morgan. Funding Circle feature nine people on their 'About Us' section, and it reads strikingly similarly to RateSetter – eight men from the financial services sector including venture funds, strategy consultants and investment banks, and one woman as Chief Operating Officer. The strength of the links between the platform and traditional financial networks seen here is not unexpected, one could assume that innovation would usually be based on an in-depth knowledge of the sector, however it raises a key question as to how the subjects may impact on the creation of the new industries – does it make it more likely that existing cultures and expectations will be transferred along with the people? Perhaps, and we shall return to this in section 5.6.

Moving on from the people who founded and run the platforms, who are the creditors and debtors in peer-to-peer and are they different to those being marginalised from mainstream finance? Or are they, as Leyshon and Thrift term it – the 'financially super-included' (1999, p447)? Work carried out by the innovation charity Nesta shows that the type of people investing in Funding Circle tend to be wealthy, well-educated and from the South East (Collins, Swart & Zhang, 2013, p14). The lenders are overwhelmingly male (83%) and 88% of them have experience of investments in bonds or stocks and shares. The average participant lent £7,983 across 67 different companies, and the average investor had a median financial wealth of £80,000. These figures show that, at least for Funding Circle, the ability of anyone to participate in peer-to-business investment has not resulted in a diverse and varied group of investors. Collins and Pierrakis argue that the newness of this industry has meant that it has initially attracted sophisticated and financially well-off lenders, but they believe that as the model proves itself safe and grows that the wider public will use it (2013).

When asked if they had a typical lender, Rhydian Lewis, CEO of Ratesetter responded 'Yeah I think, yes, I mean, well I can give you the stats but that might not give you the colour. The stats are average age is 55, mass affluent, they, I think to give them, I think they are the silver surfer, they are people with money, but time as well'. Zopa, in contrast, originally sought to reach out to 'freeformers' – creditworthy but 'under-served' people. Of interest, then, is whether their business still (or ever has) catered for that under-served network or if they are now catering for the customers of the traditional financial networks? Andrews reflected the changing demographics of Zopa:

Well it's changed, our early lenders, ironically were classic early adopters, technology early adopters, worked in IT, in the first six months they were younger in their demographic group than the borrowers. Now over time that's changed as we've become more mainstream and been written about in more mainstream publications instead of being in the technology press we're getting written about in *Wired*, we get written about in the *Daily Telegraph*, so our lender base has gotten older and wealthier. It's now in its 50s, very male, typically male, in their 50s and have £5–10,000 investment in Zopa as part of a much bigger investment portfolio, they're not wealthy-wealthy, you know, ultra-rich people, they're not high net worth people. They're mass consumers, middle class consumers, very nervous of inflation, umm, they're obviously sort of, amongst the more technologically aware of their generation.

This paints a different picture than that of the member stories found on the Zopa website – of 'regular' people, saving small sums of money, lending it out to other people 'like them'. Looking beyond the UK, in the US there have been reports that peer-to-peer lenders have been overtaken by institutional investors, with up to 60% of the industry's loans purchased by investors (Alloway & York, 2014). For customers, the knowledge that a high proportion of 'savings' were actually made up of traditional investing firms, may alter the community-based, mutual benefit narrative that the industry is trying to create. Firstly, this is because it damages the perception that peer-to-peer lenders are 'different' to banks, that they are about real people lending to each other; and secondly because the borrowers and debtors may not express the same level of gratitude to the lenders, or feel as morally obligated to pay if they believe that they owe the money to the richest

10% of people, as they do when they believe that the money comes from a school teacher or from a nurse's inheritance or future pension money. But, at present, if the lenders are what might be termed 'traditional' investors, what about the borrowers?

The aforementioned Nesta study (Collins, Swart & Zhang, 2013) looked at the demographics of the borrowers on Funding Circle and found that it was mainly established businesses (average 11 years old) with an average turnover of £906,000 and an average of 13 employees who accessed finance through the platform. Similar to the investors, the borrowers were mainly located in London (28%) and the South East (12%) and they borrowed an average of £35,000 although the minimum borrowed was £5,000 and the maximum was £75,000. They paid an average of 418 lenders an average interest rate of 8.7% (excluding fees). Similarly, the majority of LendInvest's, another peer-to-peer platform, loans go to London (83.5%) with the next biggest region, East England, taking only 6.3% of loans.<sup>37</sup> ThinCats described similar lending patterns, arguing that their borrowers reflected the relative strength of the economy, the borrower businesses are:

All in the UK, based again in the South East and the Midlands, because that's where we've got our contacts. A couple from Northern Ireland, a couple from Wales, one from Scotland, but generally where the economy is.

Peer-to-peer lenders differ slightly in their borrower profiles, and here we see the reproduction of circuits of capital with owners of capital drawing in wealth from borrowers located in the regions of the UK with a transfer from moderately paid public sector workers to wealthier individuals. Andrews said of Zopa's borrowers:

...the big misconception about creditworthy people, people assume creditworthy people are wealthy, they're not, creditworthy people are very stable. Umm, so the people with the highest credit scores, and therefore access to the cheapest loans, are typically are [sic] in their 40s, often work in the public sector, often live in the North of England and they are used to budgeting, they may not have huge amounts of disposable income, but they are used to living on a

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<sup>37</sup> See <https://www.lendinvest.com/invest/statistics/> for the most up to date figures

budget and they are used to being good with their money. It is not correlated with their wealth, people with salaries of about £30–35,000, so they are not poor, but they are not, you know, they're not wealthy

When asked about the borrower profile for RateSetter, Lewis said 'I'd say it's the lenders but 20 years younger. So, the average age is 35, no sorry the average age is 39, the average income is £35,000, 81% of them are homeowners, so to be honest with you it's middle income, middle England'. So, if the perception and stated social purpose is that peer-to-peer is different to banks, in that the industry attracts a more diverse kind of social than that seen in mainstream banking, then we have a problem, as it is increasingly obvious that peer-to-peer networks are made up of mostly traditional networks of people, boards, investors and debtors alike.

### **5.5.2            *Subjectivities***

How can an industry which has the potential to directly link up creditors and debtors but has instead created spaces that in practice replicate largely routinised, aggregated transactions be seen as more social? We saw in chapter 2 how Zelizer's work on monetary earmarking shows how seemingly impersonal transactions can be made social. Zelizer believes that: 'in all economic actions... people engage in the process of differentiating meaningful social relations' (2012, p45). Money is thus used by people as a means of creating, transforming, and differentiating their social relations and economic transactions. Langley (2016, pp16–7) argues that the duality of money enables the circuits of peer-to-peer, and that although money renders peer-to-peer loans commensurate in quantitative terms, it creates the possibility that projects might appeal to such earmarking practices where participants seek some level of meaningful social return alongside the financial.

RateSetter has the strongest example of trying to differentiate the rituals and practices of banking by creating a boundary between 'zombie' accounts and interest rates in banks, and the 'alive' and 'growing' opportunities on RateSetter. Placed centrally on the main homepage is an illustration of an alarm clock with

the graphics '3.2%: Wake up to a better rate' followed by the question 'are your savings rate dead? 80% of savings have money being eaten away in zombie accounts earning less than inflation. Check what rate you could earn and bring your savings back to life' (RateSetter, 2014a). The emphasis on rates and the delineation between life-sucking accounts and life-giving savings is reminiscent of Langley's arguments on the creation of the entrepreneurial subject (Langley, 2008, 2014). These arguments were that there is a cultivation of subjects who willingly and 'wisely' take part in the credit system. In this case, the promotion is to people with money, who may resent the fact that their bank's current and savings accounts offer them little in the way of increasing, or at least keeping their savings steady over time – the solution to which is offered to those 'savvy enough' to turn their back on traditional finance and join this new way of doing finance.

In addition to this concept of the entrepreneurial creditor in search of the best rates is a further characteristic, that one can have the best rates whilst also doing good – either by helping British businesses or regular people achieve their goals. The most overwhelming perception that is actively cultivated by the platforms is a strong sense of mutual benefit. Through peer-to-peer, the connecting of people without the need for banks is a win-win situation for both creditor and debtor (or in the language of the sites, savers or investors and lenders, borrowers or businesses). Until more recently, the principle focus on the main page of Zopa's website was halved between 'Get a Loan' in one bold centre-left box, and 'Grow your Savings' with '4.9%' in a large font on the centre-right box. A short explanation of peer-to-peer is also central: 'get low rate loans and high interest savings' (Zopa, 2014a). Specific references to the social aspect and mutual benefit began on the homepage where it was explained that Zopa is also known as a 'social lender' because borrowers and savers come together. Members are 'being part of social lending online'.

This is mirrored in the section 'How peer-to-peer/Zopa works' (Zopa, 2014b) where it was explained: 'as well as getting a great financial deal, social lending helps you to cut out big banks. So you can help fellow borrowers and savers while knowing you are being smart with your money'. Referring back to discussions of

scale in chapter 4, there is a dichotomy being set up here between 'big banks' and 'social lending'. There is a normative aspect where big banks equals bad, or inefficient, or uncaring, and 'social lending', *i.e.*, peer-to-peer, equates to being good, efficient and caring. The concept of mutual benefits was reinforced in the 'Community: Meet Some Members' (Zopa, 2014c) section of the website. There were eight borrower stories, concerning loans between £2,000 and £9,000 to pay for cars, home improvements, camper vans and even a sauna. There were nine stories about savers, who have lent between £700 and £16,000 with quite in-depth reasons behind their decision to save with Zopa including near-death experiences, providing for grandchildren, financial return and retirement plans. Something that comes strongly through in these stories is gratitude, and a feeling of connection on behalf of the borrowers; Vanessa and Gary from Manchester, who borrowed £3,500 said, 'it's great to know that our loan for the sauna has come from other people's savings, so their willingness to lend has enabled one of our ambitions to come true'. Andrew from Glasgow was lent £4,000 to buy a car to drive his son around and he said 'I love the idea that you can see all the people who contributed to your loan. It makes it personal and removes the corporate banking feel to borrowing. And for me... it's not just a debt of money... it's a debt of gratitude'.

The corresponding message from the savers was that there was a connection to a community and a sense of wellbeing created by the fact that their financial return had been able to make a positive impact on people's lives. Sometimes financial return is the principal benefit, as it appeared to be for Karina from London who saved £700. Nevertheless she said, 'an extra element is knowing that, by offering my unspent money at the end of the month, I am helping someone buy or do something that is really important to them. Saving and investing with a conscious [sic], if you will'. Conversely, Elaine from Taunton has saved £3,300 and is the most explicit regarding what she sees as the ethical nature of lending directly to people, and financial return seems to be a secondary priority: 'I am proud of belonging to a community of people who demonstrate their trust in others – and

to be making a respectable return on this ethical basis is definitely the icing on the cake!'.<sup>38</sup>

The 'win-win' business model is reflected strongly in Funding Circle's website and literature, which has less of a community feel to it and more of a nationalistic one; the quote 'Help the Economy. Invest. Lend to British Businesses at rates that suit you, and them' is dominant on the lending page of the website. RateSetter is even more explicit when it states that 'it's a win-win situation; you get a lower APR [Annual Percentage Rate of interest] and lenders get a better return on their money'.<sup>39</sup> The concept of mutuality here is much 'thinner' than that seen in some of the alternative financial spaces found in chapter 4, but it is harnessed to create *perceptions* of sociality and mutuality – for what purpose?

I argue that the peer-to-peer industry has, in part, been trying to cultivate a particular type of creditor subject, that of the 'ethical entrepreneurial subject' someone who can be motivated by rates and returns whilst also 'helping fellow borrowers' – constructing a mutually beneficial, *i.e.*, guilt-free creditor subject. On the flip-side, you have the creation of a 'savvy, grateful debtor-subject' – one who searches for a lower interest rate, but also sees value in being lent to by humans rather than banks who, far from resenting their creditors, may make more of an effort to repay in times of financial difficulties. Whilst platforms were keen to emphasise that, while the mass market is interested in interest rates, there are some who value the social side of peer-to-peer lending. Lewis of RateSetter emphasises 'it matters, but I think it's at the margin'. For those who do value the connection, Andrews of Zopa explains:

And some of our borrowers really value the fact that they're paying interest to people, and they feel sort of invested on a human basis, they're not just being lent money by a bank who is only lending to make money out of them. Umm, and that is a perception thing really, and to some of our customers, it's not interesting in the slightest, the customer finds us on Moneysupermarket webpage,

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<sup>38</sup> We can see from these examples that the ethical concepts here are limited. Whilst the mode of lending (*i.e.*, from person to person) is more equitable, the purpose of the lending is not up for debate. Borrowing to start a business versus relaxing in your home sauna are somewhat on a par here in the ethics that are being created. The ambiguity in the purposes of the lending is in part due to the dependence on aggregated credit-scoring which does not allow for the judgement as to the merits of the loan, merely whether it is considered risky or not.

<sup>39</sup> See RateSetter (2014b)

looking for a really good value loan and we happen to be the cheapest and they borrow a loan from us, to them it's just a loan. But to others it's a bit more than that, and I think that the 'bit more than that' is helpful because I think that there is evidence that people are more likely to repay not just because our models are better, but because it is so clear to people that they are borrowing money from people. And we do our collections in-house as well, so when someone stops paying, one of the messages we give them is you know, "you do know you borrowed money from people don't you? And you are letting someone like you down, are you sure you can't make a slightly higher contribution than the £1 you've offered?". That kind of message seems to be reasonably effective, now, how effective that becomes at scale, it's difficult to tell, but there's something in it.

This approach to the creditor-debtor relationship not only obscures the power relations inherent in such transactions, but actively seeks to emphasise the morality of the creditor in lending to get a good return. This emphasis also helps to cultivate the gratitude of debtors to their creditors, and, if it comes down to it, to call upon their guilt that they are letting down 'people like them'. These subjectivities work together but principally for the practical benefit of the creditor with the impact of the added guilt placed on debtors to pay back. It at once disciplines the debtors and assuages the responsibility of the creditors. The entering into the market of institutional investors has affected the legitimacy of these subjectivities which will be discussed in more detail in section 5.6.

## **5.6 Sociality**

What then, do the spatial, temporal and subjectivity practices outlined in this chapter add up to in terms of the actual socialities of credit-debt created in peer-to-peer lending? There are three main points about the social content that are relevant here. Firstly, and on the whole but with a few exceptions, I believe that the stated social purposes of the platforms match up with the social content that has actually been created. Whilst some may be disappointed as to perceived missed opportunities to create more radically social forms of finance, it would be too much of a stretch to believe that this is what the main peer-to-peer and peer-to-business lenders were aiming for. The social purposes of the platforms were

largely based in responding to: the need for better interest rates and opportunities for savers; the need for more credit due to bank retraction, especially for SMEs; and the opportunities afforded to 'do banking better' by utilising technologies better. As has been discussed, this places peer-to-peer platforms firmly in the business of competing with banks for customers and share of the market. These overriding aims ultimately guide the decision-making processes of the platforms whom I have argued are also spatially and physically networked into the mainstream financial services sector. Both of these things make it more likely that practices such as those surrounding credit-

rating agencies and perceptions of risk and reward are embedded and have expanded into this new sector, cementing and re-creating particular mainstream understandings of the credit and debt process and the rules surrounding expectations of the creditor-debtor relationship.

There are some notable exceptions where there has been a marked change in the emphasis of particular platforms in the sector, which in its very early days, rightly or wrongly, was often thought of and promoted as being 'social lending'. What is interesting is that the social element of Zopa, which was strongest of all platforms when initial data collection was undertaken in 2014, has now been all but stripped from the website. I do believe that there was, as I argued in section 5.1, a desire to do better and be more radical initially, but that working within the norms of the finance sector meant that it was indeed very hard to do. There were limits, for example, regarding trying to improve credit practices, Andrews (Zopa) said, 'we can use better science to make more sense of limited data... but what we can't do is ignore, you know, or make stuff up for absent data'. Nevertheless there was value in doing basic lending well, for less of a fee than banks, with better rates for creditors and debtors but, at least for a while, the 'social element' clearly still had traction as a marketing tool. In 2014 Andrews said:

...we wanted to build a warm and inclusive brand that was all about people, and I mean... I personally believe that all that is valuable and consumers like it. It can't be the be-all and end-all but you know, there will be lots of peer-to-peer lenders in the future and we are all going to start differentiating ourselves as to why we're

different and I think we'll always want to be the friendliest, the warmest, that goes to the font, the colours, that was all done for a reason.

The font and the colours have remained, but, as of June 2017, much that spoke to a deeper desire for Zopa to link up borrowers and lenders has disappeared – the saver and borrower stories, any reference to the ‘social’, and the community forum has been disbanded. This is not to say that the company as a whole have become ‘unfriendly’, the blog is very active and has the same tone and style as before, and all customers are invited to a party once a year, but the overall emphasis on the site is now focused on the business of giving loans and getting returns. Over the same period, Zopa has expanded its loan book to institutional investors and in December 2016 it had to temporarily suspend its loan book to retail investors due to a fall in borrower demand (Williams, 2016), which meant that at least temporarily institutional investors crowded-out the crowd. Thus, it appears that one initial idea of the crowd, of friendly but savvy lenders in search of non-bank and potentially more social returns, has been dropped in favour of a much more straightforward business proposition with greater opacity over the nature of the creditor-debtor relationship.

I argue that the desire to both create a product that challenges the banking sector, and creating something more social were, in this case, irreconcilable. Looking forward to chapter 6, this thesis will argue that crowdfunding at once dispenses with the capitalist desire for a return (by making ‘donations’) as well as the ‘un-deserving’ because whilst people may ask for frivolous things like saunas on crowdfunding sites, they are not likely to be funded. They may however get enough money to set up a social enterprise for local homeless people if that is what they asked for. Not only is the credit-debt relationship imagined differently, the ethics of the loan or project are also dealt with differently. Perhaps getting rid of the need for a return on investment enables different accounting practices, which include ethical and social returns, to be considered.

Secondly, interviewees were very much at pains to stress both that any social element did not mean any kind of charity in credit decision-making and that any perception of a social element is at best a fringe interest. Most people are

interested in rates and, as peer-to-peer prides itself as a customer focused industry, the needs of the majority of the platform's customers perhaps should be what drives the business forward. Again, a final quote from Zopa about their perception of the social is illustrative of the kinds of decisions that come in to play for peer-to-peer lenders:

the way I think about it is that, there's sort of a continuum between people who are either lending or borrowing for totally financial reasons and they don't care about anything else, to people who are doing it for completely social reasons. And we did have some people who were lending money at Zopa at 1% because you used to be able to choose your rates, and now you can't we do it all ourselves, but one of the pressure points when we were moving people from the, the, lending money to rates you pick yourselves, to rates we pick, was "what do we do with these people... that are actually lending money at 1%?" We actually had to tell them that they were either going to have to take your money away or you're going to have to price it with the market and some of them took their money away!

So, so to them, they were doing it for purely social reasons, so there's this continuum, not very many at that end, quite a lot at that end, but most people are somewhere in the middle, and they really want, the way I think about it is that the financial return has to be hygienic, it has to be better than the alternative, it also has to recompense them for a bit of risk, so it's not like a savings product, you might compare it to a savings product, but it is not the same product there is some risk associated with it, so everyone has their own view of the hurdle rate, you know if savings are at 2[%], then Zopa has to be at 5[%] or whatever, but even within that, that's the purely financial side, but to most people, there is some... value to the social side, and some people like being part of something that is new, and different and potentially challenging the banks, so that's semi-social as well isn't it?

