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## CRYPTO ART: A NEW ERA IN ART VS ADVENTURE CHALLENGE

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The purpose of the article is to consider the current phenomenon of crypto art from an artistic point of view. The research methodology includes historical, art studies, and comparative analysis. The scientific novelty of the article is that the fact of the emergence and development of a new phenomenon that attracts the attention of an increasing number of artists has been established, and a systematic analysis of its existing challenges and advantages over the traditional art market has been carried out. Conclusions. We are at the beginning of a multi-year process. The trend is gaining momentum, increasingly drawing humanity into a technological singularity, where, on the one hand, the war in all its forms and manifestations does not end, and on the other — the synergy of passionaries opens up new unprecedented horizons for joint creative work and monetisation of their artistic skills. The popularisation of NFT by a “magical” force has attracted the attention of independent creators to new communication channels and the formation of new decentralised communities, which usually demonstrate a high level of cooperation and culture in general. Digital art has rarely received as much attention as it does now. The NFTs may disappear, but the critical dialogue they have created will remain in our collective memory, and the value and legitimacy they have brought to digital art through this conversation may have changed their social perception forever. The new paradigm first of all emphasises that “value” as a property and characteristic of objects or phenomena in modern conditions is increasingly determined not by the past, but by the future. This is what determines the “paradigm shift” — the present in the future is much more important than the traditional in the past.

*Keywords:* cryptoart, crypto art, values, tokens, non-fungible token (NFT)

### **Introduction**

Modern technology has revolutionised what can be compared to Gutenberg’s discovery of the printing press five centuries ago, and this process is irreversible. Nowadays online culture is in its infancy, but the pace of its formation, inspired by the exponential

development of the online space, is swift (Beniuk et al., 2021). The present paper focuses on the natural expansion of cryptocurrencies, fuelled by the global rethinking of values during the COVID-19 pandemic, which has given rise to such a phenomenon as cryptocurrency. And it should be noted that the controversy over the future of technology, as rightly noted by Y. V. Trach (2016) concerns not so much the technology itself as the future of civilisation. Today, it is difficult to single out the field of science that most actively and effectively explores non-fungible tokens as a modern phenomenon of the virtual world: financiers consider the relationship between representative cryptocurrencies in terms of profitability and volatility, economists explore, among other things, the impact of the built-in mechanism of bitcoin mining on the environment; collectors, owners of world-class auction houses, and artists are involved in the “promotion” of NFT sales; lawyers are looking for a basis for sales, etc. In recent years, famous artists, popular singers, tech start-ups, and single creative personalities have started earning money in the virtual environment, because the NFT market shows huge growth — as of May 2021, the total money used on completed NFT sales has reached 34, 530, 649. 86 USD (Wang et al., 2021) and till September 2021 6.1 million NFT trades across six main NFT categories including art (Nadini et al., 2021).

In the field of finance, it is worth highlighting the interesting thoughts of Michael Dowling (2021) who sees NFT purely as a financial instrument — the market capitalisation of NFT objects is just beginning to grow, but already exceeds \$ 8 billion; Dutch financial analyst Alex de Vries (2018) explores the environmental aspects of cryptocurrencies. Studies that raise the question of the artistic value of NFT also exist, but they are very few. For example, Brian L. Frye (2018) — Professor of Law at the University of Kentucky, in a light and very humorous manner skilfully discusses the ethical issues of cryptocurrency; Italian professor of computer science Massimo Franceschet and professor from the Alan Turing Institute in Amsterdam Giovanni Colavizza (Franceschet et al., 2021) and a number of authors reflect on a wide range of technical, cultural, ethical and ecological (Borschevska & Nos, 2021) issues of crypto art. The phenomenon of crypto movement in art history draws the attention of young Spanish researchers (Valera et al., 2021); the branches of crypto art, that should be explored in the future such as the virtualisation of art gallery spaces, cyber-art-crowd-funding, platform-art-economy, and digital art management — are outlined in another excellent research (Sidorova, 2019). The following sentence seems interesting and instructive: if the video destroyed the concept of a radio star, apparently, the Internet will destroy the concept of an art star; and even if so, will anyone notice? The issues of finding out the reasons, finding the advantages, risks, and prospects of “tokenisation” of contemporary art were the topic of the forum “IPQuorum-2021: Tech for Content”, which took place in late April at the Technopark of the Skolkovo Innovation Centre (Russia). Among Ukrainian scientists, we will single out the works of N. V. Pavlichenko (2015), and already mentioned Y. V. Trach (2016).

