

Peter Brock, "What Are NFTs and Why Are They Changing the Art World?" *Frieze*, April 9, 2021.

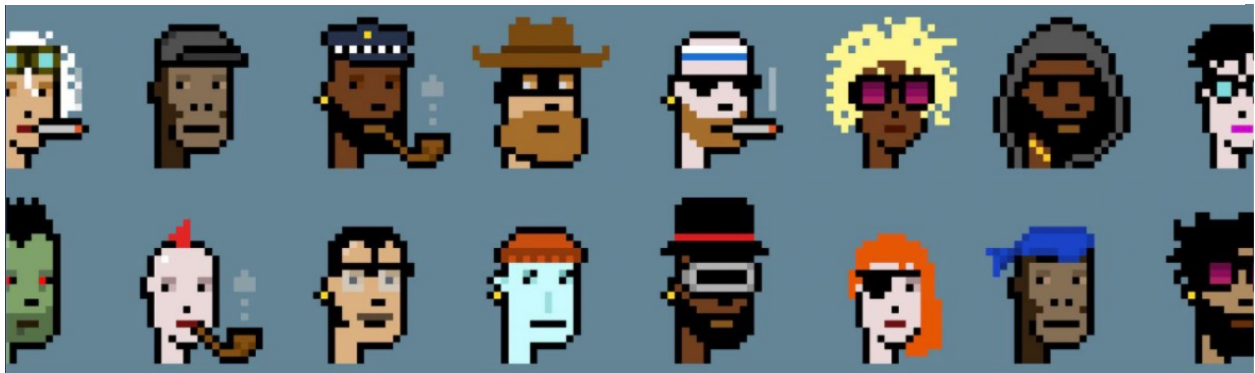
FRIEZE

What Are NFTs and Why Are They Changing the Art World?

Peter Brock explores what blockchain technology could mean for power relations within the art world

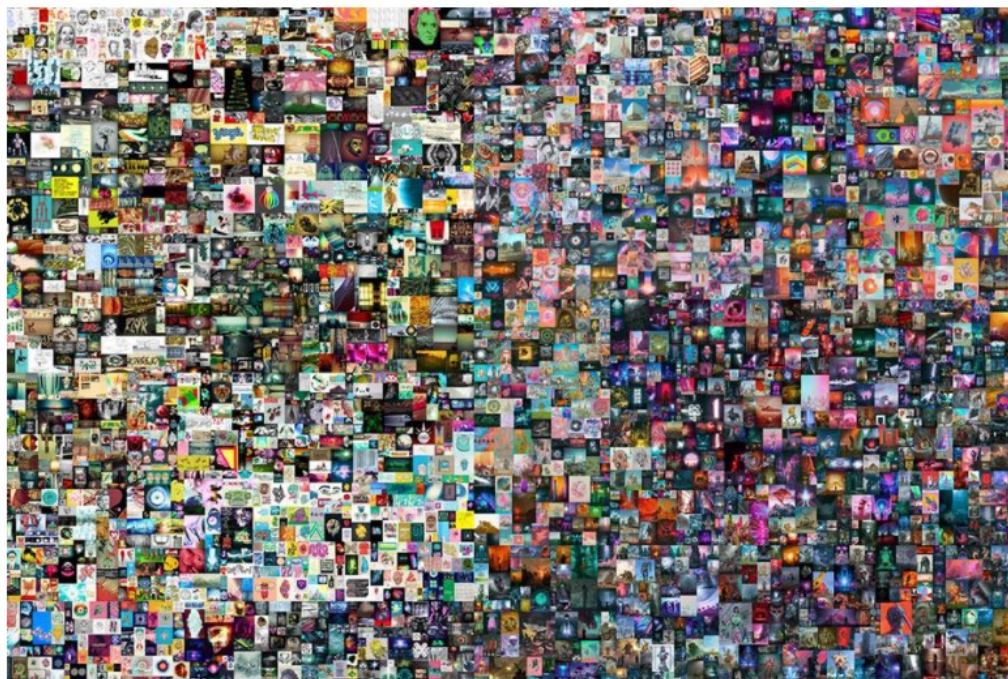
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BY PETER BROCK IN OPINION | 09 APR 21



The business of contemporary art has largely concerned itself with the sale of unique, physical objects whose provenance is verified by galleries, scholars, auction houses and, typically, a trail of paper. Digital art is at least several decades old but, until recently, has not been collected in the same way as painting or sculpture – partly because it was impossible to distinguish an original from a copy. Now, with the advent of the Non-fungible Token (NFT), art-world institutions are scrambling to adapt to a new type of transaction that is generating jaw-dropping auction prices. The artist Mike Winkelmann, known as Beeple, set a record last month when his collage of images, *Everydays: The First 5,000 Days* (2021), sold for US\$69 million, but the volume of NFT commerce is also impressive. According to **NonFungible**, there were nearly 80,000 weekly transactions in March. The quantitative nature of all this hype, however, reveals something important about the phenomenon: at this stage, NFTs are primarily a financial innovation whose impact on visual culture remains unclear.