The third and final point is that the discourse of 'win-win' mutuality at once reinforces the problems of the creditor-debtor relationship whilst simultaneously negating the perception of the debtor being worse off. This is done principally through creating the particular debtor and creditor subjectivities discussed in section 5.4. Having customers who feel that they are getting a good-value rate,

with the added bonus of some feel-good factor, regardless of whether that bonus is pleasure at circumventing big banks or knowing that your money is being used for something useful, is a good marketing strategy but one which will only work for some potential customers. Further research into the decision-making processes of people who use alternative forms of finance would be illustrative as regards to the extent to which the message of mutual benefit is taken up by customers and the wider public, as well as looking at how this may impact on perceptions of the industry by policy-makers searching for diversity and/or competition in the banking sector.

## 5.7 Conclusion

This chapter has sought to contribute to answering research question 2, *'How is "the social" assembled in peer-to-peer finance and reward-based crowdfunding?'*. In chapter 4, this thesis showed that other 'alternatives with alterity' are always constrained by (at least) two things: firstly the analysis of the problem that the alternative tries to change, and secondly the recognition that *the alternative is always embedded in and constrained by the mainstream, i.e., the current socio-economic-political systems.*

What has been found in this chapter is that peer-to-peer lenders, despite the name, do not necessarily allow a direct connection between lenders and borrowers. Aside from ThinCats, who mediate the creditor-debtor relation with their 'Sponsors', Funding Circle is the only major platform that enabled a direct connection, but in September 2017, even they decided to disband this function. The calculative practice of using credit-rating agencies removes the role of trust and the possibility for any deeper kind of social relation. Similarly, the distribution of creditors' money amongst many debtors to spread the risk of the loan also means the reduction of potential social relations – for example even if a creditor wanted to lend a larger proportion of money to a single borrower (perhaps they live in her town), there are rules in place which limit the amount of credit able to be given to a single debtor.

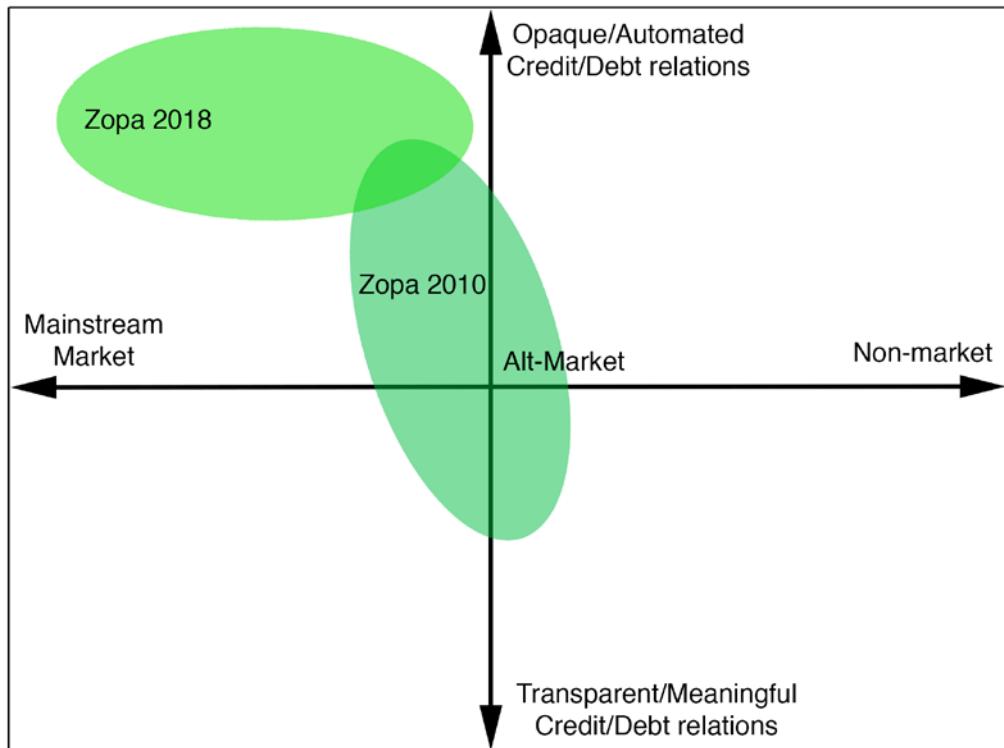
If we return to the various metrics given by Gibson-Graham to locate diverse economies, peer-to-peer lending would sit within the alt-market transactions category for the auction spaces of lending and borrowing, as peer-to-peer platforms have undoubtedly created new spaces that did not previously exist to connect up creditors and debtors, however aggregated they may be in practice. Within that category, specificity is needed to outline those platforms that signal the greatest potential for breaks with risk and reward, with Zopa and RateSetter initially allowing creditors to set any interest rate, but with Zopa later choosing to 'protect' customers from 'under-pricing their risk'. Each approach may have similar outcomes, but some have the potential for more radical transactions, for example the creditor being able to choose a lower interest rate than inflation thus benefiting the debtor.

The platforms themselves would sit as alternative capitalist enterprises: they are clearly businesses out to make a profit, but I argue that their efforts at transparency, and a focus on circumventing the usually opaque nature of financial institutions, is enough to set them out as different to mainstream capitalist (financial) enterprises. If they are successful in disrupting the mainstream so much that clarity and transparency becomes standardised then the ground will have shifted beneath them to place them in the (new) mainstream – at least on that particular issue. Whether or not the platforms discussed here will continue to innovate and continually push the boundaries of what is expected and normalised is yet to be seen, and again it varies amongst the platforms. RateSetter's ethos and business practice has remained relatively stable over the past five years or so, whilst Zopa has moved more solidly into the mainstream, to the point at which it is in the process of setting up a bank which may or may not bring disruptive innovation to banking itself.

Institutional investors and mainstream banks playing a role in peer-to-peer finance in the UK is just the latest in a trajectory of business decisions focused on the creditors and debtors that make up the platforms' customer base. The initial excitement around the uniqueness of a business model that could challenge the banks by replacing intermediation with a direct contract between peers has morphed into a situation where automation, aggregation and opacity mean that

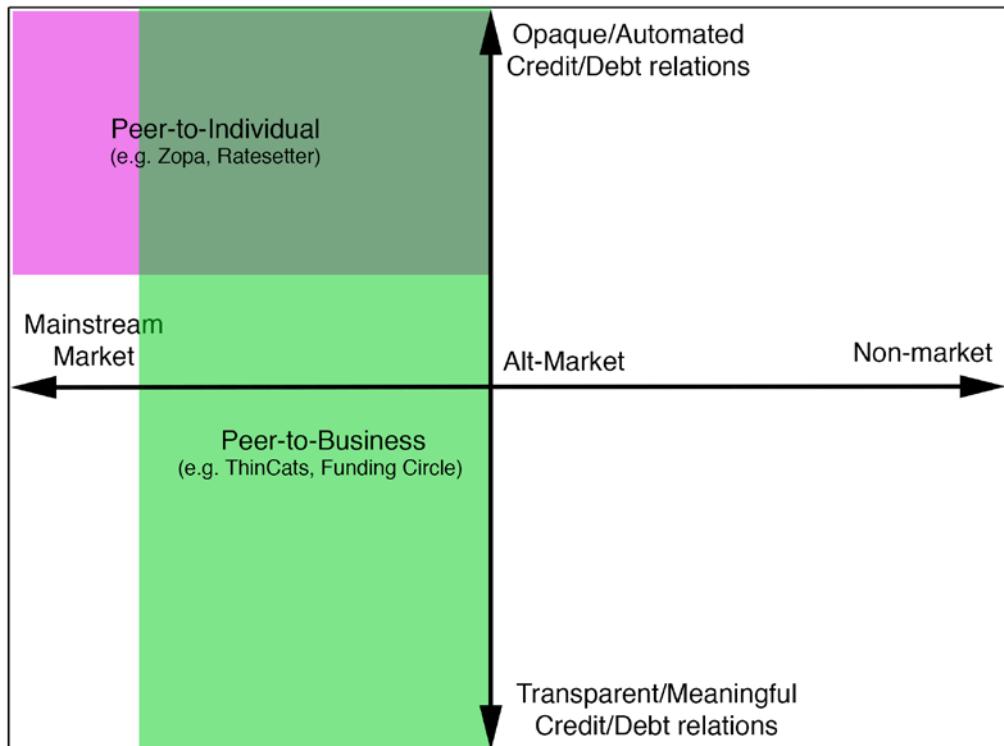
in practice peer-to-peer lending can look, in all but the small print, to be a more efficient form of bank lending. This is not a criticism *per se*, but a recognition that the social purpose of many of the lenders, whether they were looking for better rates for savers in times of a 0.5% base rate, or responding to a need for credit for SMEs in the real economy, is fulfilled by what the peer-to-peer platforms have created. There have been experiments in this industry trying for more social forms of peer-to-peer lending, but largely the reliance on the calculative agencies and traditional forms of credit-scoring severely limit this potential, although not as much of a lack of purpose to create these more social forms as a central aim. The following chapter will look at what happens when this is the case in wider crowdfunding circuits.

In chapters 2 and 4, it was asked whether the diverse economies approach in table 2.1 to ‘make visible’ the diversity of the economy would be able to properly reflect the case studies under examination in this thesis. Contributing to research question 1, ‘*What can a diverse economies approach contribute to theoretical understandings of the credit-debt relation in finance?*’, this chapter has argued that an interest in the diversity of credit-debt relations in peer-to-peer finance needs to pay close attention to the ways in which the platforms and the industry change over time and why. As such, the static nature of table 2.1 is not appropriate for making visible the past and present diversity of peer-to-peer. Instead, this thesis proposes a different visualisation which is sensitive to temporal and internal diversity as well as integrating an interest in the nature of credit-debt relations. The graphic in figure 5.5 shows two axes, which help to visualise this dual interest in the diverse economies of the credit-debt relation. The x-axis re-imagines the diverse economies table as a continuum, with the mainstream market to the left, alt-market in the centre, and non-market to the right. This allows a recognition that some economic forms may cross over, blur, or otherwise transcend these categories (over time or through internal diversity). The y-axis brings a focus on the creditor-debtor relationship with opaque and automated relations at the top, through to transparent and meaningful relations at the bottom. This is therefore a visualisation of how the sociality of a platform or industry relates to its alterity.



**Figure 5.5. The changing diversity of Zopa**

I argue that figure 5.5 above enables us to see how Zopa have changed over time and understand how the platform has moved from enabling a more diverse range of interactions between creditors and debtors on their platform (such as the initial ability for lenders to set rates, or forum functionality) and the consequent pushing of the platform from alt-market towards non-market because of the way some lenders set 'below market' rates. Whilst the reasons for this are uncertain, it is possible that this functionality enabled lenders to bring in monetary earmarking practices which were used to express a wider range of relations than a simple concern for higher interest rates. By 2018 we see how Zopa has both shut down the ability for lenders and borrowers to interact, and that this, along with other practices such as moving into lending to lower credit-scored debtors and the inclusion of institutional investors, has pushed the range of possibility for the platform up into the top left-hand corner. From this I argue that we can see that Zopa now occupy a space that ranges from mainstream lending across to alt-market, all of which have little scope for meaningful creditor-debtor relationships to emerge.



**Figure 5.6. Peer-to-individual versus peer-to-business lending diversity**

Contributing to research question 2, ‘*How is “the social” assembled in peer-to-peer finance and reward-based crowdfunding?*’, I argue that this visualisation can be used to look at common practices across the peer-to-peer industry. When we do this, as seen in figure 5.6 above, we can see that although the drive to automation of the creditor-debtor relation is strong in peer-to-individual lending, only peer-to-business lending is currently enabling the potential for direct and meaningful creditor-debtor relations. Contributing to research question 3, ‘*What enables and constrains attempts to create new kinds of creditor-debtor socialities in peer-to-peer finance and reward-based crowdfunding?*’, the abundance or lack of meaningful credit-debt relations is a big factor in either enabling or constraining new kinds of creditor-debtor socialities. In comparison to the example of Zopa above, where the ability to create meaningful relationships did impact on *some* customers choosing to lend at lower rates, it is not clear that the ability to hold meaningful relationships in peer-to-business results in ‘more social’ forms of lending. We instead see that, by and large, these platforms occupy nearly the same range of diversity between mainstream and alternative markets. Chapter 6

will show how this sector visualisation of the diversity of credit-debt relations corresponds to the reward-based crowdfunding industry.

The last chapter applied the framework from chapter 4 to the claims of alterity and social purpose made by peer-to-peer finance to see how such alterity and social purpose were enacted through their spatial, temporal and subjectivity-creation practices. This chapter will apply the same framework to reward-based crowdfunding. A brief background and discussion of the history and context of donation- and reward-based crowdfunding<sup>40</sup> is outlined in section 6.1, before moving on in section 6.2 to discuss the claims to alterity and social purpose made by the crowdfunding platforms. Section 6.3 looks at spatial practices, focusing on scale and locality, networked and relational space and spatial boundaries. Section 6.4 goes on to discuss the temporal practices at play in terms of enacting possibilities and the timescales of crowdfunding, before moving on in section 6.5 to discuss the subjects and subjectivity of the industry. Finally the chapter concludes with a discussion of the sociality of reward-based crowdfunding in section 6.6 before concluding in section 6.7.

### 6.1 History and Context

It soon became apparent that we had some very strong song ideas, but at this time we were having disappointing meetings with record companies, and took the decision to make the album ourselves. This was made achievable with the pre-ordering idea, to hopefully fund the recording.

This step made the whole thing feel much more special to me, I think because we were writing for ourselves, with us owning the end result, and this had a big influence on creativity. It seemed that in music, as in business, we were not afraid to try anything, and to keep open minds. (Trewavas, cited in Marillion, 2001)

Crowdfunding started in the music industry when, in the late 1990's, the rock band Marillion used their newly created website to 'fan fund' \$60,000 to pay for a US tour and an album (Baeck, Collins & Westlake, 2012). In total 12,674 special

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<sup>40</sup> As donation- and reward-based developed at around the same time I will look at both, before focusing on just reward-based crowdfunding in the rest of the chapter.

edition copies of *Anoraknophobia* were pre-ordered by fans, enabling the band to own their own songs and bypass record labels, changing the dynamics of the music and publishing industry forever. Shortly afterwards, in 2001, JustGiving was launched as a platform solely dedicated to charitable giving. Specific reward-based crowdfunding platforms came later, with IndieGoGo arriving from the US in 2008 and Kickstarter in 2009, both of which pioneered the use of rewards as a motivation to give money to particular projects. Whilst they are now open to more general projects to varying degrees, these platforms have been heavily skewed towards creative and technology businesses. CrowdFunder was set up in 2012 and is now the biggest reward-based platform in the UK. Their mission is to 'help people raise the funds to turn their great ideas into reality' and attracts 'social' projects from businesses, charities, community groups, and political parties among others.

Model name and description	Examples of platforms in the UK operating this model	Key Stats	Most funded sectors from this model
<b>Donation-based crowdfunding</b> Individuals donate small amounts to meet the larger funding aim of a specific project while receiving no tangible benefits.	Spacehive GlobalGiving JustGiving Crowdfunding	<b>Volume in 2015</b> - £12 million <b>Average campaign size</b> - £714 (However, the average campaign size varies from tens of thousands to a few hundred depending on the platform.) <b>Average number of backers per campaign</b> - 41	1. Charity and philanthropy 2. Health and social work 3. Community and social enterprise
<b>Rewards-based crowdfunding</b> Individuals contribute towards a specific project with the expectation of receiving a tangible (but non-financial) reward or product at a later date (sometimes referred to as pre-purchasing).	Indiegogo Kickstarter Startsomegood	<b>Volume in 2015</b> - £42 million (An estimated £8 million of which went to good causes) <b>Average campaign size</b> - £6,326 <b>Average number of backers per campaign</b> - 326	1. Film 2. Technology, media and publishing 3. Community and social enterprises

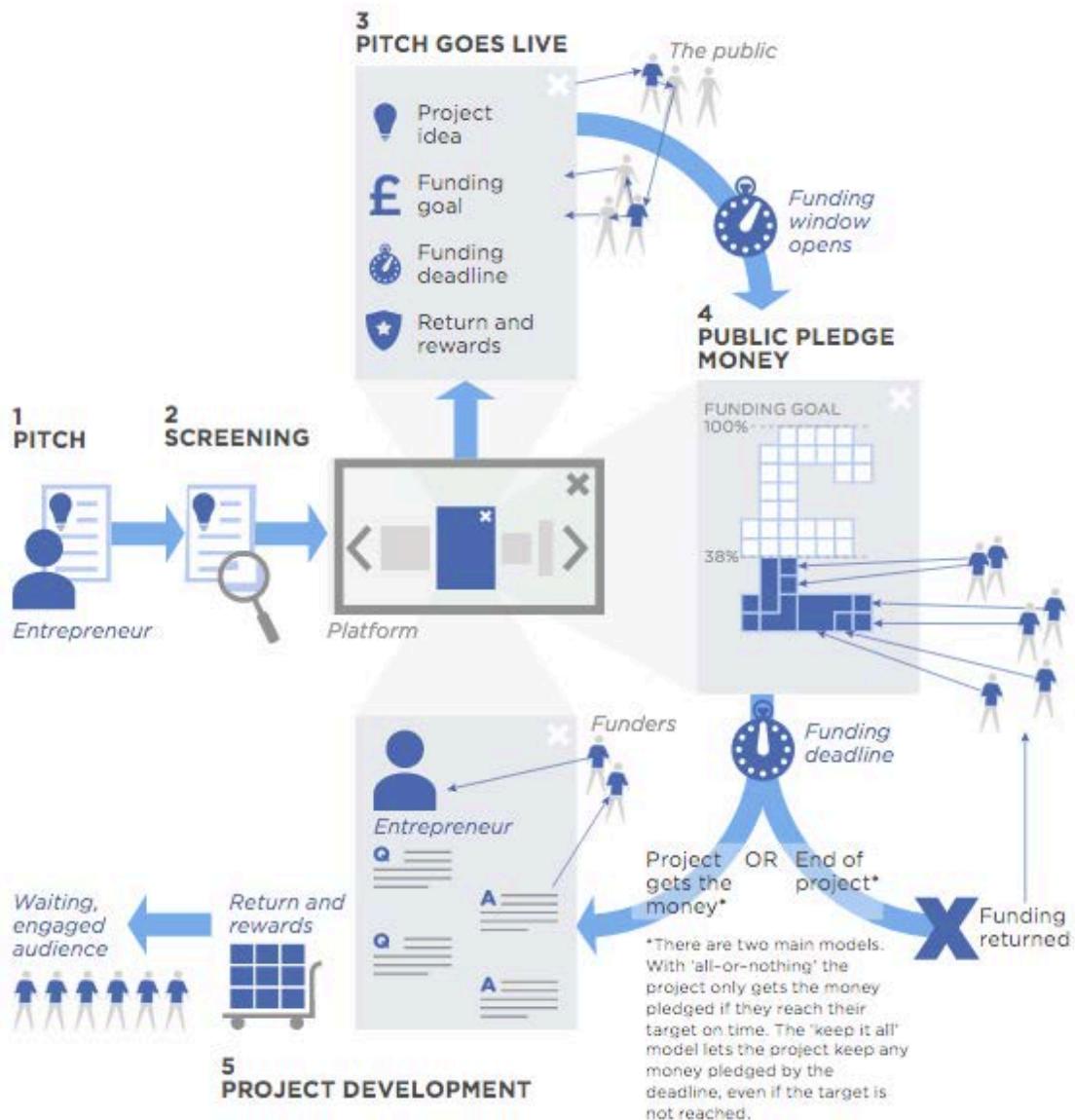
**Table 6.1. Donation- and reward-based typology**

Source: Bone and Baeck (2016a, p12)

Crowdfunding is a monetary form of the general phenomenon of crowdsourcing – the practice of using a wide group of people to source ideas, feedback, solutions and resource for specific purposes or projects – which the internet has enabled on a huge scale. Tordera (2012, n.p.) defines crowdfunding as 'a collective effort of many individuals who network and pool their resources to support efforts initiated by other people or organizations'. It is a very old idea – using public subscriptions to build shared assets – but brought into the 21st century using the internet to reach local communities in new ways or to reach out to geographically dispersed communities of interest. Individual projects and businesses are financed with small contributions from a large number of individuals, allowing

'innovators, entrepreneurs and business owners to utilise their social networks to raise capital' (2012, n.p.). Whilst peer-to-peer is often placed into the general category of crowdfunding, as it solicits finance from the crowd in return for either capital plus interest or for an ownership stake in the company, it is important to recognise that both donation- and reward-based crowdfunding are not based on the expectation of any kind of pecuniary return. As table 6.1 above shows, the broad range of types of return expected, from philanthropic giving in donation-based platforms like JustGiving, through to reward-based charitable giving in CrowdFunder, to the 'pre-ordering' of products from a start-up business in IndieGoGo or Kickstarter.

