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Disrupting the Art Market? Blockchain, NFTs and the Promise of Inclusion

Silvana Colella*

Abstract

The market for Non-Fungible Tokens (NFTs), a nascent phenomenon, has garnered widespread attention since early 2021. This article focuses on the stories, narratives and discourses that have taken shape concomitantly with the growth of the NFT market and are an integral part of its life. After reviewing the features of the contemporary art market, frequently described as “ripe for disruption”, the focus shifts to the characteristics and promises of the NFT art market, delving into success stories that celebrate individual empowerment, inclusion and community building as the nonfinancial values of NFTs. The final section considers the skeptical perspectives of cultural critics and artists who decry the NFT phenomenon as the latest frontier of capitalist financialization. The statistics economists have gathered and analysed are also taken into account to further clarify the discursive dimension of NFTs.

Il mercato dei *token* non-fungibili (NFT) è un fenomeno emergente che ha catturato l'attenzione pubblica soprattutto a partire dal 2021. Questo articolo analizza le storie, le narrative, i discorsi che sono parte integrante della grande crescita di questo mercato. La discussione prende avvio focalizzandosi sulle caratteristiche del mercato dell'arte conven-

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zionale, un mercato opaco, esclusivo e strano, come viene spesso descritto, per poi procedere alla disamina delle innovazioni e delle promesse del mercato NFT, incentrata su storie che celebrano l'*empowerment* individuale, l'inclusione e l'*ethos* comunitario come valori non monetari associati agli NFTs. La sezione finale si concentra su posizioni più critiche o scettiche che leggono il fenomeno NFT come la nuova frontiera del capitalismo finanziario. Per meglio contestualizzare questi discorsi, vengono prese in considerazione alcune analisi economiche basate su dati recenti.

«Talk of blockchains, DAOs and metaverses sounds so utterly bewildering and far-fetched that it might be tempting to give up listening to the DeFi crowd [...] But piece by piece a new kind of economy is being built through applications on various blockchains. Each addition makes it more likely that the whole will amount to something meaningful and powerfully disruptive.»

Adventures in DeFi-Land, «The Economist», September 2021

1. *Introduction*

In March 2021, Christie's sold a non-fungible token (NFT) associated with Beeple's digital artwork – *Everydays: The First 5000 days* – for the staggering sum of \$69.3 million¹. While in the art market extravagant prices are not unheard of, this record-smashing deal marked «two industry firsts» as Christie's explained: the lot up for auction was «a digital work with a unique NFT», and the auction house accepted cryptocurrency (Ether) alongside standard forms of payment². The Beeple sale was followed by a frenzy of NFT trading. By December 2021, the total NFT sales volume had surged to \$24.9 billion, a considerable rise compared to the \$94.9 million the year before³. Whether the

¹ An NFT is a a unique cryptographic token registered on a blockchain, which certifies the ownership, authenticity and scarcity of the asset linked to it, such as an artwork or a collectible. More precisely «NFTs are blockchain-enabled applications that encode, either on-chain or off-chain, unique content in smart contracts for secure verification of provenance. NFTs feature identity and ownership supported and substantiated by distributed ledger technology. They are based on a highly secure system, in a peer-to-peer network, and use mathematical cryptography» (Wilson, Carg, Ghaderi 2021, p. 4).

² See <<https://www.christies.com/features/Monumental-collage-by-Beeple-is-first-purely-digital-artwork-NFT-to-come-to-auction-11510-7.aspx> 11.1.2022>, 11.1.2022.

³ See «NFT sales hit \$25 billion in 2021, but growth shows signs of slowing», Reuters, January 11, 2022 <<https://www.reuters.com/markets/europe/nft-sales-hit-25-billion-2021-growth-shows-signs-slowing-2022-01-10/>>, 18.1.22. The data include the sales of all types of NFTs, not just the tokens associated with art.

craze for NFTs is an ephemeral bubble or a disruptive innovation remains to be seen. Noteworthy, however, is that this «brave new world», this Wild West of NFT art – rendered possible by the affordances of the blockchain – has recently gained a coveted slot in one of the most established international art fairs⁴. In early December 2021, Art Basel Miami Beach (ABMB) opened its doors to the influx of digital artists, crypto art and the platforms where NFTs are minted⁵, according them an unprecedented degree of recognition. In a few months, crypto art seems to have come of age.

This article focuses on the narratives that are part and parcel of the rise of NFTs. Academic scholarship on this novel and evolving phenomenon is still scant, but there is no lack of stories, commentaries, and opinions. This discursive dimension deserves attention for it illuminates how the NFT market is experienced and gauged by those who engage with it, mostly on the supply side. Stories «seduce, persuade and distort»⁶, narratives can be «contagious» and affect behaviour in ways that are yet to be fully understood⁷. Hence the relevance of what Sarah Dillon and Claire Craig call «storylistening», which devotes serious attention to the sense-making dynamics of stories and the evidence they can provide to inform «public reasoning»⁸. The tales being woven around the novelty of NFTs and crypto art, no matter how dispersed, fragmentary and unstructured they are, convey the meanings and values associated with this new frontier, intertwining economic, affective and aesthetic concerns. But meanings also reside in numbers. The facts or statistics that economists have gathered so far will be taken into account to further clarify the discursive dimension of NFTs.

After this introduction, the second section provides a brief overview of the characteristics of the contemporary art market which several analysts describe as top-heavy; dominated by a restricted cluster of galleries, superstar artists and collectors; illiquid and beset by high transaction costs – in other words, a

⁴ Shaw 2021.

⁵ Crypto art is digital art cryptographically registered with a token on a blockchain (Franceschet et al 2019). Several events at ABMB were organized by the *Tezos* platform, which promotes itself as «an energy-efficient blockchain where developers, artists, entrepreneurs, brands, and others from around the world build and engage with a network of decentralized applications». See <<https://tezos.com/events/art-basel/>>, 15.12.2021.

