

Crypto Art: NFT Art Trading and the Art Market

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Abstract

This article introduces what NFT art is and what virtual art trading is and analyses the advantages, disadvantages, and current status of NFT art. It also discusses how NFT artworks have changed the trend and demand in the art market.

Keywords: NFT art, virtual currency, digital art, art industry, trading, art collection, digital art consumption

1. Introduction

Last year a digital artist called Jazmine Boykins made a significant income through the NFT art marketplace. Until then, she had only been posting her work online for free, so for a long time, she could not make the expected income from her artwork. (A Chow, 2021) NFT is irreplaceable and indivisible. Its characteristics allow it to be tied to something specific, providing a way to mark the rights to digital assets. NFT art, also commonly referred to as crypto art, is a digital artwork that is traded using NFT. Artists are able to sell their artwork in a completely transparent and secure manner. It requires blockchain technology to verify the ownership of digital artworks. Furthermore, its non-fungible nature cannot be replaced or altered, making it perfect for artists to sell their digital artworks. NFT is not bitcoin, dollars, or gold; it cannot be split or combined. (M Clark, 2022) This role is particularly popular in digital art and digital collectibles. And the rise of NFT in the art industry is disrupting the old ownership rules.

The first famous example of NFT art was *CryptoKitties*, a set of virtual cat art images that allowed collectors to buy, collect, breed, and sell them on Ether. It allowed collectors to buy, breed, and sell them on Ether. (S Reyburn, 2021) In December 2017, a boom in trading of this set of images led to congestion on the Ether network, while *CryptoKitties* was considered the leading example of what drove the cryptocurrency market in 2017. The NFT market began to grow in July 2020. It garnered significant attention in March 2021, when the artist Beeple sold his NFT work *Everydays: The First 5000 Days* at Christie's for \$69.3 million. After Jeff Koons and David Hockney, this acquisition was the third highest auction price for a living artist. In September of the same year, Sotheby's NFT online auction 'Ape in!' fetched \$24,393,000 for *A collection of 101 Bored Ape Yacht Club (BAYC)*, the second highest NFT price after Beeple's *Every Day: The First 5,000 Days*. (T Wang, 2021) Other NFT artworks such as *Cryptopunks* and *Auction Winner Picks Name* are also sold for high prices. (S Reyburn, 2021) Christie's sold nine *Cryptopunk* that ended up selling for \$16.96 million, and *Auction Winner Picks Name* from SSX3LAU, an NFT with a music video and dance music, sold for \$1.33 million. (Nick, 2021) NFT art, which continues to fetch higher prices, is gradually entering the public domain, entering traditional and established auction houses, and becoming a new way for artists to experiment and be recognized by the mainstream art world.

2. What Is NFT Art Trading

NFT art is a generic term for digital art that has been authenticated through blockchain and is a branch of digital art. Unlike digital art, which is subject to forgery, NFT art is traceable from creation to a transaction, making it an on blockchain credential for digital art. (E Fitzsimons, 2021) NFT in the art industry is a revolutionary way of storing and sharing artworks. As each work is unique, the owner can enjoy exclusive rights to their work while still accessible to other collectors through a trading platform based on this new technology. The programmability of NFT is a further enhancement to the interactivity of digital art, allowing interaction with viewers worldwide through smart contracts and generating new artworks that can be authenticated. (Cornell Tech, 2022) Moreover, NFT forms of art generation and trading challenge the traditional dominance of the physical gallery and museum system, leading the way to new artistic trends.