Crowdfunding platforms all manage their processes in slightly different ways as Bone and Baeck (2016, p13) illustrate in figure 6.1. Campaigners, organisations and businesses who are ready to launch a campaign start by pitching their idea to the platform. The platforms may then choose to screen the project in advance to see if it meets any criteria they have set. This may simply be restricting: projects involving any illegal or unsavoury activities; projects which go against 'community standards'; projects which are not creative or socially focused. Alternatively, platforms may choose to enable the crowd to screen the project themselves. Then the pitch launches with the project page becoming accessible to the public with details of the project, funding amounts and timelines, and with the facility to pledge money with any rewards outlined. Backers or funders can then pledge the amount of money they wish to give, choosing any rewards on offer for a limited time. CrowdFunder, for example, offer up to 8 weeks on the platform, but advise that successful projects are more likely to last 4 weeks. Where pledges do not reach the target set for the project, one of two things may happen – on an 'all-or-nothing' model the platform will cancel the fundraising, with money returning to backers, and on the 'keep-it-all' model backers will receive whatever is raised. Finally, successful fundraisers receive their money, less fees, and work on their projects, delivering rewards as necessary.



**Figure 6.1. The stages of a crowdfunding campaign**

Source: Bone and Baeck (2016a, p13)

As of 2017 JustGiving, the donation-based platform, has raised over \$4.5 billion in 164 countries (JustGiving, 2017), Crowdfunder, the UK's largest reward-based platform has raised over £20 million from a crowd of 600,000 people since its inception in 2012 (Crowdfunder, 2017a) and on Kickstarter 13 million people have pledged \$3.2 billion USD, successfully funding 128,039 projects (Kickstarter, 2017a). Similar to peer-to-peer lending, platforms make their money from charging fees to successful projects and it appears that business is good, with Crowdfunder successfully raising over £1,300,000 during its second round of

equity crowdfunding on CrowdCube in 2016.<sup>41</sup> Total volumes donated through donation- and reward-based crowdfunding in 2015 were £54 million, £42 million for rewards and £12 million for donation (Zhang *et al.*, 2016).

The closest comparison to donation-based crowdfunding is charitable donating, which is much larger, but, rather than seeking to replace charitable donations with online versions, it is more accurate to see donation-based crowdfunding as forming a new way to target different potential donors, as chief managing officer of JustGiving Charlie Wells states: 'People who give to crowdfunding projects are generally younger and less engaged in the charity sector. It does not mean they don't give; they just want to feel more connected to the impact of their money. That's why they love crowdfunding. Giving is really tangible and rewarding' (Bone & Baeck, 2016b, n.p.). Recent research on the impact of crowdfunding on the charity and social sector has shown that even though the volumes may seem quite large, crowdfunding is thought to make up only 0.5% of giving in the UK (Bone & Baeck, 2016a). Despite being only a small part of overall giving, the opportunities of the kinds of online fundraising enabled by the platforms extends finance to projects that might otherwise struggle. Indeed Anne-Marie Huby, co-founder of JustGiving explains the social purpose that lies behind her platform:

In 1999, Zarine Kharas, our CEO, spotted the opportunity to use the web to better connect good causes with people who care. When she and I met, I was running the UK branch of the humanitarian group Medecins Sans Frontières and looking for a low-cost system that would enable the charity to accept donations online. Such a system did not exist. So I joined JustGiving full time and we launched JustGiving a little over a year later, in February 2001. (Huby, 2014)

The founders of JustGiving identified a gap made possible by the technology of the internet and sought to enable an easy way for people to donate to charities online. As well as the money raised, the inclusion of important non-monetary benefits such as awareness-raising or the reaching out to potential volunteers is a key way in which donation-based crowdfunding tries to set itself apart. Whilst

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<sup>41</sup> It is interesting that reward-based platforms are happy to raise money for themselves through equity crowdfunding, confident of their potential to successfully monetize the sites. This will be discussed further in section 6.4.

there are clear resonances with donation-based crowdfunding, this chapter will focus on reward-based platforms because they create a more ambiguous space for a wider variation of creditor-debtor relationships over and above ‘simple’ charitable giving. Reward-based platforms, whilst sometimes allowing for something close to donation-based giving, are different in that they require the inclusion of rewards. This means that a huge range of diversity exists along a spectrum within this sector; rewards can be something as low-cost and intangible as naming sponsors on the website, or emailing a ‘thank you’ card, through to ‘free’ tea and cake for the donor in the new community café that has been funded, through to something that more closely resembles the pre-selling of goods or services.

## **6.2 Alterity and Social Purpose**

This section will look at the claimed social purpose of the platforms in order to outline the ways in which the donation- and reward-based sector construct narratives about their industry and about what kinds of ‘social’ they are trying to create, before moving on in the following sections to examine the spatial, temporal and subjectivity-creation practices that have been created in this emerging sector, and see how those practices have made particular kinds of sociality.

Money is a key driver for those seeking funding on donation- and reward platforms, but the relationship that this sector of crowdfunding has with mainstream finance is to be investigated here. Unlike peer-to-peer lending, which aims to compete with banks for their savings and loan customers, and equity platforms which seek to open out equity finance for SMEs beyond venture capital and business angels, crowdfunding does not seem to aim share the social purpose of disrupting mainstream finance in the same way. A main motivation for reward-based platforms seems to be a focus on extending alternative finance opportunities to charities, social enterprises and entrepreneurs, as well as early stage start-up companies. However, as I will argue in section 6.4.2, this appears to be seen as complementary to other funding sources and appropriate for particular stages in project development.

If a major point of difference with mainstream finance is the way in which funding is fulfilled by the crowd, another point of difference with other crowdfunding sectors like peer-to-peer finance is that the funds are given without any expectation of monetary repayment or debt-based interest. In that sense it is similar to charitable giving, but where both donation- and reward-based crowdfunding do not expect a monetary return, reward-based crowdfunding does mandate the inclusion of some form of 'reward'. Where peer-to-peer finance has specific, measurable 'rewards' in the form of money bearing interest, reward-based platforms are spaces which are not limited by the concept of a financial (or even tangible) return. There is a spectrum of rewards on offer, from the solid and tangible CD copies of 'Anoraknaphobia' or a new piece of technology, to the intangible 'thank you' emails or recognition on a website. Somewhere in the middle is the chance to participate in events, such as parties or gigs with the organisation, individual or band that is seeking funding. Generally speaking, the monetary value of the reward is less than the money donated although there is a wide range of difference within any given project on a platform depending on the nature of the project. Those projects which are based in start-up tech firms will be trying to 'pre-sell' their products, and so the rewards will more closely match the cost or retail price of the reward (e.g., a new smart-watch or fitness device) whilst those looking to raise money for social ventures will be looking for rewards that minimise the time and resource needed to deliver them, increasing the overall money available for the project itself.

The trade body the UK Crowdfunding Association make claims that donation- and reward-based crowdfunding are a form of 'democratic finance' where:

People invest simply because they believe in the cause. Rewards can be offered... such as acknowledgements on an album cover, tickets to an event, regular news updates, free gifts and so on. **Returns are considered intangible.** Donors have a social or personal motivation for putting their money in and expecting nothing back, except perhaps to feel good about helping the project. (UK Crowdfunding, 2019; emphasis added)

The concept of crowdfunding playing a role ‘democratising finance’ is an interesting one and is something that seemed to motivate the founders of IndieGoGo who: ‘came together because they found a fundamental flaw in the system: for centuries, access to funding had been controlled by a select few’. Their solution was to ‘shift the power into your hands—to empower creative, entrepreneurial people everywhere to bring their ideas to life’. (IndieGoGo, 2017, n.p.)

A dispersed model of funding through the crowd and the inclusion and promotion of intangible rewards are key features in understanding reward-based crowdfunding. There is also third feature whereby platforms and participants value the social connections that crowdfunding offers, with the potential to reach out through and to networks. I will argue that this is of fundamental importance for a lot of projects, nearly as much as the money itself. Fundit.Buzz (formerly BuzzBnk) was the first UK platform specifically for social enterprises and charities, and was created to enable social ventures to generate public support. They argue that, as well as raising money, by engaging with the crowd participants will become better and more efficient organisations. It is clear that they believe that more is being exchanged here than money, including sharing expertise, marketing through promoting the project, and backers getting more personally involved in the problems behind the projects:

Our other hope is that backers or customers might begin to see themselves as part of a crowd who are able to have a bigger and more exciting impact on achieving change. For example, a supporter of social venture Pants2Poverty is not just a customer who also gets a free pair of pants as part of the offer, but potentially also as someone who can assist with sales, who can promote fair trade and pesticide-free cotton growing and who can do more to address world poverty, using their initial small support as a starting point and with the encouragement of Pants2Poverty and Buzzbnk who will guide them through the different opportunities for getting further involved. (BuzzBnk, 2017a, n.p.)

So reward-based crowdfunding makes claims to democratise finance, to enable the crowd, to make sure that ‘no good idea is left behind’ by providing a new way

to fund businesses, charities and projects, and makes claims that what makes this form of crowdfunding so different is the connection of the projects and their backers. There is an attempt both to directly connect creditors and debtors and to do so in a more visceral and interactive way, in particular by allowing a greater flexibility in the kind of reciprocity expected in the creditor-debtor relationship. What follows is an analysis of the spatial, temporal and subjectivity-creation practices that have become apparent in the empirical research through interviews with platforms and users.

### **6.3 Spatiality**

This section looks at the scale and locality, the networked and relational spaces, and the boundaries of reward-based crowdfunding.

#### **6.3.1 Scale and Locality**

As this thesis has argued in chapters 4 and 5, different types of ‘social’ are assembled through the harnessing particular kinds of spatialities; for example credit unions’ ‘small and local’ contrasts with peer-to-peer finance’s ‘bigger is better’ which seeks to continue to expand in both size and scale. Reward-based crowdfunding in the UK was worth nearly £43 million in 2015 (Zhang *et al.*, 2016, p43), so it is quite small in scale, although global platforms like Kickstarter and IndieGoGo are much larger in size, with Kickstarter having raised \$3,311,446,508 up to October 2017 (Kickstarter, 2017b). There are a range of ideas about locality in this sector, from the global reach of Kickstarter, to the UK reach of CrowdFunder, and the explicitly local Crowdpatch which is based in and around Birmingham.

Crowdpatch are an interesting outlier study, because they were set up as a community interest social enterprise and funded by a philanthropist who wanted to connect people to take action in local areas. It mostly only ever worked in Birmingham, and ceased operating in 2016. When it was still active, the desire was there to expand, whilst keeping the emphasis on specific localities. Emily Allen, the Birmingham Crowdpatch leader, spoke of their intention to create:

patches all over the country. Whether they are geographical or not, people working within their communities... because ultimately it's going to make the country better if everyone is working within their own communities to support each other... to fund these projects which have a positive impact.

The emphasis on local 'patches' was to draw on the wider wealth and resources of specific locales, with the hope that councils, local businesses and members of the community would all respond to calls for help by projects. There was also an emphasis on their website that it was about more than the money. As Allen explained:

We have people contacting us saying "we've seen this on your site and given £10 but, actually, we've got two bags of clothes in the garage" you know for the homeless one [project] and we'll say "get in touch with Ian, or go to your local homeless shelter" ... This is also in development, we're going to have a resources section so if you don't want to give, because this is a lot of businesses, maybe they'd not want to give money, but they might have a whole heap of wood that you could use for your building project, or "I'm a plumber or whatever", or "I'll offer 5 hours of my time because I'm a certified plumber or electrician", so that's something that's going to come in as well for people that can't necessarily give, or can't give money but they can give their skills.

Although it seems that this was never fully realised, the ways in which ideas of locality did and could shape the sociality of this particular platform are clear. An emphasis on local patches would most clearly enable a wide range of support and resource to be brought to bear on projects in addition to monetary donations. Additionally, each patch would grow to look different from other patches, taking on the specificity of each area and the kinds of projects and people who would populate it. Crowdpatch is an outlier because of its explicit focus on creating and promoting local spaces, but platforms like Crowdfunder do have a lot of local projects on their sites, especially in and around Cornwall where the head office is based.

Compared with peer-to-peer lending, reward-based crowdfunding is more geographically dispersed, at least in terms of the location of the teams behind the

platforms, none of whom are located near the City of London and the financial services sector. The relative isolation and culture of being located near the beach in Newquay, as CrowdFunder is, is a far cry from the busy streets around the Square Mile. It is of course impossible to say if the location of a platform's offices definitively changes motivations and decisions that are made, but it is likely that an active decision not to be closely associated with the mainstream financial sector signals a break with other forms of more financialised crowdfunding like peer-to-peer or equity finance.

There may be also more positive reasons for choosing 'alternative' locations for platforms. Whilst CrowdFunder found benefits in the supportive nature of the local community in Cornwall, Kickstarter's location was chosen because of Brooklyn's link with its target group of creatives. As Ben Cole explains:

I think it started in New Orleans when two of our cofounders met each other, if I remember this correctly, but then they moved to New York to really get it started, it was based out of the Lower East Side for a long time then moved here about a year ago, but I think both Lower East Side and Brooklyn were intentionally chosen to be [because they are] at the heart of the creative world.

This proximity enables the online platform to support geographically close creatives physically, in the real world by offering space: 'so we have a gallery downstairs and usually its people who created projects on Kickstarter, often people who are locally based. We host events for the community, usually they have some sort of educational angle like about how they can be more successful on Kickstarter, networking within that community and so forth'. There may be an interesting link between the location of these platforms within local communities and what that might do to the ways in which the platforms shape their online spaces, and their understandings of communities more generally. Phil Geraghty (Managing Director of CrowdFunder) explains the benefits that 'community' broadly defined can give:

we used to vet every single project that comes on and apply some kind of filter to that but it's actually really hard, you end up being quite subjective on a lot of that stuff around whether that benefits

the community, and that's kind of my opinion whether it benefits the community or not. What we've found is that projects don't get funded unless they benefit the community.

He goes on to expand on the difficulties faced by platform employees if they were to do due diligence on each and every project that appears on the site. Practically, how would they know, in each and every instance, what was valuable and what was not? They cannot, therefore they let the community decide:

We get so many different projects, we got 500 last week and they're different and weird and wonderful and we don't understand them fully. A classic one is we had this project where this guy wanted to make a documentary about tax, specifically about land tax and a new tax that he wanted to bring in, none of us knew anything about it, and we thought "no, that's never going to fund" but he went live, raised £10,000 and made his film. It's now been made, I've watched his documentary and now I understand what it is, so it's quite nice in a way that that happened! It's one of those ones where we can't really dictate what goes live and what doesn't, so the crowd decided what gets funded and what doesn't.

Here I argue that we can see that even if some crowdfunders have 'zoomed out' from a mandated and specific idea of the local, being based in and feeling part of a community may be helping to shape deeper understandings of the role of place and community in the way that the platforms are shaped. Aside from Crowdpatch, most platforms seem to take a wide angle on the concept of 'community' – the result is that they enable projects on their sites to be able to target both local communities and communities of interest. The next section looks at this second concept of spatiality, created through relational practices of networking.

### **6.3.2            *Networked and Relational Space***

Networked and relational space plays a strong role in setting up the sociality we find in reward-based crowdfunding. Crowdfunding's appeal to the crowd enables the creation of new networked connections across digital space that would not have existed previously. Crowdfunding online means that, theoretically at least, project creators could appeal to anyone with the internet. This, as will be argued

in this section, enables digital communities of interest to arise, and the inclusion of fans in the co-creation, or co-funding of products and artwork. The types of spatiality (and therefore sociality) that are created have a great deal to do with the ways in which the platforms are set up, which is partially based on their stated social purpose.

The platforms express a networked and relational sociality in two main ways. First, the kinds of projects that the platform actively seeks to attract carves out particular kinds of spaces and stakes out their niche areas where the platforms hope to dominate. Second, the spaces are then shaped by the people brought in by projects through their personal and social networks and communities of interest. What is found is a broad range of platforms and projects which call up very different kinds of social than others, through the way in which the participants focus on local *versus* networked ideas of space. There are some platforms in which a closer, more intimate, relationship is sought by the projects themselves, actively using the opportunities that crowdfunding provides to reach out to communities of people and asking for more than money from the creditors, including promotion, volunteering and skill sharing.

Reward-based crowdfunding is based on the cultivation of personal and social networks and communities of interest. At the beginning of this section, it was said that platforms theoretically enable anyone to connect with anyone else through the medium of the internet. Practically, however, the projects have to compete with hundreds of thousands of other projects across tens of platforms, not to mention other ways to fund projects offline. What this means is that the crowd is not simply there as a mass of passive consumers just waiting to give projects their money, but that projects must actively create the crowd themselves. They do this through their own personal networks, networks of interest and through cultivating new networks. Networked spatiality is a key driver of success, as Geraghty (Crowdfunder) explains:

There's different trends that we see as to what does and does not get funded. So some of the things we'll say to a project up front is: one, it's got to be a really good idea that people are really interested in; two, you've got to have a network to reach out to – so if you're a

guy who's been inventing in his shed for years but has no friends it's really hard. Getting it off zero in the first place is really hard – a bit like starting a car – the initial burst is the hardest bit. A lot of projects never make it off zero and it's because they haven't really comprehended what they have to do... with the bakery example... the first 30% came from people they knew and then these people go out and tell their friends and then they tell their friends. So you need to have that initial network but you need an idea that will spread well over that network.

Whilst personal contacts and networks may be a crucial element in launching a campaign, projects need to have a strategy for reaching out to wider communities of interest who can make up a substantial proportion of any successful campaign. Ilana Taub, co-founder of social enterprise Snact, successfully ran a project on Crowdfunder raising £13,516 to cover the expansion of the start-up. She said of the make-up of their funders:

I know probably about 50% were people we knew so friends and family and work acquaintances, and because of who me and Mike are... I guess it's people interested in sustainability... whatever, call it 'changing things' and probably 70% of them were in London. That's in terms of people, but in terms of the money we got that's a bit more skewed because like the biggest reward we had was for £500 and five, or maybe four [people funded us] and we knew none of them, so they were all random people and gave us the biggest rewards which is quite interesting.

Taub here gives an example of where networks of interest come in; Baeck and Collins' work shows that 'people are no longer limited to appealing to widely held motivations but instead can through technology access niche interest groups' (Baeck & Collins, 2013, p3). Cole (Kickstarter) outlines the tension and opportunities of appealing to both personal and professional networks as well as trying to appeal to niche interests:

Yeah that's often how it happens. It really depends on who the creator is. We have a lot of variation in like the public profile that our creators have, from like Zac Braff, and the Martha Graham dance company, which is like a very well-known dance company in New York, to just a random person who has an idea for something,

that's one variable that really changes who the backers are. The other is what type of project it is. So like the tech things, and it's usually the tabletop games, have really wide appeal amongst a random set of people because there are often these relatively niche audiences of super-super enthusiasts around those two things, especially where those can often get picked up and find a really enthusiastic community of people who are willing to contribute, even if they don't know the creator at all. But for your everyday person who has a project that is like a book, a dance thing, or a theatre thing then often it can be much more reliant on people's social networks...