⁶ Dillon, Craig 2021, Kindle edition n.p. The authors have outlined a framework for storylistening based on the assumption that «narrative evidence» should weigh in more in public reasoning. Their corpus mostly comprises fictional stories (texts, films etc.), but as the authors observe stories move across both fiction and non-fiction, and in both cases storylistening entails attending closely to the function stories have and «how they operate in the world».

⁷ Shiller 2019. I use the terms «story» and «narrative» interchangeably as there is «definitional inconsistency» across disciplines and sectors (Dillon, Craig 2021) as regards the differences between the two.

⁸ Dillon, Craig 2021.

market ripe for disruption⁹. The third and fourth sections take a closer look at the features and promises of the NFT art market, by delving into success stories (popular in the media) that celebrate individual empowerment, inclusion and community building as the nonfinancial values of NFTs. The final section considers the skeptical perspectives of cultural critics, artists and creatives who decry the NFT phenomenon as one further instantiation of capitalist financialization. Given the accelerated pace of NFTs trading over the last year, the ongoing multiplication of marketplaces and the fluidity of the overall context, it is difficult to draw any conclusion. Is the art market experiencing an unprecedented shift towards more inclusive practices? Does the blockchain-based NFT medium herald a new deal for freelance artists and creatives, allowing them to be more fairly compensated? Is the NFT craze a bubble? Only time will tell. The aim of this article is to offer an overview of the most recurrent stories about the NFT art market that circulate in the media, and to reflect on the aspirations and fears they express.

2. *A market ripe for disruption*

To gain a better understanding of the promises offered by the crypto art market, it is necessary to review the essential characteristics of the contemporary art market, consolidated over the past decades. It is a «strange» market, according to many, mostly unregulated and opaque¹⁰. It is also described as a “Winners Take all” market, which rewards a tiny percentage of artists, galleries and collectors, aggregated in powerful networks (the «Holy Land» as Magnus Resch calls it)¹¹ to which the vast majority of artists struggle to gain access. Finally, it is an exclusive market, with substantial barriers to entry, as reflected in the statistics about the underrepresentation of women, LGBTQ+ and Black artists:

Women artists, members of the LGBTQ+ community, and artists of color are underrepresented in today’s art market, a finding backed up by a lot of current research. They receive fewer shows, achieve lower prices, sell less, and find it harder to get good gallery representation than their white male counterparts. The art world presents itself as deeply and systemically undemocratic and arbitrary, with a few, mostly white male painters, dominating¹².

Resch has collected a dataset which records the careers of roughly 500.000 artists, comprising information on artists’ exhibitions, auction sales, and pri-

⁹ Prendergast 2014; Solimano 2022.

¹⁰ Adam 2017; Solimano 2022; Prendergast 2014.

¹¹ Resch 2021 Kindle edition, p. 30.

¹² Ivi, p. 34.

mary market quotes. The data-generated map shows the effect on artists' careers of a powerful network of art institutions, the links between institutions and artists, and how art moves around the world¹³. As Resch writes, «It was devastating to watch this map unfold [...] 99% of all institutions scored low; exclusion from the central hub leaves artists stranded in an island network; no more than 240 artists who began exhibiting on an island were able to enter the central hub. That's 240 out of 500,000»¹⁴. The central hub, or the «Holy Land», is a «dense community of major European and North American institutions, underlying their access to a common pool of artistic talent»¹⁵. The contemporary art world, in other words, is no fit stage for rags-to-riches stories. A handful of gatekeepers, interlinked in a «solid tangle of feudal loyalties»¹⁶, define the criteria for reputation and success in art; access to this network is key. As Georgina Adam writes, «Galleries control the market for their artists, "rationing" it in order to maintain prices and high demand»¹⁷. Increasingly converging towards a winners-take-all model, the art market favours a small minority of superstar artists and intermediaries, who reap high profits and commissions. «In a market dominated by big players» Solimano observes, «with a growing presence of the financial sector, the influence of the individual artist is diminished. Despite having created the value of the artworks in the first place, artists exert limited control on the destiny of their creation, resembling, to an extent, the popular notion of the worker affected by alienation in the capitalist factory system»¹⁸.

Several features of the contemporary art market set it apart from most markets. Works of art are unique objects and their monetary value is contingent on intricate structures of taste; the mechanisms of price formation lack transparency: «collusive practices regarding minimum prices, commissions, cozy links between sellers, buyers and intermediaries are not uncommon»¹⁹. The art market is not anonymous, the prospective collector or buyer must be vetted and approved by the gallerists, who, in their turn, provide the reassurance consumers need that the artwork they are buying is valuable. Established galleries and artists are brand names, vouchsafing the value of the artwork²⁰.

¹³ View the map here: <<https://www.artnews.com/wp-content/uploads/2018/12/2-revised410percentminus4.jpg>>, 20.1.2022.

¹⁴ Ivi, p. 32.

¹⁵ Fraiberger *et al* 2018, p. 825. Members of this community are the MoMA, the Guggenheim Museum, the Metropolitan Museum of Art, the Whitney Museum of American Art, and the Art Institute of Chicago, surrounded by a few commercial galleries (Gagosian, Pace, Hauser & Wirth, and David Zwirner).

¹⁶ Steyerl 2017, p. 229.

¹⁷ Adam 2017 Kindle edition, n.p.

¹⁸ Solimano 2022, n.p.

¹⁹ *Ibidem*.

²⁰ Prendergast 2014, p. 7.

Although art is a durable good (like a house or a car), there is no well-functioning secondary market²¹, re-selling via auction houses is often restricted to the works by superstars, while for the vast majority of artists the market is illiquid and resale difficult. Finally, in the framework of global capitalism, the top end of the art market attracts the world's richest individuals, looking for investment opportunities²². The very structure of the art market contributes to turning art into an elitist good:

For many people, the most disturbing feature of the contemporary art market is its focus on the wealthy. There is something truly strange about artists trying to say something about the world in which we live, and – outside of the sliver that goes to top museums – it's being experienced by a tiny wealthy minority. It is hard to see any other contemporary cultural endeavor with such dissonance, yet we have become accustomed to it in the contemporary art market²³.