### **Purpose of the article**

The purpose of the article is to analyse the state of the field of crypto art and outline further potential scenarios for its development worldwide.

## Main research material

Let us briefly define at least the basic concepts used in the article.

*Cryptocurrency* — a type of digital currency, the issuance and accounting of which is performed by a decentralised payment system fully automatically (without the possibility of internal or external administration). The nowadays most famous cryptocurrency associated with NFT is Ethereum, but also a few more have gained popularity — Polygon, Tezos, Solana.

*Blockchain* — a distributed database that stores an ordered chain of records (so-called blocks), which constantly extends to infinity; an e-book that cannot be deleted or modified can only be supplemented. Blockchain was originally proposed by Satoshi Nakamoto — the name used by the presumed pseudonymous person or persons who developed bitcoin. In a blockchain system, each block has a limited capacity. When the capacity in one block becomes full, other transactions will enter a future block linked to the original data block (Wang et al., 2021).

*NFT* is a unit of data in a digital workbook called a blockchain, where each NFT can represent a unique digital element, and therefore any of them is irreplaceable. NFT tokens are a kind of development of the idea of cryptocurrencies. The key difference between them and traditional digital money (bitcoin or etherium) is that each NFT can be unique or have a limited number of copies (hence the name NFT — non-fungible token). Every virtual asset and a piece of creative work can be tokenised — paintings, photos, collages, gif-animation, games assets, different collectibles, music, etc., and some of them are successfully sold.

Investing in digital art has become not only financially profitable but also prestigious. It should be noted that this article is in no way intended to promote crypto art or agitate to become a token collector. This work does not provide step-by-step instructions on how and where is the best place to publish your first digital work online, it does not contain a list of virtual galleries or lists of the most successful cryptocurrencies on the network. The present article aims to record the current state of affairs in the industry with the definition of key terms and potential forecasts, in order to trace the truth (falsity) of today's reflections and reasoning of the author. Being convinced that each technology is the embodiment of society's ideology or, rather, is the ideological investment of society in its near future (Trach, 2016), the author is one of the supporters of the platform of experimentation and ingenuity, but also moderation.

Throughout history, humanity has been accompanied by the antagonism of generations — grey-haired elders are trying to “convert” the rebellious youth closer to preserving traditions in the usual perception, to respect the historical heritage and use “old”, usually archaic, technology. Often the ultimatum of such a call has the opposite effect — young people consciously do everything that ignores and denies the values of past generations. And today we can see how the existing confrontation has changed the perception of the world. Sometimes the analysis of this topic gives the impression that millennials who have managed to “break the system” with digital capital, now freely flaunt reckless or outrageous investment in digital images of dubious artistic quality in terms of “classical” school. Does it look like a protest? Indeed, this is a pure revolution, because the growth of the NFT market is primarily due to the moral battle of logic against the concept of art (Kaminskiy, 2021).

The traditional Art Market could never be called transparent and fair enough — things like money laundering through works of art, corrupt auctions, the difficulty of organising exhibitions in the absence of “correct” connections, etc., have always been an integral part of it. The “great geniuses of the present” often remained miserable and unrecognised creators of the past. Artistic and technological trends have defined and continue to define corporations, not individual marginalised individuals who usually cannot or do not want to fully enter the art market under the massive pressure of a “creative nature” — you either become part of the system or you are simply not noticed. Everything was changed by light big cryptocurrencies, on the one hand, and the development of decentralised platforms, on the other. Society has gained many financially independent millennials who, by satisfying their rebellious egotism, have begun to think more broadly, and not just to meet their own needs at all levels. Artists, writers, and musicians try to find an audience by earning a living (Trautman, 2021).