Appealing to niche interests is also of interest to the platforms, as Geraghty (Crowdfunder) found out: 'we get certain rich seams of projects so the whole Green Party stuff started from one project – crowdfunding – and when you're able to demonstrate that to the rest of them you tend to get lots of them (when it's working). We've funded about 60 of them now and it's still going, we've raised about £100,000 for the Green Party now and it shows no sign of stopping.' This strategy appears to have become a target for the platform in order to expand the amount and variety of projects on the site. Speaking of niche projects, Geraghty said they spread in the following way:

...there's lots of them that have come on, done it, and then others have seen it and said "Oh we can do that, that's interesting", and then they go and run their own project. So a lot of what we do at the moment is to find one project that works really well and then try and explain that one project to the rest of all those projects.<sup>42</sup>

So, the boundaries that the platforms create around their sites play a key role in shaping the type of projects encouraged, then the crowd comes onto the site to bring it alive (or not). The networks brought in by the projects through personal connections or networks of niche interest shapes the platforms themselves.

These networked and relational spatial practices play a fundamental role in shaping the kinds of spaces that reward-based crowdfunding operates within.

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<sup>42</sup> It is briefly worth noting here that something becoming popular is not necessarily an indication of the social worth of something. In the Twitter/Buzzfeed age news can go viral suddenly – for example videos like 'Charlie bit my finger' has amassed over 853 million views and spawned numerous remixes, songs and other videos. Some projects actively try to court this kind of popularity, trying to make 'viral-friendly' media to get a 'buzz' going to promote their projects.

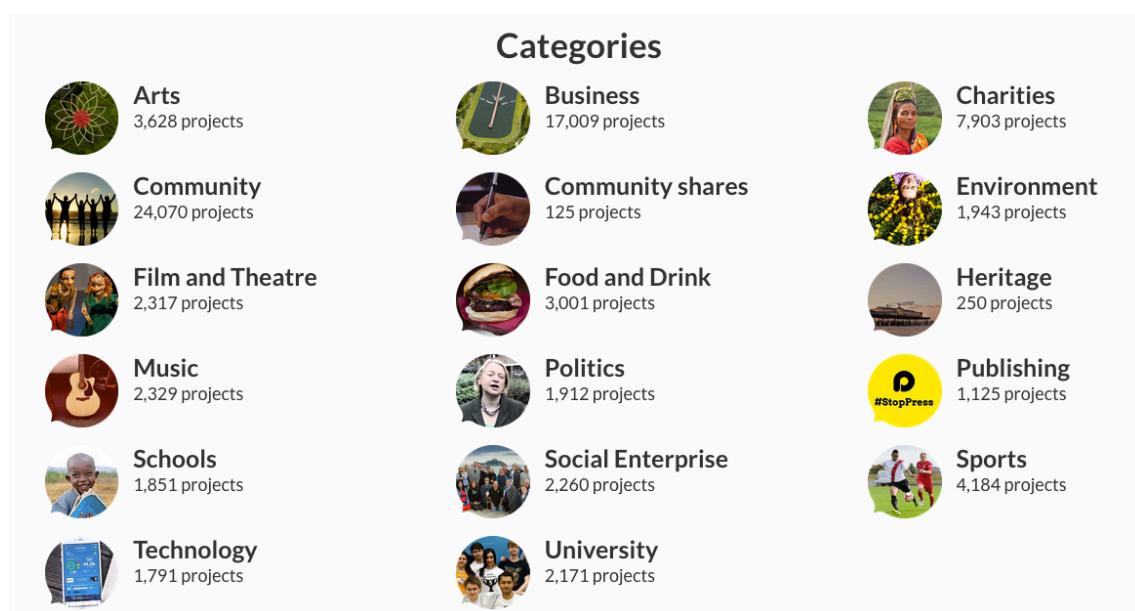
This thesis has argued that the spaces, and therefore types of sociality that are trying to be assembled, are diverse and that what determines the claims to particular types of social lies in the platform's choices around the types of projects it encourages, from Trump's unsuccessful FundAnything, to the explicitly social and ethically based FundIt.Buzz. I argue that those decisions matter. The people who populate the platforms and therefore shape the interactions that happen are then brought in through the choices and strategies (or otherwise) of the projects themselves, largely outside of the platforms' control. How the participants are tempted in to use the platforms makes a difference to how they, as the creditors, view their relationship with the debtors (the projects). Whether they are brought in thinking of themselves as investors in the next big start-up gadget company or as a concerned local resident wanting to fund and volunteer to clean up a local beach clearly makes a big difference to the kinds of sociality that is actually created. This thesis will argue in the section below that the majority of platforms build-in and expect interactions between projects and funders over and above the mechanics of money changing hands. Whether that potentiality is taken up by the projects and influences the depth of the creditor-debtor relationship or not, it still stands in contrast to the majority of peer-to-individual platforms where mechanisms such as these are absent.

### **6.3.3            *Boundaries***

This thesis argued in chapter 5 that regulations clearly shaped the spaces of peer-to-peer finance, reducing the sociality to that which would be acceptable to regulators. The final spatial practice of reward-based crowdfunding focuses on where the sector begins and ends in terms of wider finance and the on-going and changing needs of charities and businesses in particular. Because of the tendency to link donation- and reward-based crowdfunding together, the specific benefits of reward-based crowdfunding are often overlooked in favour of an assumption that it is best seen as a form of charitable giving. This has led to it being under-theorised as something that sits in a wider ecology of finance (Harker, 2017, p613). This thesis has sought to separate donation- and reward-based crowdfunding to create a clearer and more specific analysis of the sociality of the latter. A key shaping practice is how the platforms draw boundaries around their activities,

staking their claim to particular types of social. Those boundaries are transcended by the relational networked spatiality seen above in section 6.3.2.

In contrast to peer-to-peer, the platforms within the broad field of reward-based crowdfunding are individually more diverse. One way this diversity is created is by targeting particular types of users and sectors. I have shown that Kickstarter have situated themselves physically and culturally within communities of 'creatives', which has broadened out to encompass creators of technology. They have sought to place cultural or community-of-interest-based borders around their territory, and are global platforms. These borders and spaces are created through guidelines which limit what is permitted on the site and by encouraging specific groups to join them. Crowdfunder, as I show in figure 6.2 below, enables a wide range of projects, but all must share the central goal of benefiting the community. Unlike some other platforms, they do not allow what have been termed 'fund my life'<sup>43</sup> projects for personal gain or for loans or holidays.



**Figure 6.2. Types of projects supported by Crowdfunder**

Source: Crowdfunder (2017b)

FundIt.Buzz (formerly BuzzBnk) stake out a very specific social territory by concentrating their efforts on funding 'social ventures'. They define this quite

<sup>43</sup> These are calls for crowdfunding which are seen as being less legitimate than others. In general crowdfunding to pay for medical bills is something seen as acceptable, whereas asking the crowd for money to go on holiday or pay for luxury goods is looked upon less favourably.

widely, and instead of defining social ventures by business model,<sup>44</sup> the key for Buzzbnk seems to be that ‘charitable objects’ or social purpose must be central to the organisation’s business model, regardless of whether they makes a profit. To guard against companies using the platform to get positive marketing through corporate social responsibility schemes, they require that the articles of incorporation of the organisation must make it clear that at least 50% of the assets and profits are reinvested into the organisation, be donated to charity, or that a percentage of equity must be owned by a registered charity (alternatively it could be a combination of all three as long as it adds up to more than 50% of profits or assets). Here FundIt.Buzz are trying to stake their claim as the platform for social enterprises just as Kickstarter are staking their claim to creatives and creators of technology.

Not all platforms have sought to define vertical niches which try to mobilise the spatiality of networks and communities. In 2013 FundAnything was launched,<sup>45</sup> aiming to copy Kickstarter but without constraints on lending – it would, as the name suggests, fund anything. Donald Trump, a shareholder in the new venture, publicly committed to funding his favourite projects each week and promoting them on Twitter. He said of the platform: ‘That’s where FundAnything comes in. It’s the first website that actually lets anyone, anywhere raise money for ANYTHING. And that’s why I support it.’ (EIN Presswire, 2013). FundAnything had a couple of high profile successes by magician Penn Jillette and comedian Adam Corolla but the platform did not last long. This particular experiment was short-lived, but it unclear if the problem lay in the openness of the platform, its inability to compete with existing platforms, or perhaps even too close a relationship with Donald Trump.<sup>46</sup>

Rather than ‘funding anything’, new platforms are concentrating on mobilizing different networked communities of interest. WildCrowd, a UK-based platform,

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<sup>44</sup> They allow the following legal entities to raise funds: registered charities, companies limited by guarantee or by shares, industrial and provident societies/cooperatives, community interest companies, and limited liability partnerships. See BuzzBnk (2017b).

<sup>45</sup> The launch event was somewhat different. Trump towers invited people in off the street to see female models surrounding a fish tank full of money. Trump then asked for people’s stories of what they wanted the money for and began handing out cash and cheques for \$5,000. See Primack (2013).

<sup>46</sup> Who incidentally is not as successful a businessman as is made out. Research by a journalist estimated that if he had simply invested his fortune in a standard stocks and shares fund back in 1974 and retired, it would be worth around \$6 billion more than his current estimated net worth. See Indy100 (2015).

was set up for environmentally focused charities to raise funds, get volunteers and find 'citizen scientists'. Chuffed.org, originally launched in Australia, focuses on crowdfunding for social cause organisations. Worth an honourable mention is Patreon – a newer and slightly different form of crowdfunding, not quite a reward-based platform, it works by micro-funding artists, musicians, authors and similar creatives to keep working by asking fans to pay a small contribution of even £1 or £2 *per* month. The 'reward', if we were to see it as such, would be in enabling the person to continue to produce work that the funders can then continue to enjoy. As the funders would have to purchase any 'sellable outcomes' in the same way as everyone else, this tends to be more of an 'implicit' reward, rather than an 'explicit' one.

The attempts by platforms to market themselves to different audiences will of course have to do with the social purposes of the founders, management teams and strategies, but it also has clear ramifications for branding and marketing purposes. Regardless of the reasons, the people who are sought and attracted to use platforms begin to shape the kinds of projects that constitute the platform, either re-inforcing or altering the kinds of social that are created through their networks of backers. For example, it is unlikely that a social venture will seek to raise money through Kickstarter because there is a perception that its users will be looking for board games or technology, instead they are more likely to go to donation sites like JustGiving or reward sites like Crowdfunder, thus reinforcing the existing socialities of those different sites.

A second spatial practice regarding boundaries concerns the blurring of boundaries between crowdfunding and other forms of finance. A key finding from the research carried out is that for platforms and projects there is a recognition that reward-based crowdfunding is one of many possible options for a charity, organisation or business. Taub (Snact) explains that they chose reward-based crowdfunding because of the stage they felt they were at in growing their start-up:

...we did a rewards-based one as opposed to another one because at that stage we were like quite small. And we felt we were in a place

where we knew enough or had done enough to legitimately go on a platform and ask for money, but not enough to go into an equity thing because we didn't have enough knowledge of what we were doing... but for the rewards-based one I think we were in the perfect place because we had made them [Snact bars], we had sold them a bit so we could say like "hey guys we've been doing this and now is a time where if you help us you can actually make a massive difference".

So although the sector is seen as a more 'social' form of funding, in practice it is actually used in a much more fluid way as one form of finance to choose from amongst others, especially by social enterprises and start-up businesses.

Crowdfunding also has particular benefits in unlocking other forms of funding, as Geraghty (Crowdfunder) explains:

We've kinda always said we want to fund start-up businesses, community groups, charities, individuals, the whole range, what we find is each one of those groups have different needs and different aims and each of those also have different funding options. Start-up businesses have start-up loans that are available to them, charities will have grants that are available to them, and what we're finding is the crowdfunding is helping to unlock these other sources of funding. What we're doing lots of is speaking to people like start-up loans people about the businesses that we are crowdfunding. How can we introduce them to start-up loans and then get them start-up loans through their crowdfunding? We've had quite a few instances now of people who have crowdfunded, have then gone to a start-up loan provider and have now received a full start-up loan of £25,000 because they have crowdfunded, so they can use the evidence of the crowdfunding to help with their application. Which is really interesting, they're using it like a market research tool.

The specific functionality of crowdfunding helps projects and businesses in two main ways. Firstly, gaining the support of the crowd can enable projects to convince other funders, whether they are grant-, loan- or equity-based, that the project is needed and desired. In crowdfunding, therefore, success is seen as proof of concept (Veitch & Flood, 2017, p10). As Geraghty explains how this works with their corporate partners:

we're giving them an easier way to get involved and put their money into the right projects. So it should be more cost-effective for everyone and hopefully more money goes through into the right projects, but that balance of crowd money is really important, we've got to show though evidence from the crowd that the local community wants it before they can unlock the money from the business.

So crowdfunding seems to play a role in reducing the risk to other types of funders through the idea that success in a crowdfunding campaign demonstrates the popularity of the project. The crowd, by choosing to support a project, are proving the viability of the idea, which makes other funders more certain that any grant or investment will have support from communities or customers.

While success as proof of concept is important for funders and others to convince them of the feasibility of a project, it can also give creators the internal confidence to grow their businesses. As Taub (Snact) describes the process 'So it was both about the money but also about can we actually get people behind us, so sort of proving to ourselves that we were actually going down the right road', she continues 'a big part of it was "are people going to be excited about this and back us?"' Gaining confidence through a successful crowdfunding campaign can give projects the confidence to seek out further funding opportunities.

Conversely, if success is proof of concept then failure can also be seen as the failure of the idea. As Geraghty explains, 'the projects that tend to fail tend to be the ones that don't have a good idea in the first place or don't have a good network to push it out to the right people. Those are the two most common reasons'. Whilst he acknowledges again the crucial role of networks he raises an important point about how unsuccessful projects are seen. Inequalities in life will also be reflected in crowdfunding, so there may be many reasons why some may succeed and others fail even if the underlying idea itself is a good one. We know in finance more generally that pre-existing wealth and information disparities can affect the ability of people and groups to achieve funding goals, so whilst successful projects are considered to be proof of concept, many unsuccessful

projects may have excellent ideas but do not have the resources necessary to make a success of a crowdfunding campaign.

Campaigns take a lot of work, and reward-based crowdfunding is not cost free, as Taub (Snact) describes:

I think it took about two months to prepare the campaign before from the day we decided to do it to the day we launched it... not fulltime but... Making the video and thinking about the rewards and getting them sorted as well, like thinking about who was going to make our t-shirts, or who was going to organise our treasure hunt because you can't promise things and then not deliver them. So it took a lot of preparation.

Many of successful campaigns have quite sophisticated videos, strategies and supporting materials that may be simply out of reach for a small local charity. On average, UK-based reward-based crowdfunding platforms accepted 32.34% of projects that approached them, with 33.7% of those successfully achieving their funding targets (Zhang *et al.*, 2016, p43). Community campaigns in wealthier areas may find it easier to raise funds locally than campaigns in poorer parts of the country as individuals with better networks and connections will find it easier to successfully tap into the networks needed to make a campaign a success. Recognising this, CrowdFunder have created the 'Crowdfunder Academy' to address some of the disparities. This is a 'team of people who coach and help projects through the process. They also go outbound and find projects that we think might be suitable as well' (Geraghty, CrowdFunder).

Whilst this is a positive step in the right direction, this thesis argues that although technically anyone (who fits the criteria) can seek to raise money on reward-based crowdfunding platforms, this does not necessarily disrupt or override existing inequalities. Claims to 'democratic finance' are ignoring the exclusion of all those who do not have the capacity or resource to participate in crowdfunding. Yes, crowdfunding enables more participation in the financing of everything from small and medium enterprises to charities, in comparison to grant funding or angel investing, but it is a limited 'consumer' power, not any wider or deeper sense of 'citizen power'. The social that is created is one which

could reinforce a meritocratic view towards campaigns which congratulates the successful as having proved their concept and dismisses the unsuccessful as not having the best ideas. This view can reinforce or re-create inequalities without recognising that everyone can participate, but not everyone is equal in their ability to participate.

## **6.4 Temporality**

As this thesis has shown in chapters 4 and 5, the key temporal relation in alternative finance concerns the ways in which the debt relation projects into the future – enabling and constraining creditors and debtors. Whilst I argued that many peer-to-peer platforms set up the creditor-debtor relationship in such a way that it precluded any meaningful connection between the two because of the practices of due diligence and the aggregation that this entails, I also showed that some peer-to-peer platforms, mainly peer-to-business, structured the interactions in such a way that creditors were able to contact and ask questions of the businesses, with the potential to form deeper relations than the exchange of money for money plus interest. If they wished, creditors could support the business in a number of other ways, through promotion, networking or even simply by visiting the business and giving them their custom.

What is found in reward-based crowdfunding is that the possibility of interaction is enabled and made more explicit. Platforms have created the ability for creditors and debtors to interact in meaningful ways as standard, enabling the expression of solidarities which can enable debtors to achieve the goals of their projects. Backers can comment on the project, ask questions, and there is space for the projects to give updates and communicate with the backers.

### **6.4.1 *Enacting Possibilities***

Solidarities are expressed and promoted in reward-based crowdfunding in three major ways. First, by allowing people and projects to raise money ‘for free’ (once the platform fees and the cost of creating and administering any rewards has been factored in). This reduces the risk to a charity or start-up business, giving

them some freedom to explore their idea without the worry that failure would come with on-going debt obligations to the bank. The motivations of the crowd in supporting the projects are explored in section 6.5.2. Regarding the projects themselves, and their motivations to use reward-based crowdfunding for the possibilities that are enabled by using debt-free money, Geraghty (Crowdfunder) said:

...we find the best projects are coming for – yes the money – but to build a crowd around their business. That customer-building and exposure for their project. They know it's the best way to start their business and then if they need additional funding on top of that they can get a start-up loan or a bank loan or Funding Circle loan down the line. Those ones that capture the imagination have a strong will to build a community around a business.

Second, the mandating of rewards shifts the nature of the obligation between the creditor and debtor as well as the balance of 'risk', broadly defined. The rewards principally act as a means to encourage the creditors to spend more through incentives and encouraging the use of monetary earmarking practices, but they also change the nature of the debtor's obligation to enable 'repayment' in things other than money. This thesis argues that, as platforms do very little due diligence of their own, the main burden of risk in terms of judging the veracity of projects and the likelihood of receiving rewards promised falls on the creditor.

The requirement that projects offer rewards to funders is what differentiates this form of crowdfunding from others. As Geraghty (Crowdfunder) states 'I think that's one of the key things with reward-based crowdfunding is to move away from pure donation and just giving and charity and to "getting something back" but "I'm also helping this project". So motivation shifts from just wanting to help them to getting something tangible back as well.' Similarly, Cole (Kickstarter) explains:

we sort of enforce that it's a rewards-based model right? So creators have to come with "if you give ten bucks you get this, twenty bucks you get this" and that can be whatever they want it to be right? It's like a credit in their film or a "thank you" card or a t-shirt or a gadget or whatever. It creates a structure such that people can give

money – we call them backers – and they feel like they have some agency. They know how much they want to give and that they are actually getting something for it. It's not just like "I'm giving my friend some money to do their thing".