The appearance of crypto art platforms has triggered a public debate about the disruptive potential of blockchain-based marketplaces that grant artists a higher degree of agency, minimize the role of intermediaries (gallerists, curators, gatekeepers) and attract a new (and younger) public of collectors²⁴. These platforms are sometimes described as «inclusive enablers» for their focus is not on the top market segment but on emerging artists encouraged to create in a medium that affords better chances of receiving fair compensation²⁵. Digital artworks are eminently reproducible and therefore of little interest to collectors. By creating rarity in the digital field, tokenization combined with “smart contracts” allows artists to market their own work directly, to have full price control, and to benefit from secondary sales²⁶. Further advantages (or promises) associated with the NFT ecosystem comprise the drastic reduction in trans-

²¹ Ivi, pp. 15-16.

²² «The evidence shows the growth of the art market (particularly its upper segment) and the concentration of wealth at the top tend to go together» (Solimano 2022).

²³ Prendergast 2014, p. 18.

²⁴ McLaughlin (2021) effectively summarizes the features the NFT market: «Unlike the commercial gallery business model, NFTs are designed to cut out the need for art dealers, enabling artists to trade directly online, typically via specialist auction sites. Crucially, in contrast to the contemporary art world, there is no “vetting” of collectors – a practice intended to stop the most speculative buyers flipping artworks by quickly reselling them at a profit. Anybody can buy an NFT, and prices, so often a thing of mystery in high-end commercial galleries, are listed as a matter of public record. Every time an NFT is resold, its creator also makes a profit – an inbuilt royalty system missing from the physical art world, where artists often feel as if they have been shafted when their work is resold on the secondary market».

²⁵ Franceschet *et al* 2019, p. 422.

²⁶ «A smart contract is a set of functions defined by a sequence of instructions written in a blockchain [...]. This concept is designed to synthesize information technology and contract law, in particular with the use of cryptographic devices. Functional Smart Contracts have been popularized by the Ethereum ecosystem [...]. Smart contracts make it possible to create tokens, to launch ICO, to create DAO or dApps», Quiniou, Debonneuil 2019, p. 50.

action costs, the rapidity of peer-to-peer trading, ease of access (provided one has some familiarity with the blockchain technicalities) and the full display of artworks, no longer contingent on the favour of gallerists. As Brian L. Frye somewhat ironically puts it, «what's not to love» about this market? It appears to be more democratic, less top heavy, more liquid and oddly candid as regards its commercial nature. The strangeness of the art market, consisting of people trading objects «with no intrinsic value for vast sums of money», Frye argues, «was at least nominally rationalized as reflecting the cultural value of the object. Sometimes, it was hard to keep a straight face, but the pretence was real [...]. NFTs strip away all the pretence and go full virtual»²⁷.

The innovation that has enabled these changes – the blockchain – is both a technology and a discourse, with utopian or dystopian overtones depending on the valence one attributes to its potential²⁸. Initially popularized as the distributed transaction ledger of the cryptocurrency Bitcoin, the blockchain is now at the heart of several stories – linked to the crypto art movement – that retain some of the elements Robert Shiller has identified as constitutive of the Bitcoin «viral» economic narrative, with its strong emotional appeal:

It is a narrative that is well crafted for contagion, effectively capturing the anarchist spirit; and, of course, that is why most of us have heard of it. It is part bubble story, part mystery story. It allows nonexperts and everyday people to participate in the narrative, allowing them to feel involved with and even build their identity around Bitcoin. Equally appealing, the narrative generates stories of untold riches²⁹.

The hope of economic empowerment and the ideal of a more equitable art market crop up frequently in individual accounts of NFT adoption, especially those crafted around the meteoric rise of young crypto artists, who have transitioned from obscurity and marginality to sudden financial success and increased visibility. While the blockchain and cryptocurrencies have already garnered much critical attention and scholarly interest³⁰, the NFT phenomenon has yet to generate a comparable level of scholarship. Alongside a handful of articles and reports, we have a growing body of stories, popular in the media, that provide salient commentary on how the NFT space is perceived by individual participants active in this realm. The next section focuses on a sample of personal narratives that evoke scenarios of precarity and poverty magically overturned by the affordances of NFTs. These stories rely on the link between technology and creativity and on the value of community building to illustrate the transformative potential of NFTs.

²⁷ Frye 2021a, p. 8.

²⁸ MacDonald-Korth *et al.* 2018.

²⁹ Shiller 2019, p. 7.

³⁰ See, for example, De Filippi, Wright 2018; Schär, Berentsen 2020; Di Matteo *et al.* 2019.

3. *Taking a leap*

The current popularity of crypto art and NFTs owes much of its momentum to the power and influence of social media. The career of emerging artists in the NFT ecosystem is buttressed by fans and followers whose tweets, re-tweets and “likes” amplify the potential exchange value of the tokens associated with the artists’ work. Not surprisingly, Twitter is also the go-to platform to communicate successful deals and share the joyful news with the world. A micro-genre of success stories has emerged, which pivots on the topos of the sudden reversal of fortunes, or, in Aristotle’s words, *peripeteia*. On October 16, 2021, the AI collaborative artist and NFT influencer, Claire Silver, tweeted: «Just put an offer in on a house for my mom. Was unemployed a year ago. Don’t let anyone tell you NFTs can’t change your life»³¹. Tapping into the anxieties of a whole population of students, burdened with debts, and offering them a message of hope, the rapper and artist ProbCause simply communicated: «gm! Woke up and paid off my \$20,653.15 student loan debt. Prolly gona frame this»³². The project behind this turnaround? A series of NFTs sold on the *OpenSea* platform, linked to files representing cubist skulls (SKULLIES). In some cases, quitting a stable job to take a giant leap into the unknown is the risk-prone alternative promoted in these micro-stories of rapid change. The creator of the NFT project *Ghxsts*, GxngYxng, was employed in the animation industry but felt «lost» and «looking for a place to belong». The tweet reads: «I had absolutely no financial back-up plan, but I knew I needed to take a risk on myself. As a 27 year old I felt it was now or never, so I closed me eyes, held my breath and leaped»³³. The jump landed the artist into the brave new world of NFTs, where a single sale accrued GxngYxng a hefty \$2 million. Whether the crypto world is truly inclusive is difficult to say, but the tweet by “Betty” who introduces herself as «a woman, raising 3 daughters under 6, still breastfeeding my youngest» ticks the right box: «built and run a multi million dollar project & brand from my home, changing my life and my children’s lives. I am my own dreams come true and herein lies the power of NFTs»³⁴. Such an endorsement of the power of NFTs, pushing the domestic angle and highlighting the dream of a mother, adds a singular twist to the narrative of economic empowerment pervasive in the crypto world.

