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Presentation Title: Non-Fungible Tokens (NFTs): The Future of Art or Another Cash Grab

Research Focus: Technology

School: Saint George University of Beirut

Student Level: Undergraduate

Presentation Type: Essay

While the NFT standard is frequently used to denote ownership of artifacts such as domain name registrations, the representation and trading of digital art and collectibles is arguably its most well-known application. Within the last year, the term "non-fungible token" (NFT) has become somewhat of a buzzword in the world of digital art, thanks to record-breaking sales. As a result of new technologies, new kinds of supply and demand emerge among online platforms (OpenSea, MagicEden). With the evolution of NFT artworks and most notably blockchain technology we expect these new technologies to have a profound impact on the dynamics that have characterized the art markets for decades. The "non-fungible token's" main feature is its uniqueness as a digital code unit that can be transmitted but not copied. It either exists in one place or another. By analyzing the market trends, we have found that transparency, anonymity, permanence, transaction speed, and security are the major benefits brought about by the use of blockchain technology. However, given the lack of identity restrictions and the ease with which agents can manage several addresses, industry analysts have begun to doubt the validity of on-chain volumes. In addition, the premature nature of the market and constantly evolving technologies as well as the constant hype surrounding the NFT space led to uneducated people to lose their money to various scams and trickeries which are rampant among the community. Despite the many challenges that the NFT technologies might be facing, we argue that NFT artworks are here to stay. We contribute to the emerging discourse on the validity and longevity of these tokens.

‘This is the Mona Lisa of the digital world’, is a quote said by crypto entrepreneur Sina Estavi who bought “Jack Dorsey’s First Tweet” NFT in March of 2021 for almost 3 million dollars. Although this number may seem outrageous at first, these figures are all too common in the crypto space. This is due to the influx of new adopters of the technology and its ‘now’ mass-appeal, funneling millions of dollars into the space. Despite the massive success that NFTs have been seeing, the space is still very premature, thus showing many instabilities. The same NFT bought for 3 million dollars was auctioned one year later in May of 2022 only for the highest bid to be about \$280, a laughable amount compared to Estavi’s evaluation of 48 million dollars. With its many advantages and downfalls, NFTs could nonetheless be a valuable tool for independent artists to market their art, grow a following and make a living out of the art they sell in token form.

In our paper, we will discuss whether NFT technology is beneficial or detrimental to art and independent artists. We have gathered scholarly data from different peer-reviewed papers to quantify transaction volumes on various blockchains, measure the growth and outreach of NFT projects and rising artists, and investigate how this new dynamic market may alter the art market. Furthermore, we have conducted a live interview with one of Lebanon’s top NFT one-of-one artists Ralph Khoury who goes by the alias of “@Gingerpotter21” on Instagram, currently

standing at forty thousand followers. The collection and analysis of this information will allow us to determine the true reality of NFTs.

<p>(1) You've always been into art and have even dropped your engineering job to focus fully on your craft. Have NFTs changed your relationship to art in any way?</p>	<p>NFTs have made it better. In this day and age, to do art, you need a presence in social media. I do sketches and post them on Instagram but I couldn't monetize that, I couldn't sell my work. I would upload them on Instagram for engagement to build my name and look for someone who might be interested in commission or freelance work. Now I can sell my work as is. I am actually earning money that I can live off without having to rely on commissions.</p>
<p>(2) What are in your opinion the main benefits to NFTs for artists?</p>	<p>One of the main things that have never existed in the traditional art world is getting royalties from artworks that are resold. Artists are obtaining passive income when their works are sold which could potentially eradicate the starving artist syndrome. Furthermore, as a Lebanese artist living here in a country that is not necessarily supportive of art, there is international engagement. Collectors from everywhere in the world are exposed to my art and invest in my work. There is way more exposure. Most collectors of mine are holding my art, they see the value in my art so I haven't seen much movement from that.</p>
<p>(3) You have been in the forefront of the NFT wave in Lebanon and in the world. Why do you think that establishing a local community of knowledgeable connoisseurs is so important?</p>	<p>The idea of hosting meetups is to get to know the people that I'd met over the phone and on social media. Forming a stronger rapport with fellow creators and enthusiasts can only be beneficial. There is always some sort of filter when you're chatting with someone online so being able to meet them face to face and have direct conversations is something I thought would be necessary. These meetups eventually turned into a hub for NFT creators in Lebanon where people share ideas and collaborate to achieve their goals. There is a plan to grow these meetups into big-scale conventions to show that we're a big community in this country and NFTs are.</p>
<p>(4) Art has always been enjoyed by millions of enthusiasts in museums and galleries. Do NFTs also have that mass-accessibility? How are they shared?</p>	<p>Yes, I believe it has the potential of being much more accessible than traditional art. NFT artists have a massive presence on social media and thus a huge accessibility is already present. Having built a portfolio and following on social media, it is much easier for artists to sell and promote their arts via NFTs than traditional art. Big social media platforms are introducing NFT profile pictures as well. Although I don't trust Meta in the slightest I do believe this will eventually lead to mass-adoption.</p>