Rewards can vary from something as low cost as 'being sent the gratitude of the team' or a 'thank you' email, common in more charitably-based projects, to something with a higher value, rendering the reward closer to something like pre-selling; so although rewards are mandated, this leaves a wide scope for interpretation by the projects on the platforms. Section 6.5 will look in greater depth at the motivations of the creditors in regards to the wide variation of tangible and intangible rewards on offer, but the decisions of the project organisers about the tangibility of the rewards is ultimately led by their goal of gaining the funding that they need. Crucially, I have found that the rewards tend to be structured in such a way that it encourages people to be more generous in their 'giving'. The platforms have thus changed normal expectations around funding. As Cole explains:

A good strategy should do exactly that of structuring the rewards in such a way that it incentivises people to give a little more than they would otherwise. So I think that's true of rewards in general, like what people used to do was send their entire social group an email like "please give me some money to do this project – here's a PayPal link", it would have been really strange for people to be like "if you give me this much money I'll do this thing" but you know, I think these kind of platforms give creators a tool where that's like the norm to do those sorts of things and legitimises what they are doing and gives backers some sense of what they are getting out of it other than like "I'm just giving money into this".

Rather than the creditor-debtor relationship being guided by notions of pure generosity or philanthropy, the normalisation of rewards changes the expectations of creditors and debtors. Creditors who want to raise money have to think about what they want to (or can) 'give back' to those who fund them. I argue also that the structuring of rewards can encourage people to give more than they would have if there was no return of any kind. Ilana Taub (Snact) gives

an insight into the amount of thought that goes into structuring rewards in a campaign:

A lot of thought went into the campaign itself and into rewards. I mean I started looking at a lot of other crowdfunding campaigns and a lot of rewards are really boring so we thought we should do something... I mean people want to support the project but they also get excited about the reward, so it's not like "hey we'll send you a postcard" because who wants to get a postcard? And then we also thought a lot about the different levels. There might be people who would support us but they can only afford a little amount and that's fine, we're like "what can we do that's cool for them", and then the actual levels of reward so we thought about... I don't know... the psychology behind it. If we put a reward at 40 and then at 50, well if someone's going to give you 40 pounds then they're probably going to give you 50 so then we're like we'll not give 40 (i.e., make it a reward option). So we did think about all these different things and then like what's good value for them... and also for us.

Rewards function by enabling projects to ask for more money than the creditors might ordinarily have liked to spend. This key dynamic sets rewards-based crowdfunding apart in terms of how they are re-making the creditor-debtor relationship. The creditors are brought into a space in which rewards are clearly laid out, for example, £10 gets you a badge, £20 a poster, £50 a t-shirt and bag, £500 an invitation to the launch party. Often the higher the donation the greater the likelihood that the reward will encompass all the benefits of the smaller rewards plus something extra, thus seeming like greater 'value' for the creditor. The hope is that the creditor is lured by the desire to move up the rewards levels and contribute more.

Why does this strategy work? Geraghty (Crowdfunder) explains that it works by enabling funders to use monetary earmarking practices in order to give more:

When we speak to the backers they say that they would have given £5 or £10 because they like the project anyway but give them something tangible back in return and they will give £100 – it's now coming out of a different budget in my head. Moved it from pure donation "I love you" budget to "this is actually my weekly food shopping budget". There's actually a great project at the moment

that's doing a box of eggs every month for a year for £24 and so it starts to move into a different budget, and there's a lot of people who will do launch events and music events; come along to my music event is going to cost you £20 and so that's entertainment budget which is a whole different amount of money in people's heads.

So we see that reward-based crowdfunding is creating a space in which the common practice of monetary earmarking as outlined by Zelizer in chapter 2 is actively called upon to advance the goals of projects and funders. The rewards are structured through money, enabling the diversity of crowdfunding circuits; as Langley argues:

The variations of money do not only squeeze out social values and difference in crowdfunding but also enable their persistence and proliferation. Most obviously the duality of money is crucial to producing a crowdfunding economy in which diverse circuits coexist. That money can be gifted, pledged, saved, or invested – without these fungible and contrasting uses of money appearing to be contradictory – makes the heterogeneity of crowdfunding possible. (2016, p316)

So within reward-based crowdfunding, the ambiguity of the nature of the creditor-debtor relationship is also seen in the variation of the terms given to describe the creditors – 'backers', 'funders', 'investors'. All of which signal subtle differences in the expectations of that relationship. A creditor may see themselves as an investor in a product that they will receive at a later date, enabling them to use a different budget in their head to pledge more money than if they saw themselves as 'merely' giving charitably. The openness of the platforms enables a wider range of earmarking practices to emerge, depending on the strategies of the projects and what kinds of responses they are seeking from their creditors. So monetary earmarking helps to increase the amounts that creditors are willing to give, and for some platforms the explicitly social or community benefit is also used to encourage people to part with their money by making them feel that they are participating in meaningful exchanges.

The third major temporal practice regarding the obligations of the creditors and debtors is about who bears the ‘risk’ in the credit-debtor relation. This thesis showed in chapter 5 how regulation encouraged particular notions of due diligence in peer-to-peer finance, creating a strong reliance on traditional credit-scoring practices which again limited the potentialities of the industry as a whole. Where peer-to-peer finance carries out due diligence on behalf of the creditors, screening and credit-scoring the debtors, reward-based crowdfunding takes a different approach by putting the onus and therefore the risk on the debtor. The autonomy given to the crowd seems to be for a number of reasons: firstly because of the practical challenges of open platforms and the inability to physically screen each and every project that comes onto the site; secondly because of the knowledge gap of the platforms, in other words the crowd might know better than a small team when deciding what is valuable; and, thirdly, because less restrictions on the crowd will lead to larger amounts raised and bigger fee revenues for the platforms.

Letting the crowd play a key role is also a practical solution to problems of scale. Crowdfunding platforms of all kinds need to have a certain volume of traffic for the platforms to work as a business. The costs of reward platforms if each and every project had to be individually vetted would severely constrain their ability to achieve speed and scale. One way Crowdfunder have sought to use the crowd is in creating the ability for peer support and learning to reduce the pressure on platform resource.

We are working on allowing the crowd to give each other guidance because we can't give out guidance at the rate we are currently doing it. There's just not enough hours in the day so getting projects to help each other is how we are looking at how we can grow that even further. So through technology and community building and that kind of thing to enable other people to help themselves, to serve themselves.

The crowd cannot wholly be responsible for the risks of projects on the site and Kickstarter are seeking to use technology to root out unsuitable projects, as Ben explains:

yeah we do use some automated methods to flag some projects that seem like there's something a little bit sketchy there and I think if you get flagged, like the algorithm thinks that there's something sketchy a human will review it, and so nothing gets rejected without a human reviewing it, but yeah some do get approved without a human reviewing it. It's pretty standard that from the signal we can get from the content that you've given us we can work out if it's a reasonable thing for you to be doing. So if it's a person saying "this is who I am, I want to write this book" you know like, that sounds pretty legit so it needs less of a human touch.

## What everyone should know



Kickstarter is not a store. People aren't buying things that already exist — they're helping to create new things. Creating things isn't always easy. Some projects will go wonderfully, and others will run into obstacles. Be prepared for a little bit of each.



Creators are responsible for their projects. When you back a project, you're trusting the creator to do a good job, so if you don't know them personally or by reputation, do a little research first. Kickstarter doesn't evaluate a project's claims, resolve disputes, or offer refunds — *backers* decide what's worth funding and what's not.



Some projects won't go as planned. Even with a creator's best efforts, a project may not work out the way everyone hopes. Kickstarter creators have a remarkable track record, but nothing's guaranteed. Keep this in mind when you back a project.

**Figure 6.3. Kickstarter setting expectations**

Source: Kickstarter (2017b, n.p.)

The difference in platform- *versus* user-determinations of creditworthiness are largely down to the regulations (or lack thereof) that govern the very different spaces. In peer-to-peer, platforms dealing in interest-bearing debt complete due diligence on the creditors' behalf in line with UK regulation. In reward-based crowdfunding, there is no formal contract and the platforms are not regulated, therefore the promises to pay, or rather the promises to fulfil rewards, are constrained only by moral expectations and future reputations. There have been some high profile potential scams or failures where projects have been funded,

then the projects have failed. The platforms interviewed seemed uncomfortable discussing the potential of fraudulent or dishonest campaigns.

The highly publicised case of Zano, where the company received £2,335,119 from 12,075 backers, yet only delivered four (faulty) mini-drones to customers led Kickstarter to commission journalist Mark Harris to investigate the failure (Harris, 2016). Harris found that a combination of the company overpromising, the creation of a misleading video and poor financial planning led to their eventual liquidation and failure to produce the rewards. Whilst these are all things formally outside the purview of Kickstarters responsibility – they argue that they merely host the platform and it is up to the users to manage their risk. Harris however suggests a number of things that Kickstarter could do to draw users' attention to what they argue is the nature of the platform. All those visiting Kickstarter may not be wholly aware of the nature of the site and he argues that they should emphasise more that they do not check the claims made by projects and that 'project pages should explicitly state that Kickstarter has not seen, nor cares to see, product prototypes, and that *Top Picks* or *Project We Love* badges come with no endorsement'. He argues there should also be consideration given to projects that massively overfund, for example having project videos reviewed if they reach \$1million and potentially requiring in such cases that projects hire external consultants to help them manage their delivery. Kickstarter earned approximately a massive £116,755.95 on the Zano, yet all 12,075 backers lost out.

Kickstarter also commissioned Professor Ethan Mollick from the University of Pennsylvania to study how many projects failed to deliver what was promised. He found in a study of 500,000 backers, that 9% of projects failed to deliver rewards (Mollick, 2015). The platform then re-emphasised their expectation of the site:

Is a 9% failure rate reasonable for a community of people trying to bring creative projects to life? We think so, but we also understand that the risk of failure may deter some people from participating. We respect that. We want everyone to understand exactly how Kickstarter works – that it's not a store, and that amid creativity and innovation there is risk and failure.

Returning to the case of Zano, there seemed to be a disjunct between what the platform thinks the platform is, and what some backers think it is. These divergent expectations have led to confusion. As Mark Harris reports it: ‘Strickler says that he has read every email from disgruntled Zano backers, and was often surprised by what he read. “[There’s] seemingly some belief that we require creators to mail us their single prototype, that we spend a week play-testing it and mail it back to them,” he says. “We have these rules for no photo-realistic renderings... but practically speaking, those are hard things to enforce. The system is reliant on backers to make a decision.” (Harris, 2016).

This thesis finds that there is ambiguity regarding expectations of who should hold what balance of risk and responsibility. Trust is key to creditor-debtor relationships, and there is a delicate balance between the desire of the platforms to tell a clear and unambiguous story as to their role in the projects, *per figure 6.3*, and a desire to expand the site and the projects on offer. The expectations as set out are clear, however it is unlikely that the average backer will go searching through the website to find this information and it might be clearer to the creditors that they are responsible for deciding whether to trust in a project or not if some of the suggestions by Harris were implemented. If platforms were to take on some of the risk, and hold on to some amount of funds, they would be changing the direct nature of the creditor-debtor relationship that has been enabled through the sector as it currently stands. Interestingly, putting the onus on the creditor to bear the risk and make personal assessments of the trustworthiness of the projects is something that links back to older ways of assessing credit as seen in chapter 2.

#### **6.4.2            *Timescales***

There are three practices relating to timescales that are relevant to the creation of the sociality of the creditor-debtor relationship. Firstly, this thesis has argued that concerns about future ‘repayment’ in the form of receiving the rewards promised is something that the creditors themselves have to bear. Assessments of creditworthiness is not something that the platforms do, and whilst assumptions are made that projects will honestly portray their products and ideas, the

platforms make clear that they are not a shop. Despite this, there is, as this thesis has shown in section 6.3.1, a wide variation in the types of projects that platforms like Kickstarter and IndieGoGo host, so that some projects, either tacitly or accidentally, create the impression that supporting the project is more like buying a product in advance. Although many projects may feel like they are ‘pre-selling’ their products, many creditors may also feel like they are ‘pre-buying’ a product. But however much something looks like a pre-sale in a shop, it is not the same because the creditors have little to no recourse if rewards are not produced. Nevertheless, the debtors receive the benefits and safety of pre-selling, in that they are given the capital to make the first iteration of their product and have a guaranteed future market for themselves, but the creditors are not given the consumer protection that would ordinarily be the case and they therefore bear the risk in those types of projects.

Secondly, the mandating of producing rewards also ties a project in to fulfilling them, which can be a lot of hard work, potentially committing a start-up business to a huge amount of extra future work whilst also having to run their start-up. However it is clear that in reward-based crowdfunding, the overall balance of risk and reward has shifted in favour of the debtor, disrupting the more traditional creditor-debtor relationship where debt and interest-bearing loans mean the debtor bears most of the risk, with the creditor being recompensed even if the business fails. With reward-based crowdfunding the debtors are enabled to avoid monetary debt, instead taking on a moral debt to give back to the funders through rewards.

Thirdly, in terms of timescales, there is something interesting regarding the capitalisation of the sociality found in crowdfunding via the fees charged by the platforms. It relates to timescales because this seems to be something that is shifting over time and has ramifications for the future direction of the industry. This study finds that the fees charged in reward-based crowdfunding are higher than those found in peer-to-peer finance. Most reward-based platforms charge around 5% plus PayPal, Stripe, or credit card fees creating an average fee charged to projects of around 7.5–10%. Compared to peer-to-peer platforms with an average fee of 1.5–3%, this sector as a general rule is taking a much bigger cut.

Peer-to-peer platforms may also seem to do more work for their fee, because of the due diligence they complete on the creditors behalf whilst reward-based platforms leave creditworthiness to the crowd.

Why are the costs so high and what does it mean to people who are donating their money – do they know that some of the amount raised, perhaps up to 10% will be top-sliced off? The higher the fee the less money raised actually goes to benefit the projects themselves, which, like interest-bearing debt, reduces the capacity of the projects in the future. Whilst this may seem more appropriate in the business projects, taking up to 10% of funds seems a large margin to take from the more charitable, socially minded projects. Is this a rent on charity? Recently, there has been some potential competition from newer platforms like Chuffed.org who have sought to disrupt the sector by not charging a fee. Instead, they state this upfront, and rely on donations from creditors, only charging whatever the external credit card provider charges which is taken from the funders, so the projects themselves keep all of the money raised.

	chuffed	Pozible	IndieGoGo	StartSomeGood	Kickstarter
<b>Administration fee</b>	0%	5%	4-9%	5%	5%
<b>Credit card fee</b>	30c + 2.0%-2.9% *	30c + 2.4%-3.4%	3%	3%	20c + 3%
<b>Fees on a \$20000 campaign **</b>	\$-	\$1,540.00	\$1,900.00	\$1,600.00	\$1,640.00

\*This amount is charged to the donor on top of their donation. We think that's more transparent for everyone. Credit card fees are dependent on country: Australia (30c + 2.0%); USA (30c + 2.9%); UK (20p + 2.4%); Canada (30c + 2.9%); The Netherlands (30c + 2.9%); Belgium (30c + 2.9%)

\*\* We've assumed 200 donations of \$100 each

Source: All data was sourced from respective platform's website and is accurate of 10th March 2015

**Table 6.1. Chuffed platform's comparison of fees**

Source: Chuffed (2017, n.p.)

As **Error! Reference source not found.** above shows, projects who raise \$20,000 on Chuffed would pay no fees, in comparison to paying between \$1,540 and \$1,900 on other platforms. As it is a relatively new player in the field, it is yet to be seen if the price competition will have an effect on the fees of other platforms.

IndieGoGo, who has some of the highest fees of all the platforms, have recently introduced a sister venture called Generosity 'a platform for human goodness' which is similar to Chuffed with a 0% fee (plus credit card costs), however it is a donation- and not a reward-based site.

The difference in fee charges possibly lies in the fact that Chuffed is a social enterprise whilst most other platforms are for-profit companies. This speaks to the monetisation of the social created in the platforms. And the platforms can be very profitable. As proof of the ability of platforms to monetise, CrowdFunder who are linked to their 'sister site' CrowdCube, an equity investment crowdfunding platform, successfully raised £500,000 through CrowdCube in 2014. The bid was so successful it was the fastest equity crowdfunding ever (at the time), with £230,000 raised in only 15 minutes and the entire amount raised in just over 3 hours. The bid documents made it clear that CrowdFunder is 'well placed to take advantage of the growing crowdfunding market'. Geraghty describes their reaction to the process:

We were pleasantly surprised. We had planned for a month long series of activities; things we were going to do, people we were going to meet, events we were going to hold. And we went out to our community of backers – people who had backed projects on our site – that was our first wave, and it pretty much sold out through that. We were blown away. At the time we had a network of around 40,000 people that had backed projects – it's over 100,000 now so in the last 6 months it's grown by another 100,000 so I think those people who had seen the site, seen the projects, loved what we're doing and then decided "yes, I'll invest in you as well". That was a really nice testament to what we're doing and gave everyone a boost having our customers invest in us and help us grow further.

When asked what is expected to be given back to the equity investors Geraghty replied:

We're working on a trajectory to either give dividends back to them, and who knows, the business is growing at such a pace we can't really foretell what will happen – there may be a sale of the company but it's more likely to go down the dividends route given the current rate of growth. There's already a lot of other people who are interested in investing further in us given how much we're growing.

With a simple business model, the growth of the company depends on the inclusion of more projects, which in turn brings in more fees and creates larger

profits. For the for-profit platforms, the amount of fees charged is likely to be a balance between making profit and being competitive in the overall sector. Growing the business also creates the possibility that the platforms might expand the kinds of projects that they support, thus ultimately affecting the kinds of spaces and socialities they create. As Cole explains regarding Kickstarter, who began wanting to support the arts and creatives:

I think in the company early on there was some angst about the platform being used for things it wasn't originally envisioned for, but I think we've come to embrace people using it in a broader sense than it was originally envisioned for.

Whilst it may be the case that the demand for Kickstarter to encompass technology-facing projects brings in a large proportion of their revenue, Cole was keen to stress that this hasn't changed the original mission and that they disproportionately support the arts:

Given where our revenue comes from we disproportionately support the more traditional arts. You know if we were just to follow the revenue we would be more focussed on the technology stuff but we're not. We really spread the love pretty equally. Not that we don't support the tech world – we certainly do – we probably support it more than the other individual categories we have in terms of the number of people we have who do outreach in that world. That said it's still probably disproportionately evenly distributed because technology does account for a really high proportion of our revenue. And we have a person who spends a long time looking at crafts and food and things like that, which is really a small chunk of our revenue, and we have a person who does dance-related stuff which is a very small chunk of our revenue compared to tech so...

Whether Kickstarter continues to support art and creative projects over time and does so with possible future changes in management or strategy is to be seen, but what this thesis has found is that wherever the revenue is coming from, the fees are charged across the board.

## 6.5 Subjects and Subjectivities

This section will explore the subjects and subjectivities that are created and promoted in this sector, but one of the findings of the research is that this theme is not as strong in reward-based crowdfunding as it was in peer-to-peer finance. I argue that this is because the platforms have less control over the individuals who make up the platforms as the projects themselves are largely the ones who call in their personal and social networks and communities of interest and they do so in targeted, individualised ways as opposed to peer-to-peer where cultivating broader subjectivity positions for all the creditors and debtors on the platforms is an important part of their market-creation practices. This has relevance for the ways in which the social is assembled is in the motivations of the creditors and the increasing importance of companies seeking to use the platforms for branding and corporate social responsibility purposes.