While these examples foreground the moment of change, the transition from “before” to “after”, which crowns the NFT market as a transformative arena, longer versions of the rags-to-riches story (usually in the context of interviews) dwell on poignant details of the time before the leap or the discovery,

³¹ See <<https://twitter.com/degentrix/status/1449518212559814663>>, 30.1.2022.

³² See <<https://twitter.com/ProbCause/status/1447914878698762243>>, 30.1.2022. ‘gm’ stands for ‘good morning’ in the idiolect of the crypto community.

³³ See <<https://twitter.com/Ghxsts/status/1444313027721920512>>, 30.1.2022.

³⁴ See <https://twitter.com/betty_nft/status/1442621055110029318>, 30.1.2022.

providing salient background to the tale of riches suddenly accumulated by individuals often of a very young age. The story of transgender artist Victor Langlois (they, he), who goes by the mononym FEWOCiOUS, is a good case in point. Langlois lived in an abusive household. At twelve years of age, they decided to seek help from social services:

It was really bad. I had to leave. I went to social services, stayed in different homes, but finally we decided on me staying with my grandparents [...] My grandparents didn't have technology. I didn't have a phone to go on social media or play games like other lonely kids. So to not look awkward sitting there I would draw. Every day. In class when I didn't have a partner, I would draw [...] I wasn't allowed to paint in my room, so ninety percent of all my art online is digital. I made it on my iPad³⁵.

Deprivation, precarity, isolation, abuse: reacting to the unfortunate circumstances of their life by creating art, FEWOCiOUS laid the basis for their subsequent career as a critically acclaimed crypto artist – a career triggered by the chance encounter with a collector who introduced the young digital artist to the mysteries of the blockchain and NFTs. Several elements in FEWOCiOUS's story resonate with enduring myths about self-help and individual resilience, with the nexus of creativity and technology featuring as the redeeming force allowing young Victor not to succumb to a dire situation. After listening to this poignant tale, who would begrudge the success Victor was finally able to enjoy? As reported by *Time*, FEWOCiOUS «cashed in over \$18 million in the past year on his own NFT sales»³⁶. Interestingly, this life story has been transposed into a series of NFTs linked to five digital artworks representing the artist's formative years in surrealist style. The collection is titled: *Hallo, i'm Victor (FEWOCiOUS) and This Is My Life*³⁷. It is not just the undeniable visual appeal of FEWOCiOUS's digital art that propelled the artist into the sphere of crypto celebrity, but also the candid personal narrative which is an integral part of the creations traded on NFT platforms.

Popular in the media are also other figures of crypto artists that stand out for their remarkably young age: Jaiden Stipp, for example, only fifteen and already selling NFTs to the tune of several thousand dollars; or precocious Nyla Hayes, making digital art on her smartphone when she was only nine and now cashing in conspicuous profits: «This past March, my uncle told my mom about NFTs. We watched YouTube to learn how to create and sell them. Soon, people were buying NFTs of my Long Neckies. I have made more than 960 ETH» (roughly equivalent to \$3 million)³⁸. Examples such as these make for great headlines, fueling the hype around NFTs that has been building up since

³⁵ Hakki 2021.

³⁶ Bruner 2021.

³⁷ See <<https://onlineonly.christies.com/s/hello-im-victor-fewocious-my-life/lots/2048>>, 4.9.2022.

³⁸ Bruner 2021.

March 2021. But NFTs have also turned around the fortunes of struggling middle-aged artists, subsisting on a pinched diet of minimal sales and scant opportunities. As Trevor Jones, a fiftyone-year-old painter, recalls «five years ago, I was struggling to pay the mortgage [...] I went from having to borrow money from friends to pay the bills to making \$4m in a day»³⁹. Interviewed by *The Guardian*, Jones evokes his late blooming as an artist, his struggles to pay the bills, and the moment of breakthrough when he created *Bitcoin Angel*, an NFT based on Bernini's famous masterpiece *The Ecstasy of Saint Teresa*, sold in 2020 on Nifty Gateway for the equivalent of over \$3 million.

The fascination with tales of reversal, focused on the speedy transition from deprivation to wealth, from obscurity to fame, is understandable in a global context of exacerbated inequalities and especially in relation to the conventional art market, with its elitist inclination. The internet is replete with uplifting examples of individual stories that replicate the patterns I have briefly sketched above, with a distinct emphasis on the staggering proceeds that artists, even improvised ones, are pocketing. Eminently newsworthy, these stories connect the novelty of crypto art and the blockchain with seemingly timeless narrative paradigms – from peripeteia to self-help and the rags-to-riches plot – implicitly propagating the idea that the life-changing affordances of technology are a bonus for all creatives to enjoy. However, although isolated cases seem to herald the dawn of a newly democratized art market, statistical analyses paint a more nuanced scenario, one in which the bounty of high financial returns is not shared among a multitude of artists. Kimberly Parker has examined data about NFT sales on *OpenSea*, the biggest NFT marketplace, during the “gold rush” of March 2021. Her findings are sobering:

67.6% of Sales have not had a Secondary Sale [...] the largest number of Primary Sales were for \$100 or less [...] 2.5% of Primary Sales were for \$600-\$700 [...] These numbers do not show the democratization of wealth thanks to a technological revolution. They show an acutely minuscule number of artists making a vast amount of wealth off a small number of sales while the majority of artists are being sold a dream of immense profit that is horrifically exaggerated⁴⁰.

