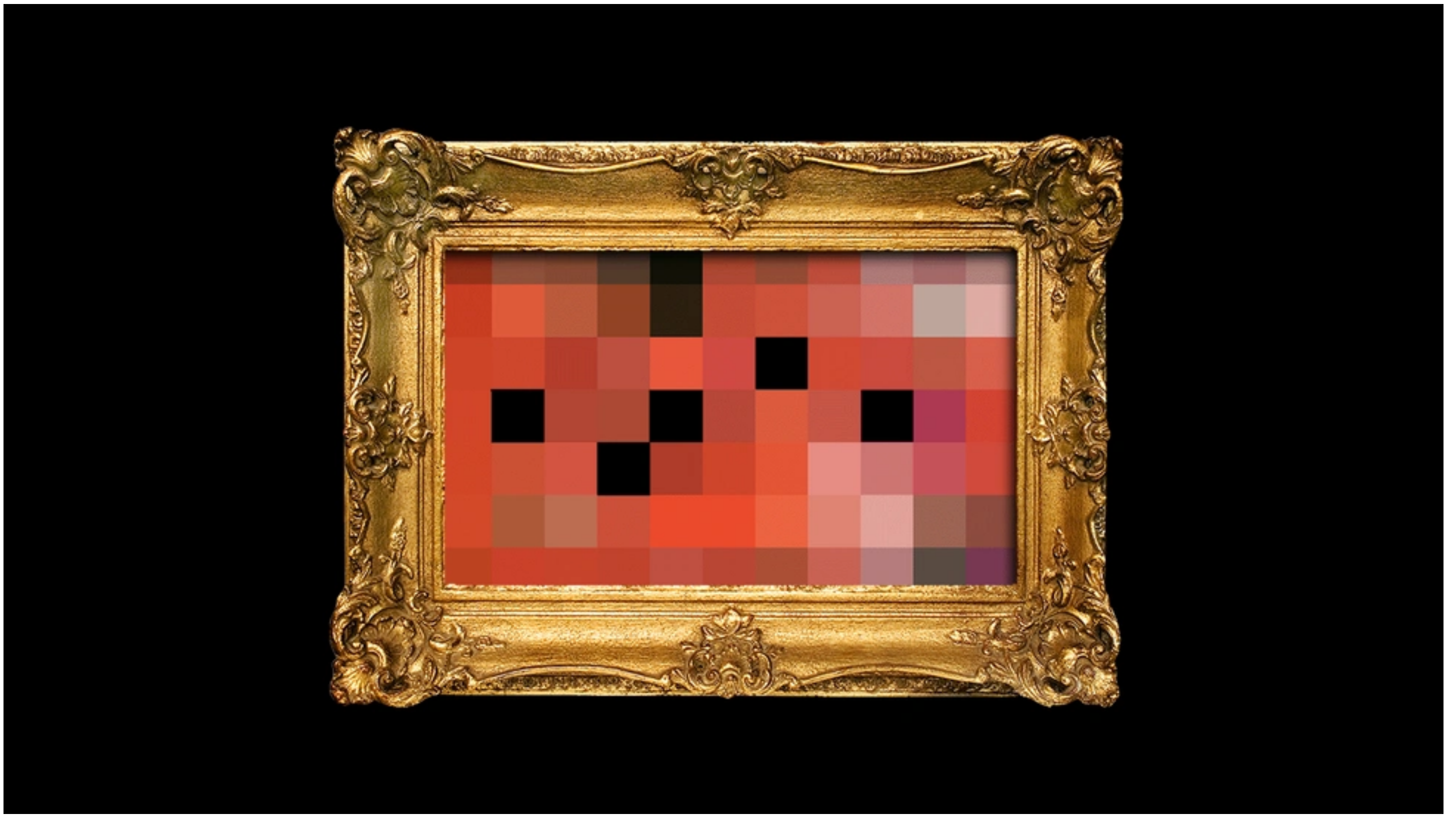
IDEAS

NFTs Weren't Supposed to End Like This

When we invented non-fungible tokens, we were trying to protect artists. But tech-world opportunism has struck again.

By Anil Dash



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About the author: *Anil Dash is the CEO of Glitch.*

THE ONLY THING we'd wanted to do was ensure that artists could make some money and have control over their work. Back in May 2014, I was paired up with the artist Kevin McCoy at Seven on Seven, an annual event in New York City designed to spark new ideas by connecting technologists and artists. I wasn't sure which one I was supposed to be; McCoy and his wife, Jennifer, were already renowned for their collaborative digital art, and he was better at coding than I was.

