

NFTS WILL CHANGE THE ART WORLD

Sales of digital collectibles set records in 2021, but even as the scene is cooling down, in 2022 many artists will explore bold new ways to blend the blockchain with creativity

By Robert Norton

Non-fungible tokens (NFTs) turn anything into something that can be digitally collected and traded, from a meme to the source code of the World Wide Web. In 2021, NFT art skyrocketed, with Beeple (aka Mike Winkelmann) becoming the third-most valuable living artist after David Hockney in terms of auction prices, following his \$69.3m (£50.2m) sale at Christie's.

But the winner's medal belongs to community NFTs such as Cryptopunks, whose 10,000 algorithmically generated artworks surpassed \$1bn (£725m) in sales since they were first given away for free less than five years ago. With collectors banking returns of nearly one million per cent on their investments, it's no wonder artists, auction houses and even organisations like the US National Basketball Association, which owns digital clips of games, are getting involved.

In 2022, NFT art will move beyond the speculative frenzy of its early days to more everyday double-digit growth. With all the major auction houses continuing to sell NFTs, there will be further ambitious NFT drops such as Damien Hirst's new project, "The Currency". Art will become gamified as new digital tribes congregate under the guise of punks, apes, penguins, cats and other modes of self-definition.

Expect to see artists respond to the seemingly insatiable demand for archetypes and traits that are attracting a new generation of digital collectors to the metaverse – reminiscent of the anthropomorphised groups in AOL chatrooms in the early 1990s.

Collectors won't care if a work is human-made or a digital collectible generated by an algorithm, as marketplaces double down on the lure of verifiable digital scarcity and bold, new auction formats.

Regulators will also look to curb double standards in physical and digital artwork sales. In Europe, any

dealer selling a physical work for more than €10,000 (£8,594) needs to adhere to strict anti-money-laundering guidelines, but NFT sales are unregulated.

Artists will benefit from the flow of ongoing NFT sales royalties. These persistent royalties, typically ten per cent, will disrupt and weaken the position of traditional dealers. Artists and collectors will be bound together more closely than ever, with every new sale generating instant income for its creator. Efforts to extend artist royalties across marketplaces via royalty registries and new contract standards will be hampered by a lack of standards across the main NFT marketplaces. But the promise of royalties and the desire for blockchain records will result in more physical artworks being traded as NFTs, providing further transparency in the art market.

Transaction authenticity on any given blockchain won't, however, prevent fraudulent artist accounts and buyers will value additional authentication from verified identities to artist certification.

The promise of eternity will also present new challenges, as marketplaces determine the best way to ensure permanent accessibility of their artists' digital works. IPFS, the Interplanetary File System protocol, will remain the preferred way to do this, but on-chain storage protocols such as Arweave will gain ground in the race to ensure art lives forever. Museums are well placed to contribute to digital preservation, but will need to partner with technology providers and move quickly to stay relevant.

New generations of wealth have historically desired new forms of art, from the commercial to street level, and in this sense the aesthetics of crypto art is no different. However, the token mechanisms underlying this form of expression will change the entire art market and rewrite our understanding of provenance.

"Everything you can imagine is real," said Picasso. With artists and engineers leading NFT innovation, the art of the possible has never been greater.



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