



## Kickstarter Marks Another Milestone

Just over a week ago, Kickstarter, [the crowdfunding platform](#), revealed that it had successfully funded [more than 50,000 projects](#) since its inception in 2009. As of October 31 that number had [jumped to 50,844](#) with another 4,130 currently in the process of being funded.



Kickstarter has helped entrepreneurs with ideas, songs, gadgets, video games, publishing concepts, and fashion design ideas connect with low-budget capitalists interested in supporting them. And, thanks to provisions in the [JOBS Act](#), signed into law in April 2012, they can do this without many of the crushing regulations of the Securities and Exchange Commission. In fact, after reviewing the act's provisions, [the SEC unanimously approved](#) the crowdfunding concept, explaining that it would ease online fundraising for small companies while providing investors with adequate fraud protection.

At the time the JOBS Act was being debated in Congress, the New York Times [predictably opposed](#) allowing the exercise of such blatant freedom, citing all types of difficulties that would arise, and calling it "a terrible package of bills that would undo essential investor protections, reduce market transparency and distort the efficient allocation of capital." The Times even quoted an "expert" who dubbed the JOBS Act the "Boiler Room Legalization Act."

Of course, none of those concerns were proven valid. In 2010, Kickstarter had 3,910 successful fundraising projects completed with \$27 million raised. In 2011, the platform successfully funded another 11,836 projects with \$100 million raised, while in 2012 the company completed 18,109 projects and raised \$320 million. To date, the company has raised \$852 million from more than five million investors and could reach \$1 billion in successful financing by the end of the year.

Not every project is successful, in which case the investors get their money back. And even after a successful funding, the entrepreneurial idea may fizzle. More than 40 percent of the projects Kickstarter approves do reach the entrepreneur's goal, however; and most of them accomplish their purpose, sometimes with remarkable success.

For instance, there's Black & Denim in Tampa, Florida, [an apparel marketing company owned by Roberto Torres](#). His business model is simplicity itself: Find a designer with high fashion flair, find a retailer to put his line onto his floor, and take a commission. Wash, rinse, repeat. But when Torres thought he would pitch Macy's Department Store, he realized his company was too small to fulfill his promises in case Macy's said yes. He needed at least \$15,000, and borrowing was out of the question:



Written by [Bob Adelman](#) on October 31, 2013

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“Borrowing was not an option. Borrowing can make or break a [small] company,” said Torres.

Torres went to Kickstarter and set a goal of raising \$20,000. Enough interest was generated that he met and then surpassed his goal, raising \$30,000. And he did it without giving away any of his company. Instead, he gave away designer jeans and accessories to his investors.

And then there’s the [Pebble E-Paper Watch](#), a clever wristwatch designed by Eric Migicovsky that could download messages from a smartphone. Migicovsky did his financing backwards, finding a venture capitalist first to get started. But when that money was gone he found that the well was dry: “Hardware [like mine] is much harder to raise money for. We were hoping we could convince some people to [support] our vision, but it didn’t work out.”

So he went to Kickstarter and rolled out his crowdfunding proposal on April 11, 2012. His initial target was \$100,000. He offered each investor the opportunity to buy one his watches which retails at \$150 for just \$115. By the end of the day, he had met his \$100,000 goal. Within six days he had raised nearly \$5 million, and by May 18, scarcely a month later, the funding effort closed with more than \$10 million pledged by almost 70,000 people. By July 2013, his company had sold 85,000 watches. At \$150 apiece, the company’s revenues were approaching \$13 million, and counting.

Pebble’s success as the number-one crowdfunder was short-lived. A massive multi-player online video game called [Star Citizen](#) had, as of October 28 this year, [already raised \\$25 million](#), causing developer Chris Roberts to exclaim:

This milestone also means that October has been our biggest month for crowdfunding yet. That’s truly astounding.

Extra alpha slots [thanks to the funding] not only means more Star Citizens will travel the ‘verse at launch, but that we will receive more feedback.... This in turn will allow us to better balance and enhance the Star Citizen experience.

Worldwide, crowdfunding is setting records as well. In 2010, nearly \$1 billion was raised, which increased to \$1.5 billion in 2011 and then to \$2.7 billion in 2012. That number is expected to exceed \$5 billion in 2013.

Not all investors are expecting a return. Many want to support entrepreneurs such as Torres, Migicovsky, and Roberts for being innovative and help them along. Others want to support a cause. Still others get caught up in the excitement of something new. None of them are expecting to get rich. They’re glad to have a pair of fancy jeans or a watch or a video game at a discount.

In microcosm it’s the free market at work, matching entrepreneurs with capital. It is encouraging to see, thanks to the exceptions and leeway allowed in the JOBS Act, how capitalism can flourish. In the face of government’s determination to pave over every square foot of entrepreneurial activity with crushing regulations, even in a little crack, opened to the sunlight of opportunity, will spring forth remarkable, even history-making, businesses that otherwise wouldn’t exist.

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