At the time, I was working as a consultant to auction houses and media companies—a role that had me obsessively thinking about the provenance, ownership, distribution, and control of artworks. Seven on Seven was modeled after tech-industry hackathons, in which people stay up all night to create a working prototype that they then show to an audience. This was around the peak of Tumblr culture, when a raucous, wildly inspiring community of millions of artists and fans was sharing images and videos completely devoid of attribution, compensation, or context. As it turned out, some of the McCoys' works were among those being widely "reblogged" by Tumblr users. And Kevin had been thinking a lot about the potential of the then-nascent blockchain—essentially an indelible ledger of digital transactions—to offer artists a way to support and protect their creations.

By the wee hours of the night, McCoy and I had hacked together a first version of a blockchain-backed means of asserting ownership over an original digital work. Exhausted and a little loopy, we gave our creation an ironic name: monetized graphics. Our first live demonstration was at the New Museum of Contemporary Art in New York City, where the mere phrase *monetized graphics* prompted knowing laughter from an audience wary of corporate-sounding intrusions into the creative arts. McCoy used a blockchain called Namecoin to register a video clip that his wife had previously made, and I bought it with the four bucks in my wallet.

We didn't patent the basic idea, but for a few years McCoy tried to popularize it, with limited success. Our first demo might just have been ahead of its time. The system of verifiably unique digital artworks that we demonstrated that day in 2014 is now making headlines in the form of non-fungible tokens, or NFTs, and it's the basis of a billion-dollar market. Head-spinning prices are now being paid for artworks that, just a few months ago, would have been mere curiosities. Last week, Kevin Roose, a technology writer for *The New York Times*, offered a digital image of his column for sale in a charity auction, and a pseudonymous buyer paid the equivalent of $560,000 in cryptocurrency for it. McCoy has just put up for sale the very first NFT we created while building our system. Capturing an animation called *Quantum*, it could go for $7 million or more, *Axios* reports.

I have no financial stake in that sale. The only NFT I own is the one I bought for $4, and I have no plans to sell it. I certainly didn't predict the current NFT mania, and until recently had written off our project as a footnote in internet history.

The idea behind NFTs was, and is, profound. Technology *should* be enabling artists to exercise control over their work, to more easily sell it, to more strongly protect against others appropriating it without permission. By devising the technology specifically for artistic use, McCoy and I hoped we might prevent it from becoming yet another method of exploiting creative professionals. But nothing went the way it was supposed to. Our dream of empowering artists hasn't yet come true, but it has yielded a lot of commercially exploitable hype.

IF YOU LIKED an artwork, would you pay more for it just because someone included its name in a spreadsheet? I probably wouldn't. But once you leave aside the technical details of NFTs, putting artworks on the blockchain is like listing them in an auction catalog. It adds a measure of certainty about the work being considered. By default, copies of a digital image or video are perfect replicas —indistinguishable from the original down to its bits and bytes. Being able to separate an artist's initial creation from mere copies confers power, and in 2014 it was genuinely new.

But the NFT prototype we created in a one-night hackathon had some shortcomings. You couldn't store the *actual* digital artwork in a blockchain; because of technical limits, records in most blockchains are too small to hold an entire image. Many people suggested that rather than trying to shoehorn the whole artwork into the blockchain, one could just include the web address of an image, or perhaps a mathematical compression of the work, and use it to reference the artwork elsewhere.

We took that shortcut because we were running out of time. Seven years later, all of today's popular NFT platforms *still use the same shortcut.* This means that when someone buys an NFT, they're not buying the actual digital artwork; they're buying a link to it. And worse, they're buying a link that, in many cases, lives on the website of a new start-up that's likely to fail within a few years. Decades from now, how will anyone verify whether the linked artwork is the original?

All common NFT platforms today share some of these weaknesses. They still depend on one company staying in business to verify your art. They still depend on the old-fashioned pre-blockchain internet, where an artwork would suddenly vanish if someone forgot to renew a domain name. "Right now NFTs are built on an absolute house of cards constructed by the people selling them," the software engineer Jonty Wareing recently wrote on Twitter.

Meanwhile, most of the start-ups and platforms used to sell NFTs today are no more innovative than any random website selling posters. Many of the works being sold as NFTs aren't digital artworks at all; they're just digital pictures of works created in conventional media.

But the situation gets worse. Over the past decade, the blockchain has become a refuge for people who need another place to rest their assets. For global tycoons, it's just an alternative to parking their money in some real estate they would never visit. They can leave money in blockchain-based cryptocurrencies instead, which appreciate in value as long as people buy up bitcoin, Dogecoin, Ethereum, and the like faster than the overall supply increases. Within the tech industry, a second group of investors hopes to use blockchains to build new apps, in areas such as social media or e-commerce, that bypass Google, Facebook, Amazon, Apple, and other tech giants. Instead of giving a cut of their revenue to the App Store, for example, these investors want to build new lines of business in which they can keep the whole pie for themselves.