### 6.5.1 Subjects

Data on the subjects of reward-based crowdfunding are not particularly easy to obtain but we can get a flavour of who supports Kickstarter projects from data provided in 2014 (PriceWaterhouseCoopers, 2016). 64% of backers were men, who favoured projects in games, hi-tech, comics, design and music, whilst the female backers were more likely to back dance, fashion, food, theatre and art. The average backer was a 30 year-old college graduate who earns less than \$50,000 *per* year. Backers support on average three projects, with an average contribution of \$174.50. They are most likely to support a project in order to 'support the creator' and 65% of backers fund stranger's projects. In the UK, the data available at the time of writing was that 6,633 projects raised finance with an average campaign size of £1379, backed by a total of 858,553 contributors, with the typical project backed by an average of 326 (Zhang *et al.*, 2016, p43).

A recent report which focused on an analysis of over 450 reward-based crowdfunding campaigns worldwide found that there was a gender bias in the success of campaigns. Unusually, in comparison to mainstream finance which is dominated by men, campaigns led by women were found to be 32% more successful across every sector and territory, even in male-dominated sectors like

technology (Veitch & Flood, 2017, p8). The report argues that the mostly equal gender distribution of the crowd counteracts the bias of the ‘grey suit factor’<sup>47</sup> (p11). So there could be potential in this sector to make some positive in-roads to greater funding equality, especially if proof of concept via crowdfunding by women is used to access more traditional forms of funding such as venture capital and angel investors.

One final point regarding the subjects in reward-based crowdfunding is that it is really restricted in terms of participation to people with money to spare. This means that existing spatial inequalities can be replicated in the spatial demographics of the platforms. Indeed, London received the majority of the £42 million raised in the UK in 2015, followed by the South East, the West Midlands, the East Midlands and the South West, with the backers roughly following the same pattern (Zhang *et al.*, 2016, p43). Also of note is the increasing inclusion of ‘non-individuals’ in the platforms. Local authorities, political parties, corporations and charitable funders have all started to play a role in reward-based platforms. We will return to this phenomenon in section 6.5.2 below.

### **6.5.2                    *Subjectivities***

What this thesis has found so far is the creation of a space where alternative – *i.e.*, non-monetary and intangible rewards – can sit alongside something that looks very much like pre-ordering. Rather than the creditor and debtor subject positions that are found in peer-to-peer, the open nature of reward-based crowdfunding and the ability of projects to sell themselves in a myriad of different ways to different people means that there are many different possible subject positions. Although platforms do call up ideas around ‘backers’ or ‘funders’ as terms for the creditors. In terms of the motivations of the participants, Cole (Kickstarter) said that:

I think there are a few strong motivations. One is obviously the rewards and those are often in the case of the gadgets and the games and those sorts of... like physical goods when essentially it's a pre-order for the physical good. Some it's very much socially

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<sup>47</sup> In the report this refers to the bias of ‘men in grey suits’ who dominate decision-making in traditional finance.

motivated like “it’s my friends that are doing it”. For some it’s much more about “this is something I care about and want to see brought into the world” whether that’s like an art project that you want to see that art happen or whether it’s a socially minded documentary and you think it’s important it gets made for society. So there’s that kind of patron of the arts type people. I feel those are the three biggest motivations I see.

Recent research has sought to show how projects should target their campaigns to different subjectivities at different points in the campaign (Ryu & Kim, 2015). This work sought to examine the characteristics of crowdfunding sponsors and they identified four different main types of sponsors. First is the ‘angelic backer’, who pledges smaller amounts of money earlier in larger projects, and who are similar to donors backing altruistic campaigns. The ‘reward hunters’ tend to be younger than angelic backers, pledge smaller amounts later in smaller projects and acts similarly to investors expecting reasonable returns for their money. Then there is the ‘avid fan’, the most passionate participants who deeply involve themselves in the projects and ‘as crowdfunding natives, they embody the coexistence of the two opposite motivations, philanthropy and reward’. And finally the ‘tasteful hermit’ supports projects as actively as an avid fan, but they differ in their propensity to participate in a variety of projects, playing ‘an important role in crowdfunding through steady contributions’ (Ryu & Kim, 2015, p50).

The experience that Snact had showed that the biggest amounts given to the project were from complete strangers. Taub describes her understanding of their motivations:

One guy gave us a thousand pounds, gave us £500 twice. So one of them was a couple (who donated £500 each), and then one was another guy. So we got 500 five times. So that’s £2500 out of twelve thousand – it’s already quite a big chunk, and that was four completely random people that we’d never spoken to. The guy who gave us a thousand didn’t want any of the rewards, didn’t want anything, and I did ask him like “why?”, and he was like “oh I read an article in the *Telegraph* and I like what you guys have been doing and I wanted to support you”. I think he even said “I haven’t told

anyone" or he was like "It's not a philanthropic act or anything", like he saw it as that if I remember correctly. So the £500 reward one came with dinner so we actually met the other people, some of them, and they were just like "Yeah we came across your project and really liked what you are doing so we wanted to help you – there's £500".

Recently Snact ran another crowdfunding campaign and in **Error! Reference source not found.** we see from the discussion boards on CrowdFunder some of the other motivations of the backers. Some of the support came from the supplier of the packaging for the product, some support came from an activist who would like to work with the company to expand their idea in another country and others who state that they want to support a great idea to change the world.

<b>Snact</b>	18:19 10/Aug/2017
Thank you Parkside! £138 to get us to 100% - you are legends!! Thank you everyone for the support, we are incredibly touched and grateful for it all!	
<b>Parkside Flexibles (U.K. &amp; Asia) Ltd.</b>	18:17 10/Aug/2017
Proudly supporting SNACT with supply of compostable printed packaging. The new branding looks great :) <a href="http://www.parksideflex.com">www.parksideflex.com</a>	
<b>Snact</b>	09:32 09/Aug/2017
Hi Steve, thank you for your pledge and comment! We'll give you a call shortly :)	
<b>Steve Vaux</b>	08:34 09/Aug/2017
Hi Guys! I'm a tropical agriculturalist working much of my time in Philippines, the world's second largest banana exporter. I would love to see your product going into Philippines, where snack foods are a way of life, but where 1000s of tonnes of bananas go to waste before even being shipped. Would love to meet up with you before I head back to Philippines on 18th, to discuss whether we could work together, and whether I could use my knowledge of production in developing countries to bear in helping expand your business further. Good luck anyway!! My Phone number is 07745449626 if you would like to have a chat about my suggestions!	
<b>Adam Bacon</b>	23:41 23/Jul/2017
Another awesome product from Snact! I love all food that does more than just fill me up! Keep 'em coming Snact! Looking forward to trying these banana bars soon! Good luck!	
<b>Erkki Pärssinen</b>	16:14 21/Jul/2017
You have a great idea for changing a world -at least a little bit. Vision with action can change the world. Erkki Pärssinen	

**Figure 6.4. Snact discussion board August 2017**

Source: CrowdFunder (2017c)

What the diversity of motivations shows is that, in contrast to peer-to-peer, where a discourse of 'everyone is a winner' is promoted through the creation of

the ethical investor and the grateful debtor subject, reward-based crowdfunding has a much more open approach. The ways in which the individual projects choose to market their campaigns to their personal and social networks and networks of interest will promote certain types of subjectivity-creation to encourage people to feel part of the project, but mostly I argue that projects tend to prefer to not overly proscribe the kinds of people who may choose to fund, thus enabling a wider range of people to participate. It is a delicate balance between creating a feel of community and buzz around a project, and alienating people who might feel that it is not for them. The work done by Ryu and Kim (2015) sought to give projects a strategy for appealing to different types of backers at different stages in the project, advocating changing strategy to maximise the amount raised. It would be interesting to see if this theoretical strategy would work in practice.

Whilst the subjective positions of users on the platforms is relatively open in comparison to what this thesis has shown to be the case in peer-to-peer finance, there is another element of subjectivity-creation on the platforms which seems to be increasing in importance. Spaces have been created for brand promotion and corporate social responsibility (CSR) on sites with companies offering additional rewards and extra funding to projects. The monetisation of the sociality of platform is used to boost corporate brands and is linked to the monetisation of platform more generally. For the platforms, they see the incorporation of companies as a way to increase funding for projects and bringing together different elements of funding for the ultimate benefit of the projects themselves.

As Geraghty says:

...so we're kinda plugging different funding streams into the site so that people can actually use that funding as part of their crowdfunding target. So there's projects on the site, there's Newquay community orchard, they've raised £60,000 through the site, but £30,000 of that came from the Ashton Trust which is a Sainsbury's Trust, and the other £30,000 came from the local community, and you can see the whole breakdown of where the different elements came from, some from local businesses, some from consumers so the way we're using crowdfunding there is to

bring all the different sources of income together and show it as evidence to other funders.

The inclusion of corporate ‘sponsorship’ of community- or socially-based projects creates opportunities for brand promotion and CSR activites. So far CrowdFunder and kriticalmass (now closed) are the platforms with the most integrated opportunities for companies. CrowdFunder offer what they call their ‘Champions’ the chance to match fund projects and be part of the ‘Wall of Fame’ and gain space in relevant promotional materials. They promote brand involvement in ‘the most exciting and fastest-growing part of the UK’s “innovation economy” to all those ‘looking for powerful stories and content to support their grassroots CSR activities, build their reputation and good will and generate awareness and traffic in a different way’ (Crowdfunder, 2017d).

New spaces for advertising are being created through some of these platforms, some of which have chosen to give a lot of space to the brand promotion. We can see in figure 6.5 how kriticalmass set out the integration of CSR into their platforms. The prominence they gave to this is shown by their choice to promote it on the bottom of their main homepage as ‘two ways to get involved – join ‘100’s of volunteers’ or ‘get brand opportunities’.



criticalmass is the only crowd-support community that's here to help businesses, charities and other organisations join in the excitement of supporting and developing unique new projects and ideas. We make it easy for you to play an important part in powering good.

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Few people have 30 seconds to be interrupted by a marketing message. But they always have 3 minutes to empathise with a great human story. By becoming a part of these stories, you can show the human side and personality of your brand, and demonstrate that you and your staff care about great causes and ideas.

With criticalmass you can select those projects that reflect what your brand is all about, reach new customers and profit from the great viral potential of incredible stories, ideas and people. You gain access to highly active, passionate and engaged crowds, and supporting a cause that they care about will create incredible loyalty and advocacy for your brand.



**Figure 6.5. criticalmass brand promotion page 2014**

Source: criticalmass (2014)

Figure 6.5 shows how the social projects on the site were seen as ways for the brands to 'piggyback' on those 'great human stories' to 'create incredible loyalty and advocacy for your brand'. It is considered to be a positive social that companies and brands want to align themselves with to benefit the way they are seen by potential customers. When asked how the corporations get involved in projects Geraghty answered:

We had 500 projects come in last week and they all have a challenge, which is our main driver, is to help [sic] them make their idea happen. At the same time we are aware there are organisations that want to support them, and those organisations may be a grant giver or a loan provider but they may also be a corporation who wants to have activity in that area and will put money into that area. An example is AXA Insurance who have been putting money into road safety projects for quite a few years, and so we're working with them to put money into road safety crowdfunding projects.

Where a local community want to make some road safety improvement or make a road safety awareness campaign, cycling proficiency tests, that kind of stuff, they can crowdfund it but AXA Insurance will actually put some of the money in – they are one of our champions. They are organisations looking at projects and putting money in. This is a growth area for us.

One concern about this is whether the twinning of brands and projects will change the nature of the social that is assembled. When asked if the inclusion of certain brands may upset some of the projects he responded that ‘the project owner needs to be happy to receive money from that organisation. So there are projects on our site that would not want to receive money from Shell Oil or BP due to their ethical stance on it’. He goes on to say that the growth of companies on the platforms will mean that they will ‘get more projects being picky about who they want money from and choosing the right brands that align with them’.

It is not just companies who Crowdfunder wish to align with. Because the needs of the projects is given as a key reason for bringing in other partners, they say that they want to find ways to work with the public sector too, so that all elements of the community, people, local government and the public sector get behind projects. To explain further, Geraghty states that:

one of our challenges is how we work with local councils to do that, and local landlords. Local councils and landlords are the big barriers around a lot of that kind of stuff, but that’s definitely one of our growth areas – how we work with councils and the grants they give out and the economic development fund which is something we’re actively pushing at the moment.

So branding and CSR opportunities could be one of the ways in which councils are seen to be supporting their local communities. It will be interesting to see how this element of reward-based crowdfunding develops over time, and if the platforms are able to continue to shape the platform around the needs of their projects, or if the needs of corporate or other sponsors will begin to play a bigger role.

## 6.6 The Sociality of Reward-based Crowdfunding

This chapter has shown how the spatial, temporal and subjectivity-creation practices have assembled the kinds of social we find in reward-based crowdfunding. It has argued that the rewards platforms have created very different kinds of social to those seen in chapter 5. The sociality found is very diverse, with each platform targeting different areas and using these to shape spaces conducive to supporting projects in those areas. This creates some communities of interest, for example with creative and technology projects centring around Kickstarter, and social and community projects in the UK centring around CrowdFunder, showing diversity within the sector. This thesis has found that the platforms give creators a lot of autonomy in shaping their projects and bringing in their personal and social networks by appealing to their communities of interest. The sociality of the platforms are shaped through the ways in which the direct connections between the creditors and debtors are made possible through the technology of the sites. There is something deeply social about linking up creators with funders – however tenuous the actual connection – and the ability for people to be active rather than passive consumers (particularly in places like Pledge Music). But this interaction is not available to everyone, only those who can contribute, and the more you can pay often the greater the interaction you can have with the projects.

The platforms do something very interesting in the ways they return the risk to the creditors by refusing to assess projects, instead letting the crowd decide, thus changing the traditional creditor-debtor relationship and balance of risk common in other areas of finance. The mandating of rewards shapes those interactions and demands some *quid pro quo* of the projects meaning that reward-based crowdfunding cannot be seen as merely another form of charitable giving. This chapter has also shown how some platforms play a role filling a gap left by other funding cutbacks – enabling projects to continue. As Geraghty from CrowdFunder argues: 'I think in the current climate, because grant funding [is] being cut back left right and centre a lot of these organisations aren't left with options anymore and so crowdfunding is filling the gap in a lot of these areas. A lot of projects have come to us after their funding has been cut, they've had say their Lottery funding

cut, and it's a case of: "do we close the whole programme or can we crowdfund to keep it going?" and then they get the community behind it, raise £20,000 to keep the programme of work going'. I argue that this quote evidences the need for reward-based crowdfunding to be seen as one option in a wider ecosystem of finance that can be drawn on at different stages in the lifetime of a project, charity or business. Reward-based crowdfunding has specific benefits and drawbacks and a successful crowdfunding campaign can provide other funding sources with confidence in the viability of those seeking funding. I also find that the platforms are operating as successful businesses who have been able to monetise and profit from creating spaces which are seen as more heavily social.

This chapter also argues, with the constraint of limited data on the motivations of backers, that the sector's openness to a range of subjective positions both for the projects and the backers means that the types of social assembled in reward-based crowdfunding is diverse. A productive avenue for further research would be to further investigate the subjectivity-creation practices of the broad types of projects, to see if there is any unifying practices in community or charitable funding, *versus* social entrepreneurial projects, *versus* start-up businesses

Finally, the inclusion of branding and CSR into reward-based crowdfunding is a reflection on the perceived sociality that has been assembled through the spatial, subjectivity and temporal practices outlined in this case study. Brand promotion seeks to monetise the sociality that has been assembled in reward-based crowdfunding campaigns. Depending on how this develops there is a possibility that branding and CSR might change the perceptions of what reward-based crowdfunding is all about. For example if the brands begin to be promoted up front, rather than supporting certain projects and being visible on those individual pages, then there is a danger that the branding will begin to have prominence before the projects. I argue that this would alter the sociality of this sector because it de-centres the project in favour of the brand. For example, 'brand X supports local community' is subtly but importantly different to 'local community project is supported by the crowd and brand X'.

## 6.7 Conclusion

Contributing to research questions 2 and 3, this thesis finds that despite some of the apparent similarities between the two industries, the creditor-debtor relationship and the type of ‘social’ that is created in reward-based crowdfunding is very different to that of peer-to-peer lending. The practices in reward-based crowdfunding were investigated to see why the sociality of this type of crowdfunding differs so much that of peer-to-peer, and how and why this sector has created a richer, more diverse range of possibilities for the creditor-debtor relationship.

Overall what is found with reward-based crowdfunding is a sector which is more practically and politically diverse than their corresponding platforms in peer-to-peer finance. More formalised links between different elements of the funding ecosystem including reward-based crowdfunding may help to fill the gap that mainstream finance has left, in particular for SMEs and early stage start-up companies and would be a productive avenue for further research. It became apparent during the research that the diversity of reward-based crowdfunding means that it can attract a wide range of projects with a wide range of funding needs. Whilst most platforms require the projects to have a particular focus – such as creativity and the arts, or social entrepreneurship, or an environmental focus – there tends to not be a restriction on the creators of the project *per se*. This enables everything from charities to profit-making companies to raise interest-free money with the debt being determined by the choices that the projects make as to the nature of the rewards, which as we have seen are on a scale of extremely low cost to a reward that looks a lot like pre-selling.

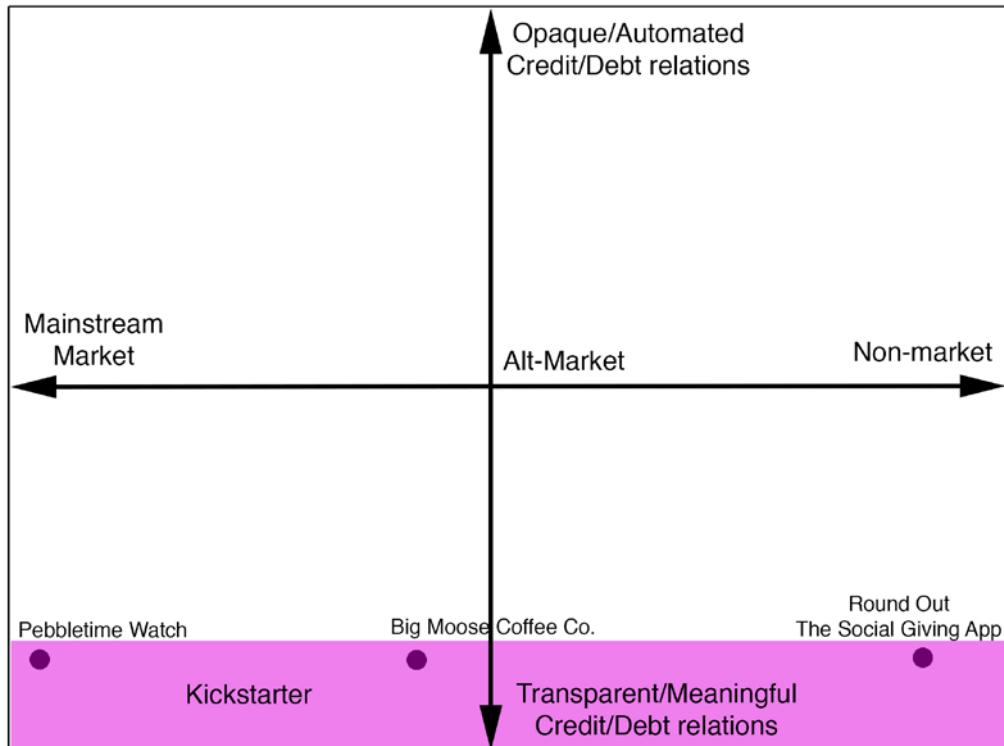
In terms of assessing creditworthiness, which we saw in chapter 2 is a key power relation in the creditor-debtor relationship, the contrast with peer-to-peer finance could not be much stronger. We saw in chapter 5 that a strong culture of due diligence restricted the debtors to those who passed platforms’ standards of creditworthiness as partially determined by credit-rating agencies. Thus in relation to research question 3, ‘*What enables and constrains attempts to create new kinds of creditor-debtor socialities in peer-to-peer finance and reward-based*

*crowdfunding?*', we see that credit ratings are still a hugely constraining factor in creating new kinds of creditor-debtor socialities. In contrast, this chapter has found that in reward-based crowdfunding, assessments of 'creditworthiness' are, in many cases, determined by the crowd, opening out some possibilities for new kinds of creditor-debtor relations. There are of course some rules against fraud and a call for projects to be honest and upfront (see figure 6.3) but in practice the platforms appear to be largely hands-off, putting the onus of the risk onto the creditors, a culture of 'buyer beware'. This shows us that it is possible, in some forms of finance, to alter the burden of risk and responsibility to more evenly share it between creditor and debtor. It may not yet be possible, or even desirable, in 'harder' forms of finance which require regulation, but it is clear that for some things, creditors are willing to give money without the expectation of a guaranteed return – that is, they are willing to take the risk, either because they support the project or want the rewards.

