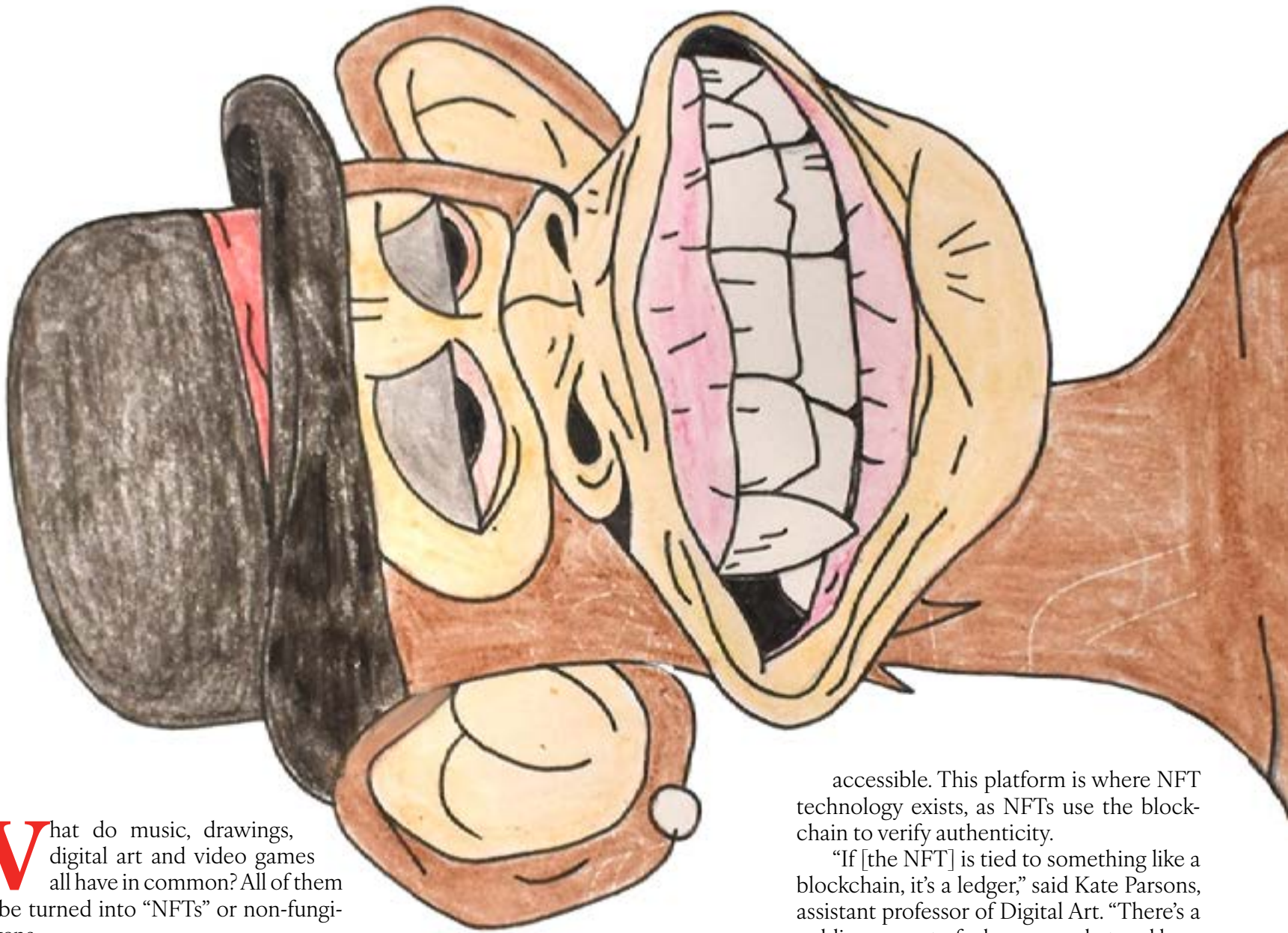


Explaining **NFTs**

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What do music, drawings, digital art and video games all have in common? All of them could be turned into “NFTs” or non-fungible tokens.

The acronym “NFT” is a term that has gained traction and popularity over the past few years, especially across social media platforms like X — formerly Twitter) where you could purchase an NFT to set as your profile photo on the app. With so many different ways to use and invest in NFTs, the term can mean many different things to many different people.

“It’s such a cool [technology] that, unfortunately, has a PR problem,” said Hunter Stanchek, CEO of Colonize Mars. “If you get past the misconception of the industry. When you look past that, and you actually try it out and see what it’s all about, there’s a lot of innovation happening in that space.”

Defining NFT, Blockchain and Cryptocurrency

An NFT is “a unique digital identifier that cannot be copied, substituted, or subdivided, that is recorded in a blockchain, and that is used to certify authenticity and ownership,” according to Merriam-Webster. A unique digital identifier is something that affirms that the digital item isn’t copied or couldn’t be copied, according to Merriam-Webster.

The blockchain, where the NFT is recorded, is a digital database that holds information about transactions. These transactions are all decentralized and publicly

accessible. This platform is where NFT technology exists, as NFTs use the blockchain to verify authenticity.

“If [the NFT] is tied to something like a blockchain, it’s a ledger,” said Kate Parsons, assistant professor of Digital Art. “There’s a public account of who owns what and how long they’ve owned it or if they’ve traded it or if it’s sold, or traded hands.”

While both are digital objects, cryptocurrency solely exists as a form of digital payment. NFTs, in contrast, can be many different things and assets that are authenticated and unique to whoever owns them, according to Forbes.

Think of crypto like any other currency that you would use to purchase things, and think of NFTs as things that can be purchased with said currency. This means that NFTs could be artwork, music, digital items, videos or anything else you could create in a digital way according to NASDAQ.

