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The Policy Studies Organization

Budding Scholars Conference

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"Forecasting Potential for Equity Crowdfunding: Tools for Understanding"^A

Recent changes in federal legislation, and legislation in some states, are laying the groundwork for a crowdfunding model that allows for financial return to non-accredited investors on their small-medium capital investment. Excitement over this new equity crowd funding (ECF) stems from estimates that the potential U.S. market for EFC from non-accredited investors is \$2 trillion, as compared to the \$20 billion in capital currently available from accredited investors (Barnett and Chance 2013). Policy domains such as economic development, environmental quality, and community health are already embracing ECF's potential because the new model changes the fundamental nature of borrowing in a way that favors socially-oriented organizations and interests, while providing an advantage to socially oriented start-ups. ECF is being eyed as a tool for advancing progress toward policy goals by stakeholders in many policy domains, especially those with a local focus.

Despite interest from diverse stakeholders and estimates on potential financial investment, clear understanding of the potential outcomes of EFC-enabling policies is lacking because dominant economic forecasting tools, focusing on traditional actors and incentives, are inadequate for capturing critical parameters that drive the effectiveness of ECF models. Predictions about ECF's impacts are necessary to understand how well ECF models could serve stakeholders' policy goals, and forecasting tools for making informed predictions of ECF impacts would be of great value. Proper forecasting tools would enable the establishment of a base of experience from which to draw expectations for the impacts of ECF; offer a frame for the discussion surrounding ECF; and create a forum for the discussion and elucidation of the key mechanisms and outcomes of interest within ECF. Additionally, forecasting the outcomes of ECF models can foster dialogue across multiple policy domains and could contribute to the development of locally specific ECF models, informed by the contextual knowledge of local realities.

^AAlex Smith: collaborator on presentation

References

Barnett, Chance (2013) *SEC Finally Moves on Equity Crowdfunding, Phase I*, Forbes.com.

Biography

After nearly nearly 10 years in the nonprofit sector helping organizations conceptualize innovative revenue models and funders explore strategic engagement, **Mackenzie Wood** is digging deeper into how people do good with their work - and the structures and funding streams that exist to support that work. As a first year PhD student in Public Policy at Georgia Tech focused on Economic Development, she is exploring the impacts of innovative, technology driven funding mechanisms for start-ups and small business. She also teaches a Master's level course in policy implementation.