The first experiments with NFT began in 2013–2014, and in 2021 for the first time a tangible work of art was turned into a digital asset — the company Injective Protocol for \$ 95 thousand bought a stencil “Morons (White)” by Banksy and burned it during a live broadcast on Twitter. 11 March 2021 can be called the beginning of a new stage in the history of contemporary art. It was on this day that the first truly major sale of a digital work of art took place. How will they perceive this “grand adventure” in a year or even two? — a rhetorical question. In the author’s belief, society can not shy away from modern technology and in this form, it is important to successfully apply the achievements.

For information: at the moment in Ukraine more than 900 artists are trying to realise themselves in this direction, there are also a few online communities for artists, exhibitions and conferences dedicated to the rise of cryptocurrencies and possibilities of NFT-art are held more and more often in large cities of Ukraine. Let’s try to summarise the main advantages that contribute to the promotion of cryptocurrency: digital nature / geographical independence / democracy / decentralisation / anonymity (Sparkes, 2021):

*Digital nature.* The popularity of the growing trend is based on the indisputable fact — the world is becoming more “digital”, technology is attracting more and more investment. And any technological innovation makes young people’s hearts beat faster than the historical heritage. In the context of art, it is tempting to say that NFT is simply a logical continuation of conceptual art. Immediately payments for art, the possibility to freely share tokens worldwide, and justified fees are the main pros that best represent the concept of digital nature.

*Geographical independence.* Two Indian crypto-investors bought Beeple’s work at Christie’s for \$ 69 million. They publicly announced the purchase: “We want to show that Indians and other people of colour can be patrons of art, and cryptocurrencies are a force that equates the West and the other world”. Thanks to technology, the world has long become more compact, it has become easier to find like-minded people, share creativity with like-minded people, communicate with idols. One of the most noticeable aspects of crypto art is the separate community formed around crypto art platforms and no delays and troubles at customs when shipping and transporting art works.

*Democracy.* Of course, it can be predicted that the digital art market will eventually be moderated by experts, gallery owners, and financial analysts, but for now, this world is really open — for those who want to adapt to the technologies and challenges of the future. The probability of making money on modern art is higher than on classical art.

Classics are good for saving capital, new art is good for creating it. There is one aspect that is impossible in the traditional art market: artists earn interest on the resale of their own works — secondary sales.

*Decentralisation.* This is one of the most fundamental advantages of NFT's popularity, but as noted by Jeff Dorman of the crypto-investment firm Arca, these platforms, which facilitate the relevant operations, will be major winners in the near future. Does the realisation of this fact block the desire of young digital artists to integrate into the community? Not for sure yet. After all, any market has its own laws and a priori provides for the enrichment of its owners in the first place. Given the flexibility of their efforts in relation to the potential monetisation of their talent, the art market will undoubtedly grow. Artists get the ability to use existing physical works after digitalisation as NFT tokens and also get full control over the price of their artwork, instead of the traditional art market where the pricing was done by the art gallery.

*Anonymity.* Most crypto market players are millennials, but that doesn't negate the fact that it's easy to pretend to be anyone in the virtual world. This attracts more and more "big players" to the digital art market, the origin of whose assets cannot always be legally explained. Cryptocurrencies offer an alternative to an economic system run by Wall Street bankers and politicians, providing a degree of democratisation of economic structures, increasing freedom and flexibility. This new rebellious way of thinking also influences the products that are being created, which point to the endless celebration of how the new system will redistribute power.