Misunderstandings and Fads

For many people, their first interaction with NFTs came with the Bored Ape Yacht Club, which is a limited NFT collection of cartoon ape-themed artwork. This art collection then took off and was featured on Jimmy Fallon. These NFTs were also purchased by celebrities such as Paris Hilton.

“It’s a mistake to think of an NFT as a JPEG, basically, an image that’s inflated with value because it’s an NFT,” Stanchak said. “That’s really hurt the industry and set it back quite a bit. Because people don’t understand why there’s value there.”

Despite prices soaring in 2021, the popularity of NFTs all came to an eventual crash. July 3, 2023, marked a two-year low and an 88% drop in value from the peak in 2021, according to Decrypt.

This has resulted in various investors suing Sotheby’s Holdings Inc. and others under the pretense that they misleadingly promoted the Bored Ape NFT.

Despite the drop in value, the technology of NFT investment hasn’t gone away, and many people — like Stanchek — are using it for their new artistic ventures through the blockchain, according to Stanchek’s company, Colonize Mars.

Colonize Mars

Colonize Mars is a video game that is built around the use of NFTs, according to Stanchek. As a simulation video game, Colonize Mars utilizes the blockchain to

create a playing experience where in-game items are tied to NFTs and cryptocurrency.

The gaming industry has made billions of dollars in revenue from in-game purchases Stanchek said. Yet, the gamers who are making those purchases have no real ownership of the item they are spending their money on.

“It’s pretty much just lost money,” Stanchek said. “They can’t go and trade it. They can’t use their time or skill to make a profit or make a trade with it.”

That is where Colonize Mars creates a different experience.

“If you could [trade them], it would unlock an entirely new type of value,” Stanchek said. “NFTs allow you to own your in-game items and buy, sell and trade those on decentralized marketplaces or open marketplaces.”

NFTs could easily represent the items in the game, including more abstract concepts.

“It can be any sort of digital item or inventory,” Stanchek said. “You can have an NFT that’s an attribute of a larger digital item.”

These larger digital items could represent digital land plots, coordinates, and resources as well, Stanchek said.

While NFT technology may be obvious right now because of internet trends, Stanchek said he imagines a future where most of the heavy lifting is unknown to the everyday user.

“In a couple of years, people won’t even know that they’re playing games that are enabled by blockchain,” Stanchek said. “They’ll be playing their favorite games. Some of them will happen to have blockchain connectivity, but it won’t affect

onboarding or any of the simplicity or ease of getting into games and starting to play them.”

Faculty Adopters

At Pepperdine, faculty — like Parsons — are getting involved with NFTs as well. Parsons teamed up with several local artists and put together an NFT art show named “In Medias Res.” The goal of the project was to focus on the art made by feminist creators, Parsons said.

Casey Reas, an art professor at UCLA, created a blockchain-based art-selling platform called Feral File. On this platform, Parsons said she and her team of nine artists could set up a digital art show to display works.

Buyers could view the art seven days beforehand on Aug. 17, and then the auction began on Aug. 24. This allowed time for buyers to think about their budgets and bid prices while having time to appreciate the new pieces, Parsons said.

“It was what they call a reverse auction or a reverse Dutch auction,” Parsons said. “So, it starts high. There’s a multiplier, and then it slowly comes down over the course of about half an hour. The idea is that there’s a lot of hype built up for this 24-hour period that the work is for sale.”

The recent crash in the NFT market in 2023 has negatively affected the sale of artwork made for NFTs, Parsons said.

On top of this, they have become a controversial topic in artist communities.

“Two to three years ago, there was the big environmental factor with Ethereum and Bitcoin also being a dirty blockchain because of all the Eco problems associated with it,” Parsons said.

In recent years, people have begun to dig into the environmental impact of cryptocurrency, specifically focusing on Bitcoin, according to Columbia University. While Ethereum has moved to a “proof-of-stake” system, which has dropped its carbon footprint by 99.95%, Bitcoin has yet to make that leap.

Proof of stake gives the cryptocurrencies the option to validate the amount of currency they have but without having to use a lot of energy consumption to verify the acquisition of the currency, according to Coinbase.

A big issue around Bitcoin is how much total energy it uses for every transaction, according to Forbes. This brings an ethical question to the table as people begin to rethink the impact of certain cryptocurrencies.

“Now that Ethereum has kind of made that jump, it’s much less of an issue, but for a while, there was a lot of controversy and a lot of anger between artists and people who were willing to do blockchain work and people who weren’t,” Parsons said.

Despite the difficulties of the market, Parsons said she felt like this was still a valuable avenue for digital artists around the world.

“Fine art context is really hard to sell,” Parsons said. “This gives digital artists a chance to kind of enter into a market in a different way.”

For students new to the NFT world, Parsons offered some words of advice.

“I always really hesitate to tell people to go buy a bunch of something on Ethereum or Bitcoin,” Parsons said. “What I recommend most people to do is to do something with Tezos. Now there’s one called Taya and one called Object, and you can buy and sell amazing, very good work for like 50 cents if you want or \$100.”

Resources

Because the world of NFTs is a constantly changing sphere, there are many questions that are being asked about the budding technology.

“There’s [a] professor over at the University of Denver, who had made this open source NFT, crypto lecture that he gave out to other professors, was like, ‘Hey, I did this research. You can take this and adopt it. Do it, do whatever you want with it,’” Parsons said.

Parsons has since incorporated recent scholarship on NFTs into her curriculum. For art students interested in learning more about NFTs, Parsons offers lectures centered around the topic in Art 230 Foundations of Digital Art.

