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Hype is over: How NFTs and art will benefit from each other moving forward

Leaving the hype behind, NFTs coupled with the art market can significantly improve and even transform the art industry in many ways.

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Due to the past nonfungible token (NFT) boom, the crypto and art communities have been collaborating closely — maybe for the first time in history. In both industries, there is a lot of skepticism and misunderstanding. As we make our way out of the NFT bubble, what is expected to come next? This deep dive describes a long-term vision of the NFT and art market development that could appeal to both worlds.

Stereotypically, crypto people discuss deals on Twitter and Discord, communicate through memes or abbreviations and challenge old school models with agonistic antipathy (Okay, Boomers!). In contrast, the so-called “art people” are at times conservative, stick to their roots and history, meet for a late lunch at Ladurée and discuss deals in an Art Basel VIP lounge during private presales. Those communities' respective cultures are on the opposite side of the spectrum. That is the reason why some of the narratives about blockchain-enabled art (you can call it NFTs) are simply wrong.

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The “eliminate intermediaries” paradigm doesn’t work for art

Crypto narratives have always underlined the aim to eliminate all the intermediaries, building a more transparent, straightforward and optimized communication between buyers and sellers. In the art industry, however, those intermediaries play a significant role — exploring the space, revealing the artists and further building their profile and value.

It's an inevitable and vital part of the art world, which has proven itself in crypto when big traditional auction houses, like Christie's and Sotheby's, gave the power of their brand names to blow up crypto art sales. Even though the \$69 million sale between Beeple and the collector, “MetaKovan,” reminds us of the ICO pump-and-dump schemes, it's undeniable that the involvement of the respectable auction house established precedence. This sale will remain a turning point for the blockchain-enabled art market, as it has captured the attention of traditional artists and gallerists — all now willing to get into the space. Sotheby's quickly followed its rival and entered the NFT game.

Intermediaries in art do creative work that cannot be automated and replaced by a smart contract. Reputable art connoisseurs, dealers and gallery owners bring forth deep knowledge and establish taste and value in art. Their curation, indeed, is something that the chaotic crypto art world currently lacks. Those are intermediaries that NFT art should not aim to eliminate.

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“NFTs are a collective delusion based on air” — Leaders in the art industry who overlook the main idea

The art industry's goal was always to adopt a thoughtful approach, to offer deep knowledge and profound criticism to reveal excellence in visual experience, idea or feeling when interacting with an art piece. When analyzing crypto art, critics focus on the meaning of the piece and react to the superficial and sometimes vulgar nature of crypto artworks. Therefore, they miss the blockchain technology value proposition, which has already proven itself in many other industries. They overlook the main idea and misjudge some of the crypto art projects that are fundamental for the community. (Let's face it: Some of us also once thought that CryptoPunks were overpriced before jumping down the rabbit hole.)

Education and mutual respect will lead to new relationships and use cases. Below, I'll provide an overview of the trends that are already starting to form and show how NFTs can transform the art industry.

Modern multimedia and generative art

In the 19th century, the printmaking industry developed when artists started using the latest technology of printing editions on metal plates to monetize their work. Since the development of photography, video and digital art formats, the use of technology has continued accelerating. Conversations between art and technology have always existed, and NFTs are just another proof of the ongoing trend.

Blockchain technology provides a medium for the artists, giving them a new creative landscape — specifically, through direct communication with their audience. Generative art is another example: Projects like Eulerbeats and ArtBlocks give a whole new format to modern multimedia art.

Museum in the metaverse

Should new, digital art hang on the walls of museums? What is a suitable representation for it? Perhaps, the virtual worlds and metaverses are just the right place to represent multimedia art. Digital museums are developing — accessible by anyone, from anywhere and presenting digital art in its original form.

Some critics debate that digital art doesn't provide the feeling of an object, but how many times a day do they smile at an emoji received in their messages? NFTs provide a way of forming a verifiable relationship — a unique experience for both the artist and collector.

Virtual experiences are different from real-world ones but are still unarguably powerful.

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NFTs for provenance

After the creation of an art piece, it then goes through the levels of validation. Who talks about it? Who collects it? Where is it exhibited? Provenance is a crucial aspect of the art industry; it is complex storytelling that defines the value of the art piece.

Blockchain allows for the tracking of this history in a reliable way through the implementation of authenticity and ownership certificates — smart contracts created when NFTs are issued, sold or resold. This became possible thanks to the basic quality of the blockchain network — the immutability of the transaction.