We have found that whilst reward-based crowdfunding does many things, it does not overturn existing and underlying inequalities and well-resourced groups and charities will find it easier to run successful campaigns. There is a role for crowdfunding platforms in terms of filling various funding gaps, however the main benefit of the sector seems to be the debt-free financing of projects, including for charities and businesses, alongside the added benefits of marketing, pre-selling and raising the profile of the projects. Finally, it is clear that in contrast to peer-to-peer finance, the creditor-debtor relationship is made possible and given shape and form through the interactions made possible on the sites. The platforms also shift the balance of risk from the debtor to the creditor which is a radical change, freeing up the debtor from interest-based debt repayments in favour of the moral obligation to provide the mandated rewards.

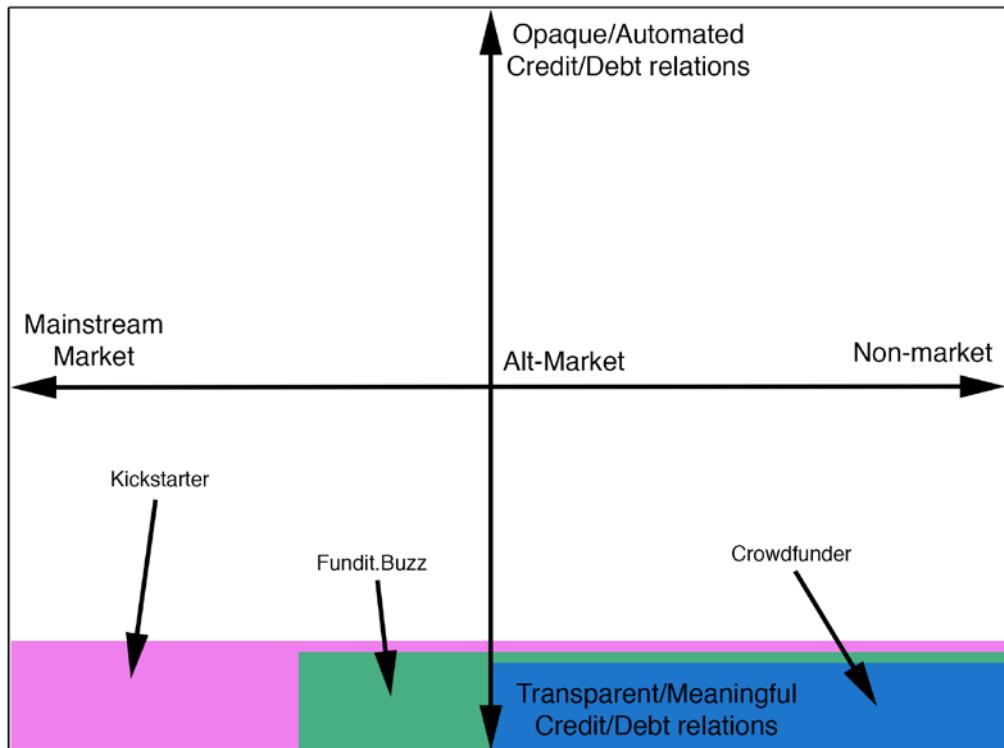
In the conclusion to chapter 5 it was argued that the diversity of the peer-to-peer industry is not well captured by the existing diverse economies visualisation (table 2.1) and instead an alternative was proposed which visualises the diverse economies of the credit-debt relation. Contributing to research question 2, '*How is "the social" assembled in peer-to-peer finance and reward-based crowdfunding?*', what was found was that for the most part, and with the exception of some peer-

to-business lenders, there was currently little scope to have meaningful connections between creditors and debtors, although there had been in the past. What we find with reward-based crowdfunding is that, over time, the industry has not changed as much as peer-to-peer, but instead the internal diversity is much greater when we look at the range of potentiality for projects across the full continuum from mainstream market through alt-market to non-market.



**Figure 6.6. The internal diversity of Kickstarter**

This can be seen in figure 6.6 above with some examples of popular projects on Kickstarter. As can be seen, these projects occupy different spaces in relation to the mainstream: the Pebbletime watch is a mainstream business looking to get funding and marketing through Kickstarter; the Big Moose Coffee Co. is a social enterprise for homeless people in Cardiff; and RoundOut is a social giving app providing charitable donations through technology which uses credit cards. All of the projects on Kickstarter have transparent and meaningful relations between creditors and debtors.



**Figure 6.7. The diversity of reward-based crowdfunding**

This is mirrored in figure 6.7 above where three of the major reward-based platforms, Kickstarter, Fundit.Buzz and CrowdFunder are shown to occupy different spaces depending on their spatial, temporal and subjectivity-creation practices. Crucially, all of these platforms enable the potential for meaningful relations for the creditor-debtor relationship but this does not mean that the sociality is necessarily alternative, but that the *choice* is there for the projects looking to raise money. Without a meaningful creditor-debtor relation, the ability to create the possibility of difference is severely restricted.



# Chapter 7 Conclusion

This chapter shows how the research questions set out in the Introduction have been addressed by the thesis and reflects, more broadly, on the contribution that the thesis makes to academic understandings of the credit-debt relation and alternative finance. In section 7.1, the research questions are answered in turn, drawing on the research contained in this thesis. In section 7.2, the wider theoretical and empirical contributions of the thesis are discussed. Section 7.3 focuses on areas for future research which build upon this research before a final statement concludes the thesis in section 7.4.

## 7.1 Aim and Research Questions

The overall aim of the thesis was to extend a diverse economies approach to the credit-debt relation in peer-to-peer finance and reward-based crowdfunding. Four gaps in the literature were identified: first, that diverse economies theory has not adequately been applied to finance; second, that the literature on credit-debt has underexplored the possibilities for more social forms of this relation; third, 'the social' of the creditor-debtor relationship is under-theorised; and fourth that understandings of crowdfunding have not analysed the nature of the social in 'social lending'. In achieving these aims, the research has answered four research questions, providing increased knowledge through extending a diverse economies approach to the sociality of credit-debt relations. Each question will be discussed in turn, outlining the theoretical and empirical contributions made through this research and the case studies of peer-to-peer finance and reward-based crowdfunding.

### 7.1.1 ***What can a Diverse Economies Approach Contribute to Understandings of the Credit-Debt Relation in Finance?***

Diverse economies has, thus far, neglected finance, focusing on labour, production and exchange, and as we saw in chapter 2, only recently extending visualisations to include enterprise and finance. Arguably, in these accounts, finance is only encountered first through money, and then through exchange, when more recent understandings of finance centralise the credit-debt relation

both as an economic system in itself, but also as the root of all monetary and non-monetary transactions. This thesis makes a contribution to the academic literature by extending diverse economies into finance through the credit-debt relation which lies at the heart of finance. A diverse economies approach consistent with an ontological commitment to ‘think difference’, sensitises the researcher to the importance of looking for each variegation in the creditor-debtor relationship, enabling more granular understandings of finance, how it is created, how it changes, and what possibilities arise from it. We saw in chapter 2 much of the literature on credit-debt is focused on critiques of capitalistic debt relations or is searching for generalisable qualities of the creditor-debtor relations of money. The ontological and epistemological project of Gibson-Graham (2006a, 2006b) shows how the predominance of this kind of research can shut down our imaginative capacities to prevent us finding other ways to theorise and embody alternatives. Instead, the call for theorists to centralise diversity and difference enables a novel analysis of credit-debt relations. This is important for two reasons. First, it orientates research towards difference which provides an exploration focused on the current and future potentiality of debt relations. Second, looking at the credit-debt relation and how it is variegated allows for an analysis sensitive to the ways credit-debt relations change over time with an understanding of the constant tension between alternatives and the mainstream.

The attention to difference is not superficial but sits at the core of the whole political, theoretical and methodological project of diverse economies. The importance of this to our understanding of the credit-debt relation hinge on the way in which this deep ontology shapes that which is being researched, in terms of what is chosen, and in terms of looking for difference within particular forms of creditor-debtor relation as well as between them. Not all relations are the same and, for this thesis, a detailed attention to specificity has enabled an analysis that can draw attention to those decisions and internal and external factors that have changed the creditor-debtor relation over time and space. In practice, this means that rather than dismissing particular forms of peer-to-peer finance as sitting in the mainstream, a deeper analysis of the shifts in the platform(s) over time can highlight which of the enduring tensions of credit-debt or the impacts or

expectations of mainstream finance may have contributed to this move to the mainstream. Crucially, for a diverse economies researcher, this can open up potentialities for change, for example finding that certain practices push an alternative in a certain direction means that these practices have on-going importance, and, if politically one wishes something else to be built, these barriers must be overcome, through different business practices, cultures, or policy. As Fuller, Jonas and Lee argue, the focus 'should be on investigating and revealing the tensions and contradictions underpinning the emergence, growth, contraction, co-optation and/or proliferation of alternative economic and political spaces' (2010, p5). For the credit-debt relation, that also entails an orientation towards understanding how particular socialities are constructed and how this opens up or closes down the possibilities for different kinds of diverse creditor-debtor relations.

On reflection, a diverse economies research approach to alternative financial spaces does feel weak in terms of practicality. However I argue that this feeling of the weakness of alternatives is not to do with the veracity of the theory itself, but the recognition that systemic change is extremely complex, chaotic and rare. Gibson-Graham's use of Eve Sedgwick's thick description and weak theory does not provide much in the way of hope of immanent transformative change (2008, p619). It does, however, allow the framework created in this chapter to provide the potential for rich description which focuses more acutely on those enabling and constraining factors which could create more socially useful forms of finance. Like all tools, which are useful for particular jobs, diverse economies thinking is useful to open out possibilities; the framework created in this thesis enables an investigation of those factors that enable or constrain more radical potentials in the creditor-debtor relationship. I argue then that a diverse economies approach is better suited to analysis, than to creating change. Other tools, such as collective organising, are possibly better suited to creating new transformative financial realities, but at all points we should not forget that we should recognise difference in all its forms if we want to create a financial system that serves people and planet.

So whilst diverse economies approaches can highlight potentialities and provide alternative analyses which can contribute to change, they are not well suited to creating transformational change in and of themselves. We have seen in the case studies of peer-to-peer finance and reward-based crowdfunding that the kinds of sociality being created are limited due to three persistent features of debt: the problem of creditworthiness; subjectivities of debt which privilege the creditor; and the subjects involved in creating alternative finance. These will not be overcome by enabling more alternatives. They will only be overcome through policy, regulatory or cultural change where, although collective pressure may play a role, governments will have to transform the law to enable transformative change.

### **7.1.2            *How is ‘the Social’ Assembled in Peer-to-Peer Finance and Reward-based Crowdfunding?***

The answering of this question required a deeper understanding of how the social relations of credit-debt are constituted. Chapter 2 outlined how the literature makes clear that money is a social relation of credit-debt, but argued that what is less clear is how that ‘social’ is created, destroyed or maintained. In chapter 4 this thesis developed a framework for applying a Latourian (2007) analysis of the social to the credit-debt relation to specify how the social is assembled in alternative forms of finance. Latour provided a theoretical approach to understand what the social is and how it is created, destroyed and re-made, by asking us to look at who is trying to re-make the social, and where and how this happens. This enables a specificity that is often lost in typical references to ‘the social’ and which, reflective of Gibson-Graham, enables an orientation to the multiplicity of decisions, actions and actors which can either create or prevent different kinds of social from emerging.

This more deliberate tracing of the assembly of the social is crucial in understanding the possibilities in finance, which chapter 2 argued is found in the credit-debt relationship. An orientation towards the sociality of credit-debt therefore needs an understanding of the persistent elements of that relationship. This thesis used Peebles’ (2010) thematic analysis of credit-debt to create a framework which takes into account how spatial, temporal, and subjectivity-

creation practices constitute the social relations of alternative finance. In this analysis, the spatial, temporal and subjectivity-creation practices add up to the socialities that are created. The framework was applied to peer-to-peer finance and reward-based crowdfunding, and found that the social is constituted in different ways by these two different industries, and within platforms within those industries.

Understanding the sociality of alternative finance means understanding the aims of that industry and how they have changed over time. The initial peer-to-peer platforms, Zopa, RateSetter, and Funding Circle attempted to provide an alternative to bank lending by using technology to directly connect creditors and debtors. They sought to compete with banks for creditworthy customers and tried to be social by providing a better service and 'doing banking better'. The social value was seen as being in more efficient lending, with the platform as the middle-person taking a smaller cut. Reward-based crowdfunding also sought to use technology to enable projects and creators to achieve their funding goals by finding new ways for people to legitimately solicit money, with rewards functioning as a way to encourage people to contribute greater amounts. These platforms saw social value in enabling a large variety of projects to be funded by the crowd, which also acts as proof that the concept or project is something that is needed or wanted by communities or communities of interest.

Interestingly, despite the similarities between these technologies, this thesis has found that the fees charged to projects in reward-based crowdfunding are higher than those charged on peer-to-peer loans. It seems counter-intuitive that peer-to-peer, which has assembled a 'thinner' sociality, unconcerned with what the money is being used for, charges a lower fee than reward-based crowdfunding which has assembled a 'thicker' sociality, encouraging projects which benefit society. Higher fees lead to less money for such projects. Bearing in mind that peer-to-peer and reward-based platforms will have similar business and staffing costs, and both sectors are composed largely of for-profit companies, it was surprising that there was such a difference in the fees. Each extra percentage of fees is money taken away from the social projects that the platforms argue they were set up to support.

What this thesis finds is that whilst peer-to-peer finance started with considerable potential to connect up creditors and debtors, especially when creditors could choose the rate at which they wanted to lend to specific individuals over time, this functionality has disappeared. Arguably, that functionality remains on a handful of peer-to-business sites, but, unfortunately, it appears that, with the main peer-to-business site Funding Circle rescinding that functionality, the industry is moving steadily towards one in which aggregation and automatic bidding replaces any chance of a meaningful interaction between creditors and debtors. The industry does, however, as a whole, signal some positive differentiation with mainstream finance, particularly in the lower interest rates given to debtors and the certainty of stable interest rates. The industry will also be tested in the next financial crisis, to see if they provide some important systemic counter-cyclical stability by continuing to extend funding in the event of future bank lending contraction.

Reward-based crowdfunding has fundamentally created a space within which, in theory, people can see their projects come to life. It can enable possibilities, especially for projects to reach out to communities of people with the same niche interests. We have also seen how business-facing crowdfunding is enabling women to be more successful than men, when they are traditionally under-served in mainstream finance. However, reward-based crowdfunding is also limited by the fact that only around a third of projects are accepted, and then only a third of the projects that go live get fully funded. Crowdfunding can replicate some of the existing inequalities that we find elsewhere, in particular because it takes an enormous amount of skill, time and money to run a successful campaign, which is something that may be out of reach for even the most worthy of charities or community projects.

Gibson-Graham said that 'in recognising our human capacity to *not* act, and the capacity of socio-technical assemblages *to* act, might we humans realign ourselves in the spatiality of collective action?' (2014, p92). Seeing how differently the sociality of these two forms of crowdfunding are assembled through very different approaches to the creditor-debtor relation points towards a possibly unfulfilled human desire to interact financially in ways which are *more than*

financial. The spatiality, temporality and subjectivity-creation practices that enable more durable and direct interactivity between funder and fundraiser have vastly greater potential for a wider range of human emotions, motivations and desires to be enacted. Those practices that limit human capacity to act, in favour of socio-technical assemblages, result in weaker forms of social, bringing the platforms to more closely resemble mainstream financial creditor-debtor relationships.

### **7.1.3      *What Enables and Constrains Attempts to Create New Kinds of Creditor-Debtor Socialities in Peer-to-Peer Finance and Reward-based Crowdfunding?***

The findings from this research strongly suggests that there are three main constraints on the ability of alternative forms of finance to reconstruct the creditor-debtor relationship in different and more socially progressive ways: the problem of creditworthiness; subjectivities of debt which privilege the creditor; and the subjects involved in creating alternative finance.

In peer-to-peer finance we saw that Zopa was originally created to tackle the problem of free-formers, *i.e.*, those who were considered to be creditworthy but who were unable to access credit in the normal ways. Despite resource being put into creating more data and smarter uses of that data, it appears that only slight improvements could be made, and that platforms, by and large, still rely on the aggregated assessments of the main credit-rating agencies. We saw in chapter two that one of the persistent difficulties of debt is in assessing creditworthiness, especially when credit, which was a subjective decision for most of history, is treated as an objective one. This naturally limits choice, because systems built on data that treats you as a letter (A, B, C, D, *etc.*) alongside an appraisal of risk based on their understanding of prior actions by people 'like you', do not have the ability to take non-standardised factors into account. In our current set up, the model of aggregated credit-scoring by companies like Equifax, Experian, Core Credit and others works well for people whose lifestyle fits neatly into their boxes. Those people who do not have a good credit rating, or a 'thin' file, fall on the wrong side of a system that privileges people with the ability to, for example,

'entrepreneurially' spend on a credit card and pay it off in full each month to improve their credit rating.

Access to credit based on credit ratings is subject to the pricing of risk that means people with good credit ratings are rewarded with a lower rate, and people with poorer credit ratings are either denied access or given credit that is much more expensive (and thus potentially unaffordable). It is of fundamental importance to recognise the politics of the creditor-debtor relation when we understand that loans are priced on perceptions of risk and not affordability. Those who can afford it pay the least, and those who are less able to afford it pay the most. This dynamic quickens and intensifies existing inequalities. What is driving this dynamic is a system in which it is normal for creditors to bear very little risk and where debtors are subject to a legal and policing system that reinforces this power relation. What this thesis has found is that in peer-to-peer, some platforms sought to reduce this risk even further by providing safeguard funds, where a premium is paid by those with lower credit ratings to a pot, the aim of which is to cover any losses that might incur through default.

Whilst the way that this has played out so far is to further protect creditors to the detriment of debtors (through paying a higher rate), the orientation of this thesis to the creation of new potentialities means that this could inspire other ways in which a mechanism like this could be used to protect the debtor and reduce some of the inequalities inherent in the credit system as currently constructed. A safeguard fund could be managed along the same lines, with those considered to be higher risk paying in more, but instead of the pot of money being kept back to protect future and other creditors, it could be redistributed to the debtors, in proportion to the extra interest they have paid over the duration of the loan. Not only would this satisfy the current perceived need to price for risk, it would also create a mechanism by which some of the unevenness and unfairness of the credit system could be smoothed over. This would, after the loan is repaid, give a cash sum back to the debtor, potentially opening out future possibilities for that individual. In addition, new data could be collected around the extra incentive this might play in repayment overall, so it would not only benefit the debtor, but potentially the creditor too.