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Mike Winkelmann (aka Beeple), *Everydays: The First 5,000 Days*, 2021

NFTs belong to a group of innovations that stem from an eight-page paper published in 2008 by Satoshi Nakamoto (presumed to be a pseudonym), which eventually became the technical basis for Bitcoin. This document laid out the principles of a peer-to-peer payment system with a hugely consequential feature at its core: no centralized institution to guarantee that transactions are valid. Known as a distributed ledger (or blockchain), this record-keeping system defends against potential fraud and eliminates the need for a single trusted arbiter, establishing a broad consensus regarding the history and value of each piece of digital property. While units of cryptocurrency are interchangeable by definition, blockchain enthusiasts began to work on how unique assets could be authenticated. In his article **'The History of NFTs'** (2019), Andrew Steinwold recounts how, over the course of the 2010s, these assets evolved from trading cards to memes to cutsey JPEGs of cats. Now you can purchase anything – from a video of an NBA player dunking to a tweet by a celebrity – as an NFT. While the type of ownership and transaction are new, most of the assets being traded are recycled bits of culture from other platforms.

So, when you buy an NFT, what are you actually buying? In the bricks-and-mortar art world, it is common to issue a certificate of authenticity when a collector purchases an unsigned work. Most NFTs function like certificates of authenticity, only they rely on the cryptographic protocols of the Ethereum blockchain for their authority instead of an official paper document. This high-tech token is unique and proves your

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ownership, but the thing you own – usually a JPEG, GIF or MOV – remains as copyable as ever. The overwhelming majority of NFTs are relatively conventional as items of visual culture: digital drawings or animations of the sort that have existed for many years. Some, like CryptoPunks (released in 2017 and one of the first NFTs on the Ethereum blockchain), are intentionally low-fi and full of nostalgia for the early days of the internet.



Terra0 logo

The fact that the visual component of many NFTs has already been widely shared and can continue to be shared in its full form, even after being ‘acquired’, reveals something about how value functions in online communities. These items of digital culture derive their monetary worth from their circulation through social networks, so sequestering your digital art in crypto-wallets and posting screenshots on social media for bragging rights is a pretty retrograde approach to culture and property. The shareability facilitated by ever-improving broadband speeds and display formats (like Ultra-HD and VR) makes the socially integrated aspects of digital art much more compelling than standard collectibles. **Decentraland** is a virtual world with user-generated features built on the Ethereum blockchain. It is, in many ways, similar to Second Life, except that the users own the platform and have the power to change the rules of the game by voting. In this context, an NFT could be an accessory for your avatar or a virtual building. With powerful VR headsets becoming more affordable, these types of immersive social experience will soon achieve stunning verisimilitude, and the popularization of NFTs is likely to pave the way for more talent, time and resources to flow into this space.

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The artist Simon Denny has been making work about techno-optimist rhetoric and blockchain technologies for several years. I spoke with him recently at Petzel Gallery in New York, at the opening of his exhibition 'Mine', where he launched his own series of NFTs. Denny's digital work mimics the logic of a carbon-offset, with the artist proposing to retire an Ethereum 'mining rig' in exchange for the purchase of his 3D model of a homemade supercomputer. 'Mining' refers to the activity of verifying transactions on a blockchain network, which consumes enormous amounts of electricity. While Denny's NFT won't actually impact the carbon footprint of Ethereum, his work points to the massive environmental cost of cryptocurrencies – a



Simon Denny, *Airobotics Optimus Autonomous drone and docking station promotion screen video token*, 2019, aluminium, UV print on plexiglas, fluorescent light tubes in original cardboard packaging, 68 × 120 × 10 cm. Courtesy: the artists and Petzel Gallery, New York

fact that has led many artists and activists to **argue passionately** against widespread adoption of blockchain technologies.

Yet, despite the high energy cost of transactions at present, some artists see immense potential for resource management using the blockchain. **Terra0** is a conceptual framework that would allow a forest to manage its own resources through a series of smart-contracts: self-executing agreements carried out on the blockchain. In this model, the forest would own itself and could sell a certain number of logging permits in order to generate capital for its own maintenance. Based on sustainable principles, these decision-making protocols could not be altered by individuals seeking to exploit common resources.

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By extension, smart-contracts have the potential to enhance the economic power of artists in a more lasting and systemic way than the recent surge of capital that minted a crop of digital-artist millionaires. Artists who use NFTs to authenticate their work could also include code that automatically pays them a royalty each time the token changes hands. Since this protocol would be cryptographically encoded, it would not depend on the co-operation of collectors. Smart-contracts could also provide a transparent and fool-proof mechanism for profit-sharing and collective decision-making, which could eventually benefit organizations such as **the Artist Pension Trust**, the **COOP Fund** and **W.A.G.E (Working Artists and the Greater Economy)** that are already exploring ways to address the inequity and economic precarity of arts patronage. Unlike most current NFTs, which are simply the latest iteration of private property, future projects could shift power relations within the culture industry. Using code to assert the rights of creators against those of owners would be a substantial step towards acknowledging and rewarding the collective nature of all cultural production. This type of creativity might not currently be making headlines, but the people behind such projects are already at work.

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