One major challenge is that the blockchain has, at present, approximately zero uses for the typical consumer. *Theoretical* uses abound, but no ordinary person is choosing a blockchain-based technology over its traditional counterpart. More than a decade after blockchains first caught tech geeks' eye, not a single smartphone app that you use with friends or co-workers relies on that technology. By contrast, when the web was the same age that bitcoin is today, it had half a billion users around the world.

There's only one exception to the lack of interest in blockchain apps today: apps for trading cryptocurrencies themselves. What results is an almost hermetically sealed economy, whose currencies exist only to be traded and become derivatives of themselves. If you squint, it looks like an absurd art project.

After a decade of whiplash-inducing changes in valuation, billions of dollars are now invested in cryptocurrencies, and the people who have made those bets can't cash in their chips anywhere. They can't buy real estate with cryptocurrency. They can't buy yachts with it. So the only rich-person hobby they can partake in with their cryptowealth is buying art. And in this art market, no one is obligated to have any taste or judgment about art itself. If NFT prices suddenly plunge, these investors will try buying polo horses or Davos tickets with cryptocurrencies instead. Think of a kid who's spent the day playing Skee-Ball and now has a whole lot of tickets to spend. Every toy looks enticing. NFTs have become just such a plaything.

THE MOST COMMON criticism of NFTs is that they're wildly environmentally irresponsible. Each transaction or recording of an artwork requires more and more computing power to complete. More computing power means more resources consumed. Many enthusiasts today will respond that "clean" or "green" NFTs are already starting to circulate. But the blockchain and cryptocurrency enthusiasts of the past decade have shown that environmental responsibility is less than an afterthought. No evidence suggests that cryptotraders will make more money by embracing green NFTs.

Since the day he and I first teamed up to work on the technology, Kevin McCoy has been the authority on NFTs for me. He is more responsible for the concept than any other person, and he told me recently that he believes green NFTs will succeed. I want to believe him.

But I also look at the history of other gold rushes. People usually choose short-term profit over long-term responsibility. Although I absolutely see lots of artists who care deeply about the impact of their work, I don't see broad support from the cryptorich for abandoning the devastatingly destructive tech that brought them this far. I'm convinced by the artist and coder Everest Pipkin, whose comprehensive overview of the environmental and ethical pitfalls bears this straightforward headline: "HERE IS THE ARTICLE YOU CAN SEND TO PEOPLE WHEN THEY SAY 'BUT THE ENVIRONMENTAL ISSUES WITH CRYPTOART WILL BE SOLVED SOON, RIGHT?"

In the meantime, the current NFT market is drawing an extraordinary range of grifters and spammers. People are creating NFTs of artists' works without asking permission or even letting the artists know. Today, I run a platform that helps people create apps. Typically, the most popular apps are prosaic—messaging systems for work, or tools for building a website. For the entire first week of March, our most popular offering each day was a Twitter app that let people block lists of users en masse. The app skyrocketed in popularity because artists were using it to block NFT spammers from hijacking their works and monetizing them as NFTs without permission.

Mainstream brands see their own opportunity to capitalize on the hype. Companies selling toilet paper, potato chips, and light beer are tailgating on NFTs' newfound popularity to offer incomprehensible blockchain-themed promotions on social media.

I DON'T WANT to let go of the optimistic ideal behind NFTs. McCoy still believes that blockchain technologies can help artists sustain their work. But in my work as a technologist, my optimism has been dashed many times by opportunists who rushed in after a technology took off. In the early days of digital music, the advent of MP3s and new distribution systems was supposed to allow artists to sell directly to fans. In the early days of social media, companies made blogging technologies with the promise that writers would be able to communicate directly with their readers. This pattern played out in industry after industry.

But these changes left creators at the mercy of companies far more powerful, far more ruthless, and far less accountable than the record labels and publishers they'd disrupted. Musicians and writers gained direct access to their audiences, but its cost was a precarity that few could have imagined before their field was disrupted. Artists were the original gig economy.

Our initial NFT demo in 2014 was so well received that McCoy and I were invited to present the tech again a week or two later—this time at TechCrunch Disrupt NY, one of the technology industry's highest-profile conferences. The crowd was a mix of tech geeks and corporate types, all eager to spot the next hot start-up or popular smartphone app. McCoy and I gave a slightly more polished demo of how our proto-NFTs could help artists. Just like at the art museum, we made fun of our own phrase, *monetized graphics*. This time, nobody in the audience laughed. In the tech world, monetizing innovations is no joke. It's how the industry operates, and this crowd was all business.

Anil Dash is the CEO of Glitch.