Looking at the median sale price reveals that the chance of reaping conspicuous, life-changing profits is rare – a bounty for the few, not the many. Likewise, the larger dataset analysed by Nadini *et al* (2021) shows that «the average sale price of NFTs is lower than 15 dollars for 75% of the assets, and larger than 1594 dollars for 1% of the assets»⁴¹. All assets included in their

³⁹ McLaughlin 2021.

⁴⁰ Parker 2021.

⁴¹ Nadini *et al.* 2021, p. 2. The data the authors have scrutinized comprise «6.1 million trades of 4.7 million NFTs between June 23, 2017 and April 27, 2021, obtained primarily from Ethereum and WAX blockchain» (p. 2).

study had a primary sale, but only 20% of the assets reached the secondary market. Undoubtedly, considering the high volume of transactions, NFTs are encouraging a larger pool of artists to experiment with crypto art. Most experiments, however, yield moderate profits. Yet, it is anecdotes and examples illustrating the sharp increase in exchange value of artwork produced by previously struggling artists that dominate the headlines. This contagious narrative, to use Shiller's term, which is inspiring a large constituency of content creators to enter the fray, has a predictable flipside: artists as well as the new intermediaries operating NFT platforms are beginning to worry about the risk of «overtokenization» or the hyperinflation of crypto artworks which would drag down the average value of those works⁴². To avoid this risk, selective criteria are being invoked, in contrast with the ideal of “disintermediation” initially paraded by NFT and blockchain enthusiasts. In the words of Sergio Scalet, member of the Italian artistic duo Hackatao, «Have crypto art collectors a need for critical guidance in their choices? We are living in a primordial soup: we need selection and evolution, towards higher order and equilibrium in a system with high creative potential»⁴³.

Whether a different type of curation, more decentralized and community-driven⁴⁴, will emerge as the new standard in the crypto art world, thus far the openness of NFT marketplaces has allowed the minting of a vast array of tokens, in some cases provocatively created to expose the similarities between the NFT market and the securities market. In this respect, a most remarkable personal account of NFT adoption is the one produced by Brian L. Frye, law professor at the University of Kentucky, and a copyright expert who also dabbles as a conceptual artist. His personal narrative – *How to sell NFTs without even trying* – combines elements of the success story with generous doses of irony, a disenchanting view of art as commodity and a self-reflexive exposé of the unregulated NFT market. «Objectively, NFTs are useless, meaningless and worthless» thus begins his account, which then proceeds to relate how «NFTs kickstarted [his] career as a conceptual artist»⁴⁵. With a training in art (prior to his switch to law) and a passion for conceptual art, Frye minted a series of NFTs linked to a paper he had previously written – *SEC No-Action Letter Request* – which was meant as a provocation, to antagonize the US Securities and Exchange Commission (SEC), the body enforcing securities laws:

⁴² Franceschet *et al.* 2021, p. 20.

⁴³ Ivi p. 21.

⁴⁴ The *SuperRare* platform, launched in 2018, adopts a selection process to “onboard” new artists. Aware of the risk of becoming «the digital version of the gatekeeping galleries we sought to disrupt», they have launched the \$RARE project which delegates the work of curation to the *SuperRare* community. See <https://superrare.mirror.xyz/fkGKcN1xVNRvfZk5OiY52-T_WNSndC4ve1DPDmvZQ6E>, 23.1.2022.

⁴⁵ Frye 2021b, p. 5.

I titled the work of conceptual art I created “SEC No-Action Letter Request,” because that’s what it was, at least nominally. The work consisted of sending a no-action letter request to the SEC, proposing to sell a work of conceptual art titled “SEC No-Action Letter Request” in an edition of 50 for \$10,000 per edition, and asking the SEC to agree that the proposal as described would not constitute the sale of an unregistered security. However, the letter also explained why the proposal would constitute the sale of an unregistered security, and urged the SEC to deny the no-action letter request⁴⁶.

The project raises the issue of whether selling shares of ownership in the paper would be an illegal unregistered security, as clearly suggested by the author. The SEC never contacted him. Much to his surprise and delight, the NFTs did find collectors willing to bid, and to bid high. Frye also minted other NFTs with catchy and sarcastic titles such as *NFTs are silly & pointless, please buy this one* or *How to succeed in art without really trying* which were not ignored by buyers: «In only a few days, I’d sold 47 NFTs for a total of about 10 ETH or approximately \$35,000. I had no idea what had happened, but I loved it. I’d created an NFT collection as a joke, a spoof on the concept of NFTs, and somehow it worked»⁴⁷.

Although Frye’s «odyssey» emphasizes the *reductio ad absurdum* of the art market, with NFTs «[pulling] aside the curtain separating art and commerce»⁴⁸, his stance is by no means inimical to this development, which, he claims, might encourage the creation of works more efficiently than copyright. «Copyright only ever rewards successful authors» Frye argues, whereas NFTs «promise to reward any author people think might be successful»⁴⁹. From the artists’ point of view, getting paid up front for doing what they love to do, having the possibility to connect directly with collectors (or investors, as Frye calls them), and to benefit from secondary sales are not negligible advantages. From the collectors’ point of view, the NFT market is a brasher version of the already financialized contemporary art market, it is a «securities market, with authors as the companies and the works as particular categories of shares»⁵⁰. The caveat is that investors bear higher risks than authors⁵¹. Hovering between autobiography and legal scholarship, Frye’s NFT story is quite unique, especially for his disenchanting take on an art market that seems willing to embrace full dematerialization and yet is hailed as the harbinger of positive transformation.

⁴⁶ Ivi, p. 7.

⁴⁷ Ivi, p. 18.

⁴⁸ Frye 2021c, p. 8.

⁴⁹ Ivi, p. 10.

⁵⁰ Ivi, p. 11.

⁵¹ See Kong, Lin 2021.