There are two basic acute issues that are traditionally relevant in the context of crypto art:

- environmental friendliness of token issuance. However, environmental concerns due to the negative externalities of the blockchain are usually described as low compared to the emissions from the transport, storage, and trade of physical objects (Bsteh, 2021);

- the legality of working capital. In principle, an owner or creator can trade his own NFT transparently but anonymously by transferring it between two different addresses/wallets on the public blockchain infrastructure. In this way, demand can be suggested, faked, or inflated with the goal to attract future buyers. The legality of any such behaviour is currently unclear (Ante, 2021).

According to Anastasia Glebova, the co-founder of the first Ukrainian platform for working with NFT, the right to use publicly available works is currently not regulated in any way. At the same time, the digital art market in general, and art that is sold as NFT in particular, exists, although it only sets the rules of the game. There is much that can be done in the NFT ecosystem to get closer to the real world. The mass adoption that took place over the past year inspires optimism about its further evolution and growth. Taking into account that the current generation is convinced of its uniqueness, and, consequently, creativity inherent value, NFT has wide prospects.

## Conclusions

Crypto art is considered as a new era in art, potential scenarios of its development are outlined. Answering the question posed in the title, the author takes the position

of the irreversibility of the process, although it contains elements of adventure. We are at the beginning of a decade-long process. The trend is gaining momentum, increasingly drawing humanity into a technological singularity, where, on the one hand, the war in all its forms and manifestations does not end, and on the other — the synergy of passionaries opens up new unprecedented horizons for co-creation and monetisation of their artistic skills.

The popularisation of NFT by a “magical” power has attracted the attention of independent creators to new channels of communication and the formation of new decentralised communities, which usually demonstrate a high level of cooperation and culture in general. Digital art has rarely received as much attention as it does now. The NFTs may disappear, but the critical dialogue they have created will remain in our collective memory, and the value and legitimacy they have brought through this conversation to digital artwork may have changed their social perception forever.

The new paradigm emphasises above all that “value” as a property and characteristic of objects or phenomena in the current conditions is increasingly determined not by the past but by the future. This is what determines the “paradigm shift” — the present in the future is much more important than the traditional in the past.

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## КРИПТОАРТ: НОВА ЕРА В МИСТЕЦТВІ ЧИ РИЗИКОВАНІЙ ВИКЛИК

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Мета дослідження: розглянути актуальний феномен криптоарту з мистецькознавчого огляду. Методи дослідження: історичний, мистецтвознавчий і порівняльний аналіз. Наукова новизна: встановлено факт виникнення та розвитку нового явища, яке привертає увагу все більшої кількості митців, здійснено системний аналіз його існуючих проблем та переваг над ринком традиційного мистецтва. Висновки. Ми перебуваємо на початку багатолітнього процесу. Тенденція набирає обертів, дедалі більше втягуючи людство в технологічну сингулярність, де, з одного боку, війна в усіх її формах і проявах не закінчується, а з другого — синергія пасіонаріїв відкриває нові безпрецедентні горизонти для спільної творчості та монетизації їх художніх навичок. Популяризація NFT «магічною» силою привернула увагу незалежних творців до нових каналів комунікації і формування нових децентралізованих спільнот, які зазвичай демонструють високий рівень співпраці та культури загалом. Цифровому мистецтву нечасто приділяли таку увагу, як у сьогодні. NFT можуть зникнути, але критичний діалог, який вони створили, залишиться в нашій колективній пам'яті, а цінність і легітимність, привнесені ними у цифрове мистецтво через обговорення, можливо, назавжди змінили їх соціальне сприйняття. Нова парадигма насамперед підкреслює, що цінність як властивість і характеристика предметів чи явищ у сучасних умовах дедалі більше визначається не минулим, а майбутнім. Саме це визначає «зміщення парадигми» — сьогодні в майбутньому набагато важливіше традиційного в минулому.

*Ключові слова:* криптоарт; криптомистецтво; цінності; токени; невзаємозамінні токени (NFT)