<p>(5) Both your NFT collections have been listed on the Ethereum blockchain. Is there a specific reason for choosing ETH? Why not go for other booming markets such as Solana?</p>	<p>I feel like Ethereum has the most potential for growth and it is the safest and most secure. However, I do think other blockchains have a lot of potential and it would be a waste not to take advantage of them. Ultimately, I plan on becoming a multi-chain artist. One of the biggest downfalls on Ethereum is its gas fees, they have been outrageous lately but I do feel that with the release of Ethereum 2.0 “The Merge” gas fees will get a lot tamer with the introduction of proof of stake and fix a lot of its current problems. I do believe that Ethereum will remain one of the bigger cryptocurrencies but I would still like to see other competitors to stand on their feet to have diversity and competition in the space.</p>
<p>(6) Do you think the quality of the art is what gives it its intrinsic value or are there other external elements that make NFTs moon?</p>	<p>The quality of your art is definitely important. It makes it much easier to market and promote it. However, marketing is essential. If the project is JUST hype, it will not be able to stand on its feet and it will be just another rug pull. They will buy in, raise the floor and cash out. When you buy a one-of-one piece, you make an investment, unlike the other mass-produced profile picture projects that solely rely on hype.</p>
<p>(7) What are your thoughts on AI generated art projects? Is it still considered art?</p>	<p>It’s more commercial, it’s more logos. Art is subjective at the end of the day but most of these projects don’t rely on the art for their pieces to sell. It’s more like buying shares in a company and gaining certain perks.</p>
<p>(8) Shady practices are all too common in the NFT space. Do you think the space is safe for upcoming artists to showcase and sell their work and for potential customers to purchase them.</p>	<p>Shady practices are present everywhere. I mean look at our bank sector. The same people pulling off these practices actually outlawed the trade of NFTs in Lebanon which was very comical. Anyway, getting into NFTs is like getting into any investment. You have to study the market and understand the risks whenever you take on any project. Be careful, be smart and talk to the right people. We all protect each other.</p>
<p>(9) The crypto space is highly unstable. That has become most apparent following the recent crash. Do you think artists could sustain themselves reliably by selling their art as NFTs or is it a side-project or a “get-rich-quick” scheme.</p>	<p>There are a lot of people who see it like that. For me, I think it’s something sustainable, especially here in Lebanon. I’ve made more money selling my art sitting in my room than a regular employee with a Master’s degree would’ve made in the next 5 years. Long term, if an artist builds themselves right, they will be making passive income and they can start raising their prices just like any artist in the traditional sense.</p>

<p>(10) Where do you think NFTs and art will be in 5 years' time?</p>	<p>I feel like every business will have an NFT. Metaverses are being built and every company will want to have their business there. NFTs will be sold in the virtual stores and people will go in VR to purchase them. I feel like the NFT space only has an upward trajectory and it'll only grow bigger and bigger and become something huge. I hope it doesn't lead to a dystopian future where we will be surrounded by NFTs so hopefully we'll be able to find a balance. As an artist though, I feel like my future is in this. I'm working hard to make it happen and to become a world-renowned artist.</p>
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In order to shed light on the potential effects of trading NFT art on the dynamics of the art market, we have categorized our findings into positive attributes and negative attributes that we will discuss in the following.