4. *Community building*

The stories of individual success and empowerment that have garnered much media attention in 2021 tend to frame the NFT space as an alternative “community” more accepting, open and supportive than the traditional art market. NFT platforms promote themselves as “social marketplaces” welcoming in their fold emerging artistic talents and a new public of potential collectors who had never before thought of buying art or engaging with artists. As Jonathan Perkins (co-founder of *SuperRare Labs*) claims, the «biggest opportunity» in crypto art «lies in bringing the collector side of the market to maturity»⁵². For Lavinia Osbourne, founder of *WiBT* (Women in Blockchain Talks): «At the heart of the Blockchain tech ecosystem is “community”. This couldn’t be a truer statement than to the world of NFTs»⁵³. The relevance of cultivating a community of followers, fans and creatives is not lost on emerging artists, fully aware that their success owes much to the support of a strong and passionate community of interested collectors and fellow artists⁵⁴. But community-building may also stand for actively promoting inclusion in the art world: the platform *CryptoKween* (about to be launched at the time of writing, February 2022) is advertised as a female-focused and female-led NFT marketplace, promoted not just as a place to purchase and sell NFTs, but as a space for female artists, entrepreneurs, creatives and founders to come together to support one another⁵⁵. The “tech bros” culture of the blockchain and cryptocurrencies is no mystery, women’s participation in this arena is limited. The advent of NFTs, however, has enabled initiatives that purport to help women access the crypto space and take a slice of the market share. The art project *World of Women* (WoW), co-founded by Yam Karkai, is a good case in point: the WoW NFT collection, consisting of 10.000 digital collectibles, aims to bring «women and minorities to the forefront of an already male dominated space» and «to assemble a community of like-minded spirits standing for gender equity, female empowerment and inclusiveness»⁵⁶.

The creation of a supporting environment welcoming to newcomers coexists with the adamant commercial vocation of such projects. While NFTs are a commodity, their non-material value in the crypto art space is contingent on discourses that prioritize inclusion, mutual support, increased agency for

⁵² Franceschet *et al.* 2021, p. 28.

⁵³ See <<https://www.socialink.co/social-ink-and-crypto-kweens/>>, 1.2.2022.

⁵⁴ This message comes across distinctly in the experiences shared by artists on occasion of the series of talks organised by *Tezos* at Art Basel Miami Beach. See <<https://tezos.com/events/art-basel/>>, 1.2.2022.

⁵⁵ See <<https://www.socialink.co/social-ink-and-crypto-kweens/>>, 1.2.2022, and <<https://wibt.mykajabi.com/cryptokweensinterest/>>, 1.2.2022.

⁵⁶ See <<https://worldofwomen.art/>>, 1.2.2022.

artists as well as collectors and pro-social spending – democratic values engrafted onto commercial transactions. Since the art market does not have a good track record in terms of opening its doors to women, artists of colour, transgender artists and marginalized groups⁵⁷, the NFT space can legitimately appear as an alternative marketplace where a broader range of creatives get a fair chance to participate in the art scene and benefit from this opportunity. As Alia Aluma-Baigent claims, «NFT technology is proving to be a driving force within the Black creative community»⁵⁸. Projects like *Black NFT Art*, initiated by Iris Nevine, bring issues of equity and social justice to the forefront of the crypto art space: NFT technology, Nevine believes, «allows us to create a whole new economic system in which the power can be rebalanced»⁵⁹. Calls for investing in and preserving the works of Black artists and Africa Diaspora-based communities are not lacking: «With crypto art» explains Devon Moore, «users now have an opportunity to enact care and advocacy that strengthens Black communities and empowers overlooked artists that often cannot access white-dominated gallery spaces»⁶⁰. The emphasis is placed not just on trading Black crypto art, but on providing educational tools and support to facilitate the access of both artists and collectors to the NFT world.

Community building and individual empowerment are two sides of the same coin. One could object that invoking a community ethos is instrumental to the formation of a receptive public of collectors, willing to invest in NFT and to keep the market going. But it would be churlish and premature to discount, at this early stage, the potential value of community-oriented projects that address the needs of marginalized or discriminated groups and often partner with NGOs already advocating for social change. If NFTs prove capable of enabling a lowering of entry barriers, a more diversified pool of artistic talents to come forward, and a more efficient mechanism to ensure a fairer distribution of equity, then the crypto art movement might go down in history as a disruptive and meaningful breakthrough. Some critics claim that the financialization of art has been accelerated by the use of NFTs, leading to what Zeilinger terms «art-for-money's-sake»⁶¹. However, for creatives and artists, who experience the precarity of a poorly remunerated vocation and insurmountable entry barriers, the promises of the NFT technology are justifiably attractive. It is too early to say whether this new market will keep its promise of inclusion in the long run, but the rise of art NFTs has already caused noticeable ripples in the conventional art market, with galleries, art fairs and auction

⁵⁷ See Resch 2021; Reilly 2015, 2018; Simoncelli, Iaquina 2018.

⁵⁸ Aluma-Baigent 2021, p. 18.

⁵⁹ Locke 2022.

⁶⁰ Moore 2021.

⁶¹ Zeilinger 2018, p. 16.

houses paying increasing attention to the «viral madness of NFTs»⁶². If there is one piece of evidence that the stories considered thus far bring to the fore, it is the demand for more diversity and inclusion in the art world, and a fresh awareness that this issue can hardly be neglected.

5. *Art-for-money's-sake?*

Whether it is a viral madness, a passing fad, or a more enduring phenomenon, the NFT craze has also triggered critical commentaries that question the use of art as yet another tool in the prodigious arsenal of financial capitalism. In March 2021, a blockchain company, Injective Protocol, posted on Twitter a video documenting the deliberate destruction (burning) of a physical artwork – Banksy's drawing *Morons (White)* – which the company had previously acquired for \$95,000. This outlandish performance had a specific purpose: to transfer the value of Banksy's work from the tangible object to the intangible NFT linked to it, minted on the *OpenSea* marketplace and sold for the equivalent of \$380,000. As the video commentary made clear, «By removing the physical piece from existence and only having the NFT we can ensure that the NFT, due to the smart contract ability of the blockchain [...] is the true piece that exists in the world. By doing this the value of the physical piece will then be moved onto the NFT [...] The goal here is to inspire, we want to inspire technology enthusiasts and we want to inspire artists, and explore a new medium for artistic expression»⁶³.