3. Digital Art and NFT Art

Paintings, films, music, and animation produced by computers are generally referred to as digital art. (Note 1) Compared to traditional art, digital art has obvious advantages in terms of dissemination, storage, and reproduction. The creation of digital art can often eliminate or reduce some of the procedures and person-hours involved in the creation of traditional art. Digital artworks often have the advantage of being innovative in subject matter, colorful and unique in presentation, and computer 3D drawing techniques can create works that realistically simulate reality and surreal virtual fantasy. (Note 2) Digital technology is not only a revolution in the medium and means of creation but also gives rise to new creative ideas. New and unprecedented artistic ideas and novel subject matter are constantly emerging in the digital arts. Nowadays, digital techniques are indispensable in the broad field of artistic creation, such as film, animation, and music—however, few digital artists in the fine art field, such as painting and sculpture. Because artists do not know how to collect their works, professional galleries do not know how to promote digital artworks, and collectors do not know why they collect digital art, so they cannot pay a high price for it. Perhaps the market does not value digital art because digital creation is still in its early stages. And many works' thematic concepts and aesthetic interests are not yet outside the realm of contemporary art under the traditional creation model and still seem naive and shallow. But the concept of NFT art arrived with a vengeance, quickly and effectively promoting the development of digital art, and attracting more people to engage in the creation and study of digital art. Before the advent of NFT encryption technology, perhaps no one would have thought that digital art could enter the collectibles market because no one wants to buy something that everyone could easily share. It is because the more advanced the technological means of creating digital art, the easier it is to disseminate, reproduce and modify it. At the same time, the less unique the ownership of the digital artwork, the further away it is from the market and the collection. (Pau Waelder, 2021) The advent of NFT corroboration technology has made it possible to establish and develop a digital art market.

NFT crypto artwork is virtual and untouchable. Whereas, for the time being, the value of artwork comes primarily from the physical art itself, an NFT is determined by a number, i.e., a string of codes. (M Clark, 2022) The purchaser of an NFT digital artwork no longer owns a physical, touchable artwork such as a painting or sculpture; the piece is only kept in a virtual digital. Just like people pay for equipment in the gaming world. However, many people's perceptions have begun to change, and more and more people have gradually become willing to accept virtual ownership rather than having to "physically thing". So, for NFT digital art, NFT provides a way to mark ownership of natively digital assets. The certificate is stored in the blockchain and cannot be tampered with. (M Clark, 2022) Unlike physical artworks and ordinary digital art, the value of NFT artwork is not based on the scarcity of the physical work itself. Its value lies primarily in the ability of the purchaser/collector to be the original edition's sole owner. One can trace all work transactions to distinguish it from other works, thus ensuring the uniqueness of the artwork and proving the process of circulation and ownership of the rights to the work. (Note 3) The timestamp on the blockchain is paramount to the creator and the trader. When you purchase an NFT artwork, it will be permanently marked with your ownership. If you resell it to someone else in the future, it will identify your ownership history. In this way, its 'unlimited reproduction' and 'ownership' are compatible. Just because a person owns an NFT of a work does not mean they have exclusive rights to use it, and the work may still be distributed for free. The holder of an NFT cannot prevent others from seeing, collecting, redistributing, and distributing the digital artwork for free. On the contrary, the holder prefers to create and promote the influence of the work through widespread distribution. Digital ownership only ensures the owner has the right to sell the NFT to others. (Note 4)

4. What Changes Has NFT Brought to the Art Market

With the development of NFT art, NFT art has brought new changes to the creation of digital art and the market and has had a considerable impact. In the traditional art world, obtaining copyright protection for works created by digital artists is difficult. Although such digital artworks often appear in many galleries, institutions, and other major top art fairs, they are often rejected by art auction houses. It has led to the continued marginalization of digital artworks in the art trade and has dramatically reduced the incentive for artists to create. (CUDOS, 2022) With the advent of NFT technology, there is now a way to authenticate the copyright of digital artworks. While the NFT art can still be viewed and downloaded online, its ownership is unique and recognized across the web. (B Frye, 2022) In this way, world-class auction houses can help boost the reach of the digital art market. Art auctions are highly radioactive and influential, especially high-priced by world-renowned auction houses. Art auction houses such as Christie's and Sotheby's have recently embraced high technology. They also have tried and participated in NFT artwork auctions, fueling the development of the NFT art market. And Covid-19 has accelerated the transformation of traditional auctions from offline to online. In terms of art market supply, the

range of artworks has expanded from physical to virtual, broadening the scope and sources of artworks. In terms of demand, NFT will attract more young people who are internet natives to focus on and enter the art market.