Art industry consensus

Going one step further, the crypto ecosystem developed new community models that allow players to interact online and collectively validate decisions and ideas. This is called a “consensus.” All of the blockchain technology has been built on it, and communities have adopted this logic and system of rules to structure themselves. These models find their expression in governance tokens and in decentralized autonomous organizations, or DAOs, which allow validators to get rewards for the significant input recognized by other community members.

As soon as the art community gets the DAO knowledge, the power of trend-making will go back to curators providing value to the art system by sharing their experience and vision.

“Phygital” art: Bridging the gap

Crypto gave birth to a new financial system that is now being adopted by leading financial institutions. There is a simple reason for that: It just works more efficiently. Traditional financial systems will start adopting NFT-based assets into their portfolio management as well. That will urge governments to issue regulations, which will clarify how to register and use NFT assets. The legal framework will create the link between physical art and digital NFTs, creating a “phygital” asset.

Phygital art closes the gap between physical and digital art, merging the best of both worlds

together and enabling new models of ownership and funding in the art world.

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Ownership reimaged and democratized

The immediate advantages that asset holders will gain from the blockchain ecosystem are the transparency and ability to track their investments on the blockchain and move them around quickly. However, another impressive decentralized finance (DeFi) development is the fractionalization of NFTs, which can democratize art investments and revolutionize private museums' and galleries' financial models.

Some modern art museums can not afford to hold permanent collections, while other traditional galleries are forced to sell art to sustain themselves. In emerging countries where art is sold in galleries, pieces are frequently taken out of the country despite heritage protection laws. Distributed ownership allows museums to attract funding globally, giving more retail investors access to this asset class. Leaving ownership of one fraction to themselves, museums will be able to preserve the item while getting some funding from the sale.

Some art pieces are just too expensive, even for an institution to acquire, and distributed ownership can ease this type of sale.

Alternative grants model for museums and artists

Art is a capital-hungry industry, which has significantly suffered during the COVID-19 pandemic. It requires support from governments and big institutions — yet this support is not always provided in certain countries, forming unequal conditions for art industry players. However, NFTs have shown the ability to redirect capital based on community values and highlight new charity opportunities. Vitalik Buterin underlined the charity aspect of NFTs when he recently made a large, personal donation to an Indian COVID-19 relief fund (perhaps the biggest in history). While the institutions are late to invest due to their structural complexity, NFTs give the community an opportunity to self-fund.

While on the surface the crypto community is driven by financial incentives (like all of us), the core of the community lives in a paradigm of new ethics where people are willing to invest in sustainability and culture. The foundations and charity programs supporting art and artists

will emerge because it is simply a natural move for the crypto industry to support community-driven initiatives. The art world will become increasingly global and effective using the crypto industry's knowledge and investment. Art market players will get some freedom to invest fast in capital-heavy directions that they consider important, with the support of crypto investors.

Museum NFT e-commerce

An exciting example of attracting additional revenue for museums is a recent NFT sold by Uffizi Gallery. The gallery created a digital copy of Michelangelo's "Doni Tondo" in a one-of-one edition signed by museum director Eike Schmidt for \$170,000, and plans to release other prints from the collection.

Looking at the current trend of how brands see NFTs as a tool, we can predict the emergence of some kind of museum e-commerce industry in the future. Rare, digital collectible items produced by a museum in limited editions as NFTs could be traded or redeemed for an actual physical print as well.

Working together on the art industry of the future

The merging of the art and blockchain communities is a win-win. Art curators, museums and creators will do what they do best: bring beauty into the blockchain world, enrich content and narrative and bring high-quality art into the space.

Blockchain communities are looking at NFT art beyond the hype to be able to bring effectiveness, transparency and new models of ownership, funding, and grants. Therefore, individuals who will actively focus on leveraging the benefits of both ecosystems instead of criticizing each other for differences — will shape the future of the NFT and art industries.

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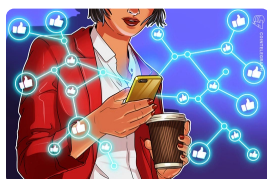
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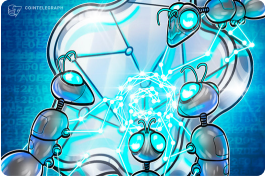
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