Relocating the value of the original in the derivative, Injective Protocol raised the financial stakes of the latter through an act of destruction, thereby making explicit that the monetary core of art is the only value that matters. In his interpretation of the Banksy burning Arne De Boever remarks: «As the NFT indicates, democratic values have little to do with it: what matters, at the expense of the material work of art, is the originality and authenticity that enable the artwork to operate as non-fungible value»⁶⁴. For De Boever reducing digital art to a code renders the former a mere financial instrument, further confirming the encroachment of capitalist financialization in all spheres of life. Along similar lines, Zeilinger, writing at a time when NFTs and crypto art were only beginning to emerge, criticized the work of the NFT platform *Monegraph* as indicative of «a problematic ambition to financialise contemporary art practice, i.e. to instrumentalise the infrastructures and processes

⁶² See *The Contemporary Art Market Report in 2021*, p. 31. <<https://it.artprice.com/artprice-reports/the-contemporary-art-market-report-2021>>, 3.1.2022.

⁶³ Watch the video here: <https://www.youtube.com/watch?v=C4wm-p_VFh0>, 2.2.2022.

⁶⁴ De Boever 2021.

of digital art-making as a financial technology»⁶⁵. Alongside these objections, the anti-NFT position manifests uneasiness about digital art being turned into someone's "property", for digital art held the promise of a free and wide circulation, and was heralded as a type of art far less reliant on the intertwined categories of authorship, value and ownership; in short, an art «celebrating the copy against the potentially fascist values of authenticity, creativity, originality» as De Boever avers⁶⁶. Zeilinger upholds a similar argument, viewing NFTs as «curtailing the critical potential of the digital as an inherently dynamic and potentially uncommodifiable mode of production and artistic expression»⁶⁷. According to these perspectives, with the arrival of NFTs the twin spectres of commodification and financialization haunt and contaminate the previously uncorrupted field of digital art.

Do NFTs actually prevent digital art from circulating broadly? Not quite: digital images linked to a token are still available for all to see. Indeed, the more widely disseminated (and talked about) is a work of digital art, the higher is the potential value of its token. As Frye explains, NFTs provide ownership of the token itself, not the work of art associated with it⁶⁸. The creation of artificial scarcity (the paradoxical rarity of a digital file that is infinitely reproducible) plays into the hands of what Frye terms a «clout economy» which values the aura of ownership per se, or ownership without control: «If digital works want to be free, why not?» observes Frye «There's no point in pretending one copy is more authentic than another. What's scarce isn't really the aura of the authentic object, but the aura of ownership. So NFTs created a market in ownership. Or rather, they created a market in clout, rather than control»⁶⁹. People who collect NFTs are presumably interested in the social status that ownership confers, similarly to collectors of physical artworks, with the main difference that the former do not control the circulation of the art represented by the token – and they do not seem to mind: clout is enough.

While the clout economy might explain the nonfinancial utility of NFTs – why collectors are captivated by the fantasy of pure ownership in an art market that seems to be dispensing with art – the urge to tokenize is frowned upon as a manifestation of crass techno-capitalism, with dystopian overtones. Since blockchains host only transactions, Iaconesi's argument goes, using this medium encourages the translation of every experience into a financial transaction: «People and companies are progressively inventing ways to associate every aspect of our lives to NFTs [...]: we are transforming every aspect of our lives

⁶⁵ Zeilinger 2018, p. 16.

⁶⁶ De Boever 2021.

⁶⁷ Zeilinger 2018, p. 15.

⁶⁸ «When you buy an NFT, what you typically get is the right to sell that NFT. What you typically don't get is any rights in the work the NFT purports to represent» Frye 2021c, p. 6.

⁶⁹ Ivi, p. 8.

into a financial transaction»⁷⁰. Generic though this objection might sound, it echoes the concerns of scholars who, even before the NFTs coagulated discussions around the troubled issue of financialization, had already drawn attention to the encroaching «financialization of daily life», to quote the title of Randy Martin's book, «the cultural economy of financial subjectivity» (in the words of Rob Aitkin) or the paradigm of «revenge capitalism», theorized by sociologist Mark Heiven in relation to the great expectations raised by projects of (alleged) financial inclusion mostly leading to lost illusions⁷¹. «NFT markets» declares Emily Reed «are the apotheosis of a blindly vengeful form of capitalism that knows only how to consume and grow»⁷².

More nuanced, Tina Rivers Ryan's contribution looks at the rise of NFT as the latest chapter in a long history of technological innovation that has seen «differing visions of technological utopias and dystopias» vie for attention. Ultimately, opting for one or the other vision is a «matter of faith» reflecting the extent to which one places trust in technology⁷³. As Rivers Ryan rightly argues, to move beyond this binary, critical engagement with technology is the necessary starting point. Blockchain and NFTs are not likely to vanish any time soon, a critical approach would therefore entail «reframing the question by modelling how to work through technology's contradictions and shape its values with intention, moving slowly and building things instead of moving fast and breaking things»⁷⁴. The examples Rivers Ryan mentions strike a different balance between the extremes of anarcho-capitalist decentralization and heavy-handed intermediation: the *Feral File* platform, for instance, hosts curated exhibitions of tokenized digital art, recuperating the value of expert curation⁷⁵. In this «third space» an alternative artworld is being forged that «values artists' income *and* aesthetics, communities *and* institutions, transparency *and* stewardship, accessibility *and* expertise»⁷⁶. If rejecting technology in toto is not a realistic option, using it whilst also interrogating techno-cultural values is an interesting challenge for artists, creatives as well as new and old intermediaries. As Nathan Jones and Sam Skinner put it: «What the blockchain *is*, is very different from what the blockchain *means* [...] artists operate within this gap sometimes drawing together technics and implications into coherent, perceptible objects, and sometimes extrapolating new speculative trajectories from the technical possibilities or suggestive ether of decentralized

⁷⁰ Iaconesi 2021.

⁷¹ See Randy 2002; Aitken 2020; Heiven 2020.

⁷² Reed 2021.