Furthermore, artwork has financial attributes due to its scarcity, historical and cultural value, creativity, and other characteristics. (B Frye, 2022) The NFT art is a form of digital art into the blockchain while making digital art to obtain copyright certification and solve the problem of lack of scarcity of digital art. (I Okonkwo, 2021) It also has an impact on the art market. Whether in production and distribution, presentation, intellectual property rights, or revenue distribution, NFT digital art has primarily changed the art market's rules. Firstly, NFT art provides digital art with flexible and diverse distribution methods and trading scenarios to expand the financial attributes of digital art. (Rawat, A, 2021) For example, NFT art can be quickly circulated, bought, and sold via the internet and blockchain technology. Alternatively, expensive NFT artworks can be fragmented, and the copyright split so that participants can own a portion of the work for a fraction of the cost. (Note 5) Or the pawning and pledging of NFT art through intelligent contracts. And these diverse trading models are secured by smart contracts on the blockchain, providing trust to buyers and sellers who have never met. (Note 6) The radically different trading methods are impacting the existing art market and prompting thoughts about the changing dynamics and direction of the art market in the future. At the same time, NFT Art has expanded the social aspect of digital art. In today's society, the internet is linked to the rest of the world. It has become a means of communication, as well as a platform to showcase one's identity and personality, with people using online social media for personal promotion and avatars becoming an element of social display. NFT art has become a point of social bragging rights for people, such as the NBA star Stephen Curry, who replaced his Twitter avatar with a boring ape he bought for \$180,000. (J Pukhrabam & R Singh, 2022)

NFT art does have many advantages: it changes the existing ways and rules of art trading and collecting, opening up the market for digital art consumption; it prevents art forgery; it ensures that the price and process of trading NFT works are open and transparent; its decentralized nature helps young, non-mainstream, individual artists to enter the market; with online distribution, trading and virtual With online distribution, trading and virtual currency payments, the marketing, trading, payment, and delivery of NFT art are made more accessible and more efficient. It does so openly and transparently, guaranteeing the authenticity of the artwork and preventing art infringement. (B Frye, 2021) However, on reflection, this technology does not change the language and state of the art itself; its advantage is 'encrypto'. The public can appreciate digital multimedia artworks via the internet. However, they can also be easily copied and downloaded by others, which can be an obstacle for collectors to acquire. NFT technology solves this problem by giving digital artworks a unique identity. The digital work can then be distributed and traded online with confidence, thus ensuring that the market's total value is realized. Traditional physical works of art are distributed, and they seem to have little practical significance as long as the physical object is under the author's or collector's control. (E Fitzsimons, 2021) However, the NFT cannot do anything to confirm rights in ancient and modern heritage artworks and crafts, which reside at the top end of the art market. For works whose authors are no longer alive, the NFT's encryption loses its practical significance due to the difficulty of finding an absolute authenticator. In addition, ancient artworks and artifacts have many historical, cultural, research, and play appreciation values that are difficult to replace by digitized reproductions. Therefore, NFT's role in the high-end heritage and art market will be minimal.

Overall, the value of NFT needs more discussion and testing time. Most hipster art and NFT that have become popular in recent years are design drawings, illustrations, film, and television special effects, and so on. In the traditional sense, it is not easy to classify them as mainstream classic art. However, many of these works are favored by young people. As far as NFT is concerned, there is more interest in the novel form of digital art than in the content itself. Artworks are only kept in a virtual digital record and no longer have an actual physical touchable entity. This change will take time for many people to digest and accept. Many professionals in the art market believe that artists are primarily uninvolved in this market, and it is not the time for the NFT to talk about artistry. Most of those who will go down in history are creative and innovative artists who have made significant contributions to the development of art history. What happens to the NFT in the future will depend on its place and significance in art history. It is still early to conclude all aspects of the NFT art; more observation, exploration, and time-testing are needed.

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Notes

Note 1. Digital art - Wikipedia, in *En.wikipedia.org*, https://en.wikipedia.org/wiki/Digital_art.

Note 2. Ibid

Note 3. Ibid

Note 4. Ibid

Note 5. Ibid

Note 6. Ibid

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