This fund (perhaps renamed a ‘solidarity fund’?) could be used in other ways; for example we know that many problems with loans come from life-changing events such as illness and redundancy, so the fund could also be used to enable some flexibility in payments much as some mortgage companies allow holidays in line with payments sitting in an overpayment account. There could be many more options if we were able to break out of the idea that the main job of platforms is to benefit creditors; a focus on how to best serve debtors could open up a whole host of potentialities that could even out some of the inequalities of the credit system as currently configured.

Second, what this thesis has shown is that there does exist an appetite in some sectors to abandon intensive forms of due diligence which reduce decision-making for creditors to a choice between rate and credit score. Some business-facing peer-to-peer lenders and reward-based crowdfunders show us that it is possible for a platform to undertake a certain level of due diligence, but then ‘leave it to the crowd’ to decide in a more fundamental way. These sites tend to approach this by setting out in a clear statement their role and responsibilities in terms of checking the projects and businesses on the sites, but stress that it is the overall responsibility of the creditors to decide on the individual risks of any investment. Invariably in business crowdfunding this involves setting up expectations with statistics about the number of businesses who fail, with the aim of impressing that there is no guarantee of repayment so that the risks lie with the creditors and their judgement, not with the platforms themselves.

The increasing popularity of these platforms shows that there is an appetite for risk and this is not always simply related to a desire for higher and higher rates. In these cases, the limited data available here indicates that sometimes a desire for the product or reward drives the motivations of the creditors, but there are also clearly desires to fund and support people and projects. In other words, in addition to rate and return, there is a desire for solidarity of some kind, which in reward-based crowdfunding is expressed and quantified in money. These expressions of solidarity are only enabled when the platform steps back and allows the crowd to participate and interact with one another in meaningful ways. This thesis argues that when the crowd is freed up to make decisions, space

is created for a fuller and more complex range of human desires to be expressed. The retreat of the intermediary to the background enables ambiguities of purpose to arise, which are then shaped by the vision of the people and projects that populate that space, and the participation of their local and personal connections as well as the networks of interest that are created and sustained.

Unlike mainstream finance and banking, where the information given is reduced to risk and rate, the plethora of information, and the ability to directly interact with projects and debtors, enables creditors to be motivated by desires over and above a narrow conception of monetary value. What this thesis has shown is that the less information available, the less creditors and debtors are allowed to interact, the more the intermediary platform controls or limits this interaction, and the harder it is for anything other than rate to matter in creditors' decisions. The starker example of this is when Zopa stepped in to prevent creditors from lending at lower than market rates; faced with getting a higher rate or leaving the platform, some creditors left the platform. Although this was likely a minority of people, the fact remains that, for some people, solidarity is important and in some cases much more important than rate. I argue then, that those wanting to create new forms of finance which enable solidarity and a wider range of motivations would be wise to look into ways in which the platforms can set up the general culture and ethos of a site, at the same time as focusing on enabling good information sharing and meaningful interactivity between creditors and debtors.

Third, and more tentatively, the social purpose of alternatives is likely to be influenced by the subjects, locations and boundaries of the alternative, due to the acceptance of the realities of actually existing socio-economic inequalities and power structures as well as the tacit acceptance of cultural norms and moralities which enforce and re-create those realities. Dominant moralities of debt, such as the overwhelming imperative that one should 'pay one's debts' (Graeber, 2010, p2) are certainly re-produced in contemporary innovations in finance. How this plays out in the case studies of this thesis is in the ways that the structures of peer-to-peer (individual lending in particular) privilege the creditors, whom it seems should be protected at all cost. This is not a criticism of the general

approach that debtors should repay their loans, and of course there are legitimate reasons why this is the case, especially when the peer-to-peer industry initially focused on enabling participation from all, with minimum 'investment' from £5 or £10.

The way the industry has moved however, especially the market leader Zopa, tends to be toward a very different idea of core creditors, who are looking increasingly less like everyday people lending money, and increasingly like sophisticated and institutional investors. Regulation plays a role here of course, and interviews with regulators confirmed that they are less concerned about protecting sophisticated investors and institutional investors because they are deemed more than capable of looking after themselves. In which case we have seen that, again particularly with Zopa, they have expanded their minimum acceptable credit rating downwards. What appears to be leading this is not a concern for the inclusion of the economically under-served, but a desire to chase higher rates and increase the supply of loans in recognition of the increased demand from an influx of institutional investors. Perhaps this is a natural development of a growing but still young industry; all of the easy cherries have been picked, but it is yet to be seen if the lines of credit will expand and if this will change perceptions of the industry as a safe place to invest money.

The depth that a diverse economies approach offers means that these findings could have significance for practitioners wanting to create alternative social forms of finance by showing, on a granular level how change is enabled or constrained and what factors influence this. As such they should think carefully about how they can directly link up creditors and debtors, how they will assess creditworthiness, and in what ways they will privilege creditors and debtors.

## **7.2 Contributions**

In answering the research questions, this thesis makes a number of wider theoretical and empirical contributions. These centre around three principal areas – the relationship between diverse economies and the credit-debt relation, understanding how the social is assembled in the credit-debt relation, and

empirical findings about peer-to-peer finance and reward-based crowdfunding and the potentialities of alternative finance.

The major empirical contributions made by this thesis are to the understanding of peer-to-peer finance and reward-based crowdfunding, and the potentialities for alternative socialities of credit-debt. This thesis **has investigated the potentiality for diversity and difference in peer-to-peer finance and reward-based crowdfunding**, looking at what is often ignored in current understandings of these industries. The development of crowdfunding as a phenomenon tends to be analysed for its similarity with mainstream forms of finance, but this thesis has shown that firstly, there is more diversity in the industry than is currently understood, but also shows how the industry has changed over time. This contributes new empirical knowledge of how and why these changes have occurred via in-depth interviews with the key players in this field.

This thesis has also contributed to **the empirical understanding of how the social is being assembled in peer-to-peer finance and reward-based crowdfunding**. The use of the framework created in chapter 4 to analyse the assembly of the social in these industries contributes new information on these relatively new industries. This has enabled an in-depth understanding of the development of peer-to-peer and reward-based crowdfunding at a specific point in their development. The timing of the research coincided with major developments of these industries (particularly in relation to the calls for, then subsequent regulation of, the peer-to-peer industry) and the participant observation of some of these developments enabled an analysis of how these industries and the platforms have changed over time in relation both to their original aims and with the mainstream. The depth with which both case studies have been investigated with access to prominent stakeholders, founders, CEOs and regulators enables an alternative empirical analysis of the development of the industries. The richness of the material gathered in interviews also enables the kind of ‘thick description’ promoted by Gibson-Graham (2014).

This thesis has also contributed to **understanding the tensions and possibilities of alternative finance by showing what is enabling and constraining attempts to provide more ‘socially useful’ alternatives**. It was found that across the two case studies, the biggest enabler of alternative creditor-debtor socialities is found in the way reward-based crowdfunding platforms directly link up creditors and debtors and then ‘retreat’, allowing a wide range of interactions between projects and the crowd to be possible. They do this by creating in-built mechanisms by which creditors and debtors can directly interact in meaningful ways, for example through sharing detailed project information, news and updates, and the functionality of conversational interactions through forums and question and answer boxes. This thesis argues that there is power in ambiguity, at least on behalf of the platform, unlike in peer-to-peer, where the creditor-debtor relation is micro-managed to the point at which it barely exists. As already mentioned above, the power of the interaction means that creditors are able to express different motivations, over and above the desire for a financial return. Without this direct link, the sociality of the creditor-debtor relation is very limited.

Elements that helped to create alternative socialities were found in platforms where the creators of platforms did not come from a finance background. Generally, the subject-creators of peer-to-peer come solidly from mainstream finance, and this is reflected in the continuation of certain norms and values leaking into the alternative; whereas the creators of reward-based crowdfunding platforms come from creative, charitable or technology backgrounds. It is also potentially easier to innovate in spaces that are not seen to be in ‘traditional’ finance, so they may escape expectations of the purposes and conventions of finance.

The major constraints were found to be in the problem of creditworthiness, and the persistent primacy of the creditor. The lack of alternative ways to assess creditworthiness particularly affects peer-to-peer finance, where there are additional regulatory constraints not found in reward-based crowdfunding. It was found that reward-based crowdfunding platforms were then able to pass the responsibility for creditworthiness onto the creditors, altering the balance of

power and risk in favour of the debtors. The primacy of the creditor is found to affect the ways in which the platforms are set up, with subsequent innovations such as the safeguard fund used to further protect an already quite heavily protected creditor.

The principal theoretical contributions this thesis makes centre on two areas. The first set of contributions comes from engaging with the core political project of diverse economies research and extending these approaches to thinking about finance through the creditor-debtor relation. This leads to contributions both to the body of diverse economies work in developing a conception of diverse economies of finance *and* to considerations of how a diverse economies approach can deepen understandings of the creditor-debtor relation through alternative financial innovations. In chapter 2 this thesis looked at the ways that diverse economies theory calls for academics to build an ontology of economic difference (Gibson-Graham, 2006a, 2008). This recognises the constitutive role of research in creating experimental space aimed at enabling an increase in political possibilities. Partially, this has been achieved by uncovering the existing diversity of economic relations, and making visible ‘alternative-capitalist’ and ‘non-capitalist’ forms of provisioning as we saw in table 2.1. Whilst later work sought to expand diverse economies work to finance (Gibson-Graham, 2014), this was theoretically undeveloped.

This thesis has therefore **contributed to the extension of a diverse economies approach to finance**. Throughout the thesis this research has sought to be true to the spirit of diverse economies approaches and their commitment to thinking (and doing) diversity and difference, and extending this to finance ontologically, epistemologically and methodologically. In chapter 2 this thesis looked at the ontological and epistemological approaches of diverse economies and explored how this could be extended to finance. This thesis applied readings for dominance, fragility and difference in the UK finance system in table 2.2 to bring an ontology of economic difference to finance, highlighting the contingencies that are often ignored in readings of finance which privilege ‘capitalocentric’ understandings of financial dominance. In developing the epistemological contributions of diverse economies, the theoretical practicalities of the diverse

economies table for crowdfunding and peer-to-peer finance were explored in chapters 5 and 6. What was found is that whilst the diverse economies table is good at showing difference across the whole 'economy', it is inadequate for showing the diversity and dynamism of alternative forms of finance. This thesis argues that the diverse economies table as it stands is not fit for the purposes of showing the diversity and dynamism of finance and that these instead demand that this thesis contributes an alternative method, as was done in tables 5.5, 5.6, 6.6 and 6.7. These new forms of expression show a range of dynamic potentialities in an industry, which enables a clearer understanding of the choices that are made in the organisation and creation of new forms of finance.

A diverse economies approach has the capacity to show the tensions and possibilities of both mainstream and alternative forms of finance and this thesis applied this approach through the case studies, giving a specific analysis of the possibilities and choices that either enabled or constrained particular kinds of sociality from emerging. The important theoretical contribution of the thesis is to extend a diverse economies approach into the creditor-debtor relationship, not least because it has tended to focus on production and the wage relation and this thesis has shown that the diverse economies approach needs to change both in its remit (to include finance) and in updating its tools. In particular, what needs more attention in diverse economies research is the extension of the approach to the creditor-debtor relationship with an understanding of the dynamism of finance.

This thesis has also contributed to increased understandings of finance and the creditor-debtor relation through extending a diverse economies approach to finance. We saw in chapter 2 that research on money and the credit-debt relation has tended to analyse *how* this relation operates, but there has been little that specifically seeks to see *what* this relation could be. Many accounts (Graeber, 2010; Lazzarato, 2012) tend to focus on the ways that debt has developed to become the organisational lifeblood of capitalism. And, whilst Graeber's account specifically outlines the differences between past credit-debt relations which helps us recognise the potential diversity inherent in the organisation of debt as

well as persistent tensions, he has little to say about how debt will be constituted in the future.

A diverse economies orientation towards the present and the future in terms of possibilities provides a different emphasis in the analysis of credit-debt relations. As such, diverse economies has shown how credit-debt can be theorised as over-determined and contingent, reflecting Zelizer (1994, 1996) and Gilbert (2005) but also building upon them. Crucially, this allows for an analysis of credit-debt with an orientation towards difference and diversity whilst recognising the historically powerful materialities of credit and debt. As Langley (2016) shows, the duality of money enables new forms of finance such as crowdfunding to arise which both harnesses both the commensurative and generative powers of money to affect social relations. Both of these accounts are consistent with a diverse economies approach to credit-debt as they call for an attention to difference and the ways in which sociality is harnessed in forms of money and finance.

This thesis builds upon and deepens these accounts by specifying how the social is assembled through the credit-debt relations of alternative finance, and the case studies in chapters 5 and 6 apply a framework of credit-debt to peer-to-peer finance and reward-based crowdfunding. This is important because the social is not always specified in theories of money, credit and debt and the framework offered provides a way to focus on the persistent tensions of debt, the having of which is crucial in outlining the possibilities of future debt relations. The empirical findings in turn contribute to theoretical knowledge of the creditor-debtor relation by showing how some contemporary financial organisations deal with the barriers and opportunities of this relation.

The second set of contributions comes from the application of a Latourian analysis of the social to understand how the emerging socialities of credit-debt are constituted. This thesis has therefore contributed to **the theoretical understanding of how to analyse the social relations of credit and debt**. As noted above, a diverse economies approach demands an orientation to economic difference, which theorises the economy as contingent and over-determined. Latour's (2007) analysis of emerging socialities mirrors this approach, showing

how ‘the social’ is always in the process of being made and assembled through the decisions that are made. The Latourian social has a resonance with diverse economies research as it seeks to make visible the development of social relations enabling an increase in political possibilities.

Much of the contribution from the Latourian social to understanding the credit-debt relation consists in the creation of **a framework that considers spatial, temporal and subjectivity-creation practices**. This merges the interests from the credit-debt literatures with the analysis of the social with an underlying ontology of economic difference. This framework gives an increased understanding of the construction of the social through the choices made by platforms and shows that there are at least three major constraints on the development of alternative forms of creditor-debtor socialities (as outlined in section 7.1.3). This is important as it suggests that theories of money, credit and debt would perhaps find it productive to focus some future work on these areas if they are wanting to contribute to the opening out of political possibilities for future credit-debt relations and more ‘socially useful’ forms of finance.

As a sub-contribution to the framework, this thesis has also contributed **an alternative analysis of the development of peer-to-peer finance and reward-based crowdfunding**. This is important to those who may or may not be theoretically interested in the credit-debt relation or diverse economies research but who seek to understand how and why these industries developed in the way that they did, because, other than some more recent critical work (Aitken, 2015; Gray & Zhang, 2017; Langley, 2016; Tooker & Clarke, 2018), much of the analysis of crowdfunding either dismisses, or takes for granted the social claims of these emerging industries. Whilst limited by the duration of the research between 2012 and 2018 (with principal data collection between 2012 and 2015), the detail provided here of the two industries enables a deeper understanding and alternative analysis of the ways in which the platforms encourage and discourage particular kinds of sociality and how the industries have changed over time.

The attention to the shifting nature of the sociality of the creditor-debtor relationship leads to a final theoretical contribution to the **understanding of alternatives, both how they are brought into being (through the framework) and how alternatives shift over time in relation to the mainstream**. Chapter 4 discussed the diversity of understandings of alternatives and alterity and in figure 4.1 showed the overlap of theories of alternatives. The empirical chapters were able, because of the orientation towards difference, to track how the alternatives developed over time and how they shifted in relation to the mainstream. This application of the different conceptions of alterity contributes to the understandings of it by showing how two alternative forms (or many forms if we consider the question at the platform level) have oscillated in and out of the mainstream, in what ways, and why. This increased understanding of alterity as a temporal and shifting quality also contributes to the body of diverse economies work, considering that the dynamism of these new forms of finance is part of their diversity and so static conceptualisations only give a partial and fixed-in-time understanding of the actual or potential of those forms. This is important as, although industries and platforms may have shifted towards the mainstream, the fact that they once held different forms and enabled more meaningful creditor-debtor interactions means that those forms are possible, if perhaps limited in duration. This in turn outlines where the important constraining or enabling features of contemporary finance lie, hopefully indicating productive avenues for further research, new innovations or policy interventions to increase future possibilities.

### 7.3 Future Research

The natural expansion of this research reaches into three main areas.

The first is to investigate further the limitations of credit-scoring as it is currently organised and to look at alternative means to assess creditworthiness. The rise of alternative credit-scoring companies using big data would be a productive and novel avenue to explore, especially with an analytic focus on the power aspect of the creditor-debtor relationship. Specifically, this could be done by asking ‘in whose interests do new forms of credit-scoring work?’. There are new ‘social’

forms of credit-rating agencies that are trying to harness social connections to build up alternative credit scores (Tooker & Clarke, 2018) and the framework outlined here would enable a nuanced discussion of the sociality of these methodologies for determining creditworthiness, which is a fundamental building block of the credit-debt relation.

The second strand which would build directly upon this thesis would be to use the framework created here to investigate other forms of alternative finance and how they seek to create new forms of creditor-debtor relationship. In particular this could be applied to the other crowdfunding ecologies set out in table 2.4, to provide a wider and deeper analysis of the sociality of credit-debt in all forms of crowdfunding. Seeing how other crowdfunding industries and platforms have dealt with the creditor-debtor relation and what kinds of socialities are enabled will build up further knowledge of the diversity and potentiality for diversity in finance.

A third avenue would develop some of the strands from the case study chapters; for example in chapter 6 we saw that some projects found the processes of reward-based crowdfunding rather difficult and time-consuming to engage with. Further research related to this would seek to investigate the demographics of successful and unsuccessful projects to see how wealth disparities may affect the potential success of campaigns. This could highlight potential inequalities but could also outline what forms of support could positively contribute to reducing the reproduction of these dynamics.

Personally, at the end of this process I have gained a new interest not just in the specific mechanics of finance and the credit-debt relation, but in wider questions concerning the nature of change, and the role of individuals within that change. I am developing an interest in how spaces are created and maintained with a desire to enact change and difference and this I feel this is one productive avenue for me to explore in the future. As part of my work with the Finance Innovation Lab, I was trained in 'the Art of Hosting' – a set of participatory facilitation techniques with an underlying theory of change that is centred around creating spaces in which change can happen. My practice as a host is one which I have sought to

expand throughout my PhD through working as a facilitator with the Lab at both small, high-level workshops and large, public-facing events. I aim to further expand my practice and expertise as a skilled host-facilitator, but also to research the Art of Hosting from an academic perspective, as there are many commonalities between diverse economies and Art of Hosting methodologies that could support the translation of theory into practice, especially in finance and economic spaces.

#### **7.4 Conclusion**

The approach taken in this research was that in order to understand possibilities in banking and finance, we must understand that the social and power relations at stake are found in money, which is a social relation of credit and debt. This thesis has found that, in line with a diverse economies perspective, 'alternatives' are always and already present and they are relational, contingent and ambiguous. The related concept of 'alterity' draws attention to the intentions, perceptions and motivations of those practicing alternatives and gives rise to the concerns in this thesis of whether intentions shift over time, fail to materialise, are subsumed by other motivations, and so on. Because there are a wide range of 'other' economic forms, the thesis has as a central concern those 'alternatives with alterity' which seek to alter in some way the creditor-debtor relation, and make some claim to be, in some way, more 'social'.

In light of these theoretical literatures, this thesis has contributed a framework that enables these interests to be brought into the analysis of two case studies on peer-to-peer finance and reward-based crowdfunding. The creditor-debtor relationship is the lens through which the ways that the social and power relations of debt are playing out in contemporary attempts to create alternative forms of finance. This thesis has found that there are three persistent features of debt that are restraining attempts to create more social forms of finance and has outlined how the knowledge of these constraints can open up new possibilities to change finance for the common good.





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