

Future Possibilities for the NFT Art Market

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Fine artists exercising unprecedented control of their own markets, high tech art, cartoon images of rocks selling for millions of dollars, scams, cult-like followings: the NFT market has it all! In this post, we will briefly survey the traditional art market and the NFT fine art market. The convergence of these things — NFT technology and the traditional art market — leads us to make predictions for the future of the market and technology.

The Traditional Fine Art Market

Typically when many people imagine “fine art,” the first thing that comes to mind are museums full of historically relevant paintings and sculptures. The traditional fine art market as we define it today includes those, but also [includes a \\$65.1 Billion industry](#) of private non-museum collectors purchasing and enjoying art pieces of all kinds.

The traditional art market has multiple important players that create, distribute, purchase, assess, and display work.

Participants in the Traditional Art Market

Artists create work and sell it in the primary market, the term used to describe the sale to the first buyer of a work. Gallerists serve as the intermediaries between artists and the consumers of their work. They market the art and artist, have relationships with buyers, and manage the business side of the primary market. Once a work has been sold to its first buyer, resales fall to auction houses. Auction houses are businesses with an air of exclusivity that typically handle the secondary market for art (the market for resale), although they will sometimes enter the primary market. Buyers in the traditional art market range from casual dabblers, to art lovers and fellow artists, to art investors, and a small global group of wealthy collectors. The wealthiest collectors are typically advised by professional art consultants. Museums display specially selected work and are expected to operate outside of the art market. However, placement in museum collections gives legitimacy to art and artists and impacts the market. Critics evaluate and explain art based on training in aesthetic systems. Their commentary shapes tastes and preferences for art styles and artists.

The NFT Art Market, Now and in the Future

While [the NFT market boomed in 2021](#), it has roots as early as 1993, in the “cyberpunk” community. At that time, early cyberpunk Hal Finney [proposed](#) a conceptualization of digital cash as ‘Crypto Trading Cards,’ emphasizing how the unique properties of each card or coin could appeal to hobbyists. Today, the NFT market has exploded, with participants ranging from traditional print and digital-media artists jumping the gap, to real-world fortune 500 corporations, meme makers, athletes, musicians, and anonymous internet users.

Important players in the NFT Market

The creation of NFT art requires both artistic and technical programming skill, so many NFT artists blur the lines between programmer and artist, or they partner with programmers to create NFT art. Once created, NFT artwork is sold via a marketplace. Online marketplaces serve as the peer-to-peer exchanges where NFT artists, owners, and buyers can sell and resell NFTs. Marketplaces also serve to promote and discover NFT art. Buyers of NFT artwork fall into three main categories- collectors, investors, and flippers. Collectors buy work based on their perception of its merit with the intention of long-term ownership. Investors buy for long-term NFT price appreciation with the intention to eventually resell for profit. Flippers buy for short-term NFT price appreciation with the intention to quickly resell (often within minutes, hours, or days). Social Media Influencers have taken on the role of critics and tastemakers in the NFT art world. The digital nature of NFT art lends itself well to digital discussion mediums, where influencers with large followings on social media platforms like Twitter, Instagram, and Discord are able to influence which NFT art becomes popular.

Some Predictions for the NFT Art Market

In the extreme, we can foresee two contrasting, potential paths for the future for the NFT art market. The first such path would empower artists with unprecedented control of the sale and resale of their work, facilitate the creation of high-tech work, and grant access to profits in previously impossible ways. An alternative path is a picture of dysfunction: bots snapping up pieces and excluding ordinary market participants, artists unable to exercise more control over the sale of their work due to lack of technical knowledge, and undetectable art-related crime. The true future of the NFT art market is likely to contain features of both potential paths. The predictions we now offer represent a mix of the good and the bad.

Empowered artists:

Thanks to the fact that NFTs reside smart contracts and therefore inherit the global accessibility, transparency, and trust-enhancing features of blockchains, NFT artists can in principle exercise unprecedented control over the markets for their work, including:

- Directly accessing a global market of buyers;
- Learning more about their buyers' tastes and collections than would be possible in the analog world;
- Restricting access in their sales to select buyers, for instance only selling works to other artists or previous collectors of their work;
- Earning royalty payments for resales of their work on secondary markets (something generally not possible in the analog world), for example enforcing a 5% royalty payment for all future resales of their work.

The development of easily customized NFT sales smart contracts to support artists' wishes in selling their work (functioning like ["safe" documents](#) in the startup world), as well as blockchain technology education tailored to artists, would support artist empowerment in the NFT market in the ways enumerated above.

Shifted roles from the traditional art market:

The roles in the traditional art market for gallerists, collectors, and critics will shift. With artists able to directly sell their work via NFT marketplaces, gallerists will need to find new ways to add value in marketing and buyer curation or may need to find new reasons to attract artists into partnerships. The market for resale of work need no longer be dominated by auction houses, with artists able to control their own resales and collect royalties. Knowledge of blockchain technology may overtake social connections in giving collectors an edge. Critics in a digital market will gain renown differently than those in the traditional art world, with large follower counts possibly eclipsing other metrics of legitimacy (e.g., a critic's scholarly record) and reach. Museums will be able to function in innovative ways with digital collections. For instance, an NFT museum could run as a decentralized autonomous organization (DAO), a smart-contract-governed organization run by its users, who could decide what work is acquired and shown.

Stronger forms of transparency and opacity will reshape style and influence:

The blockchain properties of transparency and auditability will create a different type of market than the opaque and secretive traditional art market, where prices paid for private sales and sales in the primary market are not public. The transparency of blockchain sales, with all bids appearing in the public record of the work, may lead to works that have bids by known collectors fetching higher long-term values. This would incentivize influencer bribery (which is [rumored to already exist](#)). One promising area of blockchain technology for NFT art development includes the use of trusted hardware — a kind of secure, black-box environment in modern servers — to incorporate secrets into art. Another is the use of oracles to create responsive and interactive art, an area already developing with [dynamic NFTs](#). New technologies, however, inevitably spawn new opportunities for crime. Paradoxically, thanks to the enhanced transparency of NFT distribution channels, a technologically savvy hacker could potentially forge NFT artworks in ways previously infeasible in the fine art world. By compromising an artist's account and distribution channels and using machine-learning techniques to generate forgeries, a hacker could create what appear in terms of style and digital provenance to be authentic originals.

Machine learning (ML) and bots:

ML can partially or fully supplant the roles of all art-market participants: artists, buyers, gallerists, and sellers. Bot-generated NFT artwork is already growing in popularity (see [GAN Apes](#), [Botto](#), and others). We can imagine an expanding role for ML, in which it sweeps over the processes of creation, buying, curation, criticism, influencing, and more in NFT markets. One can envision a future in which ML algorithms generate NFT artworks, price and bid on NFT pieces, and [write critiques of NFT pieces](#), and market NFT artworks. In such a world, NFT art markets are by and for machines, and by implication reflect machine tastes. Strong technical protections for artists who wish to limit bot participation in their markets could help prevent such a future. To demonstrate this idea, we recently conducted an [NFT raffle](#) that used [decentralized identity](#) technology to limit participation to one raffle entry per human being.

Our predictions may or may not come to pass. But we hope we've shown how exceptionally exciting a phenomenon NFTs are, both culturally and artistically, and how their future is a rich garden of forking paths.

For a deeper look into NFT technology and markets, the traditional art market, and their future possibilities, see our full

paper

[here

](https://www.arijuels.com/wp-content/uploads/2022/04/NFTs__Primer_and_Outlook.pdf).]

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