NFTs have allowed independent artists to sell their work efficiently and widely to all different kinds of audiences everywhere in the world (1). Due to the nature of the NFT art space and its lasting presence on all facets on social media, the marketability of these virtual assets is incredibly easy and cost-effective. Established digital artists with followings on various social media platforms such as Instagram and Twitter among others, are able to take advantage of their online following and put their digital pieces – already showcased on their pages – for sale on different marketplaces such as OpenSea (Ethereum blockchain) or MagicEden (Solana blockchain) and offer their followers the ability to own their original art and directly support their favorite artists with no additional costs or resorting to third-party services (4). Gone are the days of printing, shipping and framing paintings or posters. Furthermore, artists now have the capability of earning passive-income with the introduction of smart contracts. Smart contracts allow for the original artists to gain a certain, predetermined percentage for every transaction an NFT of theirs undergoes (2). This is a very important distinction separating NFT artworks from traditional art. An NFT is a highly movable asset in its nature, the result of which will only be beneficial to artists who take a small cut every time a piece of theirs is resold. This is a game-changer for artists who no longer have to solely rely on selling their pieces to make a living. They can depend on a loyal following of investors and collectors who will contribute funds towards the artist whose art they wish to own. These findings perfectly align with Bsteh's results (2021):

“Further, costs for shipping and insurance become superfluous.”

“The benefits for artists include a high degree of independence from established institutions and gatekeepers.”

“Importantly, higher financial sustainability for the artist is created through smart contracts that include an ongoing percentage stake on each sale of the artwork on the secondary market.”

One disadvantage in trading and collecting NFT art is firstly connected to Ethereum (ETH) being the main trading currency on the biggest NFT marketplace (5). Ethereum is a novel currency that has the second-biggest market cap only behind Bitcoin. However, it undergoes constant fluctuations in regard to its price against USD.



Google Finance (08/06/2022)

Between June 2021 and June 2022, over the span of a year, ETH has seen record high values at 1ETH valued over 7,000USD on November of 2021 to about 1,800USD per 1ETH in June of 2022. Huge dips and corrections in prices can also be seen all across the chart demonstrating the high volatility of ETH as a cryptocurrency. These results are also confirmed by Bsteh (2021): “The value of ETH was stated to be volatile given its novelty and further its use complicates payment processes for beginners.” Another one of Ethereum’s downfalls is the high gas fees associated with every transaction (5). Gas refers to the fee, or pricing value, required to successfully conduct a transaction or execute a contract on the Ethereum blockchain platform. As per Bsteh, another gate introduced to the digital sphere of NFT art are the volatile gas fees for the listing of artworks. In addition, the NFT space is riddled with scams and rug pulls (6, 8). We have discussed this issue with our interviewee and after comparing with the findings from van Watcher et al. (2022) we have come to the conclusion that purchasing and selling NFTs is relatively safe. While Watcher identifies suspicious activities in all NFT collections, the extent to which a collection is contaminated by flagged transactions ranges from 0.19% to 60.93%, indicating that adversarial agents tend to target specific collections for illicit practices. It is thus necessary for the potential buyers to do their own research and diligently determine whether a project holds intrinsic value or not.

To conclude, NFTs offer independent artists a plethora of valuable tools that allow them to market their art, grow an audience and make a living out of selling their pieces in digital form. Although this doesn’t come with any guarantees, the market is volatile and fluctuations in prices of digital currencies and assets can often be widely unpredictable (9). Despite the multiple downfalls, NFTs have seen a massive surge in the volume of transactions (Vasan et al., 2022). We can thus confidently establish, as said by our interviewee Ralph Khoury, “NFTs are here to stay.”

A recurring answer to many of our questions has been “I don’t know” or “I cannot tell at this time.” This is totally understandable due to the premature nature of the market. There is no handbook outlining how NFTs work, how they should be marketed or how artists could utilize them for their benefit. NFT projects are not a one-size-fits-all solution for artists and many of them differ with the way they are marketed depending on the perks they offer or the value they hold (7). The current literature does not tackle the importance of background and storytelling in

marketing of NFT. A good example to study would be Logan Paul's 99 Originals released in May of 2022 in which the content creator tells the story of each and every original polaroid-made-NFT and markets them via short clips posted on all social media platforms.

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