⁷³ Rivers Ryan 2021.

⁷⁴ *Ibidem*.

⁷⁵ See <<https://feralfile.com/exhibitions>>, 4.9.2022.

⁷⁶ Rivers Ryan 2021.

ledgers»⁷⁷. Shifting attention to the art being created, away from an obsessive focus on «money news»⁷⁸, is a salutary reminder that, whatever valence NFTs have, they pose intriguing questions about the nature of art. In the words of Rosanna McLaughlin:

Perhaps the most significant legacy of the NFT's assault on the art market will be the questions it forces us to ask about the nature of art, and what it is that we want from it. How should art be traded and viewed? Who gets to ascribe value to art? Is there a moral or aesthetic code by which artists are expected to work, and who has elected themselves to define it? And why would anybody part with their money in exchange for a digital fart?⁷⁹

The last question is indeed pertinent. A first, tentative answer might come from the data crunching of economists who have studied the pricing and risk-return profile of NFTs. How risky it is to purchase a «digital fart», to use McLaughlin quaint metaphor? And what determines, or correlates with, the prices of NFTs? De-Rong Kong and Tse-Chun Lin have analyzed a large database of over 13.000 transactions recorded on *LarvaLabs* (the platform trading in CryptoPunks) between June 2017, when the CryptoPunks collection was first launched, and May 2021. Their findings demonstrate that NFTs yield higher returns than traditional financial assets, but are marked by extreme volatility⁸⁰; NFT prices surge when demand for alternative investments increases, but their value also largely depends on an investor's aesthetic preference; finally, as regards the trading behaviour of collectors, «the findings suggest that some collectors treat NFTs as opportunistic investments to reap quick financial profits, but other consider NFTs collectibles or artwork to gain emotional dividends»⁸¹. The nonfinancial utility of NFTs (the emotional dividends derived from ownership) plays no marginal role in investors' willingness to accept high volatility and risk. Put differently, the gains of owning an NFT are both financial and emotional, and it is this odd combination of instrumental rationality (financial self-interest) and aesthetic appreciation that renders the evaluation of NFT prices tricky or unconventional, so much so that «none of the existing asset pricing models can fully explain returns on NFTs»⁸². Parting with money in exchange for a digital code may be less irrational than it sounds.

⁷⁷ Natan, Jones 2017, pp. 11-12.

⁷⁸ Catlow 2021.

⁷⁹ McLaughlin 2021.

⁸⁰ «We document that the average of monthly returns on NFTs is 27.76% (16.99%) based on the arithmetic (geometric) estimation method, outperforming most traditional financial assets. But the standard deviation of NFT returns is among the highest, i.e., 58.77%» King, Lin 2021, pp. 22-23.

⁸¹ Ivi, p. 10.

⁸² Ivi, p. 5.

6. Conclusion

The CryptoPunks collection is only one subset of NFTs, albeit a most iconic one that has generated high sales. Further academic investigations are necessary to clarify the specific characteristics of this boom and its impact on the artworld more broadly. Simply dismissing NFTs and crypto art as the new frontier of capitalist financialization is of little help in the attempt to understand the changes occurring at the intersection of technology and creativity. Are NFT adopters a bunch of profit-seeking adventurers, potential victims of value-extracting companies and corporations? Arguably a more complex nexus of financial, emotional, aesthetic, social and cultural determinants contribute to the popularity of NFTs. My analysis has spotlighted one dimension of this stratified phenomenon, focusing on the stories, narratives and discourses that have taken shape concomitantly with the development of the NFT market and are an integral part of its life. Stories and narratives matter for they have real-life effects⁸³. Listening to them may not generate watertight evidence, but it allows the exploration of sentiments and perceptions that orient behaviour and decision making.

As a new and evolving phenomenon, NFTs are an elusive object of study, with several ramifications. My discussion has not touched upon the legal implications of the blockchain and NFTs, which have already generated a noticeable body of scholarship⁸⁴; nor have I considered the objections to the energy-intensive, environmentally unfriendly computations necessary to produce blockchain transactions, which remains one of the most worrying features of this new technology⁸⁵. Both are important issues that deserve to be dealt with separately. The energy consumption problem, in particular, is a thorn in the side of NFT enthusiasts, aware that viable green alternatives are not yet on the horizon, even though experiments with less energy-intensive protocols (based on the proof-of-stake mechanism), are much advertised. This evolution too is in the making.

I have given precedence to stories of NFT adoption (in the shape of tweets, interviews, or personal accounts) in order to capture meanings and values associated with the burst of creativity NFTs have encouraged. Individual accounts of the life-changing impact of NFTs configure a transformative scenario which, however, is partly gainsaid by numbers. Nonetheless, these tales are worthy of notice as are the aspirations they encapsulate. As the history of financial bubbles testifies, the buzz of words that accompanies the meteoric

⁸³ This argument is strongly put forward by Shiller 2019; Dillon, Craig 2021 and in the current debate about AI narratives, see Kave *et al.* 2020.

⁸⁴ See, for example, De Filippi, Wright 2018; Evans 2019; Guadamuz 2021; Whitaker 2019.

⁸⁵ See the Cambridge Bitcoin Electricity Consumption Index, <<https://ccaf.io/cbeci/index>>, 3.2.2022.

rise in asset prices plays a vital role in swaying opinions. Another lesson learnt from this history, distilled in David Garber's analyses, is that viewing bubbles simply as «outbursts of irrationality», moralistically condemning the foolishness of investors, fails to explain much⁸⁶. The sceptical perspectives I have considered here, some of them vocal in their critique of financialization, keep the door ajar, viewing with curiosity and interest the affordances of the blockchain in terms of artistic experimentations. Gambles on the future, Garber reminds us, are «almost required» when a large technological shift introduces heightened uncertainty⁸⁷. NFTs may be one of those gambles and may prove less disruptive than expected. For the time being, however, they are inducing much soul-searching in the art world and prompting fresh reflections on its strangeness – a type of speculation one can hardly condemn.

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⁸⁶ Garber 2000, pp. 8-10.

⁸⁷ Ivi, p. 8.

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