

THE DIGITAL ART MARKET: THE NFTs

In recent years, there has been talk about NFTs and their uncertain value compared to works of art and collectibles.

NFTs, or “non-fungible token”, are certificates of ownership on digital works whose value derives from the sole uniqueness between the trust of the seller and the buyer sold through the blockchain.

NFTs were born years ago as a natural development of blockchain, a set of technologies in which the registry is structured as a chain of blocks where transitions and asset tracking are contained. They can serve as a tool for selecting, monitoring and counting votes to prevent any attempt at electoral fraud or to prevent data loss. It is a safe tool because once the transition has taken place it is certified and saved within the chain blocks where they cannot be modified or breached.

These are used within governance, elections and documents such as birth certificates and passports for their characteristics such as immutability of the register, transparency, security and traceability.

Returning to the subject of NFTs, digital objects created through the use of technology and the internet in a secure way where they can neither be replaced nor replicated, have had a very important and evolving impact in the world of art and collectibles to become a million dollar market.

The growth in turnover in recent months reflects an increase in sales, reaching billions of dollars. A record-breaking example concerns Beeple’s work sold for USD 69 million by the historic auction house Christie’s.

Many things have been said about this new technology, both positively and critically. Let’s try to understand what the pros and cons are about the real role and influence in the market and our lives. First of all, we can say that the NFTs have no limit of creation, anything can be transformed if they are stored on a digital medium conferring the usage property for sale and therefore one might think that it allows the possibility of unlimited profit where the expenses for companies and individuals are minimal.

Ownership of rights allows you to earn every time the NFT is resold, that is, every time it is resold to third parties, you are paid for your rights. This is due to its great feature “traceability”, which allows you to track the transfers of ownership through the use of blockchain. But these rights of use and sale also have limitations that bring problems to their application, such as copyright. According to the news, a very well-known case was that of the actress Emily Ratajkowski who ventured into the world of the NFT, the model put up an auction of her work where she portrayed a photograph of herself in

front of a print (of herself) taken by another artist, which led to the interruption of the marketing of the NFT.

The NFT, for the model, represented an effort to reclaim images that primarily concerned the image of herself and secondly images that had been created and sold without her permission, due to the fact that many times you are not able to control images that can become vulnerable.

This may be an opportunity for artists to regain the rights, distribution and control over their works, but legal instruments still need to be applied to effectively protect digital art.

There are also problems with blockchain technology, which does not guarantee the truthfulness of the data entered: many artists have found themselves in situations where their works had been turned into NFT without their knowledge (e.g. the retrofuturistic works of Simon Stålenhag).

A metaphor is related to the case of the Mona Lisa, there are thousands of prints and reproductions of one of the most famous paintings in the world and also of the story "The Mona Lisa", but since they are images that do not relate to the original created by Leonardo da Vinci, their validity equates to much less.

Another important aspect is the issue of the quality of NFTs: anyone can create and sell, so the value of a Non-Fungible Token depends on the quality of the link. Technically it means that the buyer of an NFT buys metadata where there is a file link leading to digital art. When the link to the digital work breaks, the token may end up directing the owner to nothing or to a file other than the one you want to buy.

The NFT world is traded as a marketplace where it must guarantee the protection of transitions and guarantee the stability of links and pay attention to the platform where NFTs are hosted.

A key issue is environmental impact: the process of creating a single NFT consumes the energy needed to power a European home for a month and a half. This also applies to bitcoins, becoming an element to be fought against in order to prevent worse environmental situations from arising.

So we have to understand if it's fashion, historical innovation or a speculative bubble given its rapid spread of the phenomenon and the dark side of earning money by taking advantage of non-own works sold on NFT platforms.

Currently, the NFT market accounts for 75% of transactions with a value below \$10,000, which is almost on par with the global art market. At the moment, according to data emerged in 2021, there are 360,000 owners of NFT where about 9% of them hold 80% of the market value.

The trend of the NFTs is clearly growing exponentially, but on the other hand it can be seen that moving in an unregulated space involves scams, manipulations and wash trading putting at risk their value and their permanence over time.

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