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Blockchain and art market

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In recent times, blockchain technology has begun to be used to ensure certainty in the circulation of works of art. Through the blockchain it is possible to record the existence of any author's rights concerning the work, or the transfer of ownership of an art object, in order to make its circulation safer. These are aspects that, for a global market like this one, are of central importance and that allow us to understand why the first projects were launched to create chains aimed at meeting the specific needs of this sector, overcoming the critical issues that the art market traditionally brings.

Already in the seventies an attempt was made to achieve a result like that which today guarantees the blockchain. At the time it was decided to use the analogic recording of works of art, through the deposit of a picture and the recording of data that allowed the reconstruction of transactions related to the work. The project was proposed by Bolaffi of Turin and was aimed at ensuring the origin and traceability of the works sold. The idea of the analogical register was not successful in the practice of the art market and this was not difficult to predict since it was an excessively large market for an efficient analogical register.

The idea of the analogical register, even though it has not brought any concrete results, shows that the art market had been asking for a system capable of guaranteeing greater security and reliability of transactions for some time.

A particularly significant aspect of blockchain technology with regard to the art market is the anonymity that the chain offers: the blockchain, in fact, does not require the buyer and seller to disclose their identity, it is an aspect of great interest because often collectors do not want to appear as buyers. One could argue that the anonymity offered by the blockchain can also be functional to keep hidden the illegal transactions or the limits of legality that often relate to works of art, but in this regard, however, it must be noted that these transactions would take place and still take place in the traditional market, the blockchain could then be an aid in tracking and reconstructing them. Moreover, if it is true that the blockchain allows anonymity to be maintained using a pseudonym, the European and national legislators are taking measures to reduce the risk associated with the use of cryptocurrency and the blockchain for illicit purposes.

Regarding blockchain in the art market, some operators expect an increase in the reliability of transactions thanks to the cooperation of auction houses, which should include all transactions in which they were intermediaries. To make the system more reliable and to speed up the spread of the chain, the idea is to also involve online platforms on which many auction houses have begun to operate systematically.

One of the biggest problems with the use of the blockchain in the art market is that it is a technology offered by several non-interconnected operators, which can lead to the risk of the same work circulating across different chains and with contradictory information. The critical issue for which a solution must be offered, therefore, is how to safely connect a physical object to its blockchain registration. It has been proposed to

solve the problem through a QR code to be placed on the work and that allows it to be tagged, acting as a “digital passport” for the work itself. The problem, however, is that the QR code is easily falsifiable, so it does not seem the most appropriate tool to ensure the security you expect from the blockchain.

In order to prevent false or unverified data from being entered on the chains, some operators have created a list of specialists with the task of verifying the correctness of the information entered.

It would be a mistake to believe that the blockchain can only perform a function with regard to transfers of ownership of works of art. The blockchain, in fact, can also be an excellent tool to ensure the authenticity and origin of a work, especially if we consider the works of living artists, which can be recorded immediately, as soon as they are placed on the market, thus allowing the author of the work to trace the chain of sales subsequent to the first, so he can collect the *droit de suite*. From this point of view, the chain could end up representing a sort of movable register of objects of art, significantly reducing the risk of non-domino transfers of objects of art.

The chain is, however, susceptible to much wider uses. In some cases, it even makes it possible to market digital works of art.

Another area in which the blockchain can have significant advantages is that of the fractional sale of works of art. Art is an important form of investment: in addition to collectors, bank foundations, museums and art dealers, investment funds have also begun to look at art with interest.

It is not surprising that among the forms of investment in art, the idea of resorting to fractional ownership of a work that allows, even for small investors, to buy only the portion of a work and to resell it when you need liquidity is quite successful. In this sector, an art-investment platform called Maecenas has recently been created, operating on blockchain technology, which collects investments in the primary and secondary art market, promoting, in fact, the fractional ownership of works of art. The work is stored in a safe vault, and the right of ownership over it is divided into fractions, which can circulate through the blockchain so that the owner can decide whether to store or sell them.

According to some, the possibility of splitting the ownership of works of art would also allow the art market to be “democratized”, since it would also allow small savers to own a percentage of a work that they could not otherwise afford. On this point, it seems legitimate to express some perplexity: those who own only a small portion of the work, are in a very different position from those who own 51% and can decide whether to keep it hanging in the living room of their home, rather than in their cabinet or in the caveau of a bank. It is therefore a democratization of art that is clearly only virtual and that seems to satisfy more the desire for a profitable investment than the purely aesthetic one.

In conclusion, therefore, the blockchain does not seem to be the panacea for all the problems of the art market; it can solve some of them, but it will be necessary to see how it will be managed and how the correctness of the data inserted in it will be ensured. Otherwise the risk is to add further problems on a market that, by its nature, does not always appear to be able to ensure transparency and security to buyers.

The different uses and reliability of the data leads us to conclude that the blockchain technology, if managed by reliable subjects, can be an aid for the contemporary art market, but that it will not have a significant impact on that of ancient works.

The possibility of buying only the shares of a work of art implies a rather radical change in the mental approach of those who buy this type of goods. The purchase of a share of a work, which may never be seen live, does not satisfy the aesthetic pleasure and satisfies in a very broad way the desire for possession that moves the art collector. However, the data concerning investment funds in art seem to confirm a positive trend for the sector and therefore suggest the possibility of success even for fractional art. Moreover, the funds are rather profitable, especially when modern and contemporary art is purchased.

The situation is more complex with regards to ancient works. Let's imagine a painting from the 17th century, attributed in a non-unique way to a particular artist: it is obvious that we will only have limited and rebuttable information about it. This makes the recording of data on the chain a more random procedure: it is more likely, in fact, that the data entered will be denied over time (e.g. because it turns out that the work in the past was stolen or that it could not have been made by the artist to whom it was attributed).

The transactions involving the works of the old masters, however, although numerically more limited, represent, having regard to their value, an extremely significant portion of the art market. Precisely with reference to these works the need for security becomes more pressing, but this need, however, for the reasons described above, does not seem to be satisfied by the blockchain.

Concerning the use of the blockchain in the art market, it seems to me that we can conclude in the sense that we must avoid easy enthusiasm or excessive pessimism: technology is undoubtedly a resource, but it also has limits. The main one is undoubtedly linked to the insecurity of the data entered: the blockchain will only be of benefit to the art market if the data recorded is reliable; absolute reliability, however, seems possible only for digital works, which can be recorded directly on the blockchain, and for recently created analogue works, whose history can be reconstructed until they leave the artist's studio. On these latest works, however, there is the problem of how to record in an unquestionable way the work on the blockchain. To this end, as already mentioned above, the idea of using a QR code does not seem to fully convince, given the easiness with which the device can be counterfeited, lost or damaged, it will therefore require a more reliable technical tool and able to be permanently connected to the work.

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