ETH NFT PROs (The Antagonist Document)

The largest number of Primary Sales were for $100 or less. (All prices in historical USD value. For info on how we figured out price and currency conversion go to the Notes section at the end)

Here's a breakdown:

- 33.6% of Primary Sales were $100 or less
- 20.0% of Primary Sales were $100-$200
- 11.1% of Primary Sales were $200-$300
- 7.7% of Primary Sales were $300-$400
- 3.9% of Primary Sales were $400–500
- 3.3% of Primary Sales were $500-$600
- 2.5% of Primary Sales were $600–$700

Most NFT sites will recommend you set your sale price at 0.5 ETH, which was about $894 USD on March 19th. The number of Primary Sales that ended up selling for the recommended price was a whopping 1.8%.

OpenSea calls everything under one contract a Collection. So Beeple's Everydays is one Collection, Pak's Open Edition is a Collection. It's a handy way of sorting multiple sales that are all associated together. As you can see here, high Median Primary Sales for Collections are not even remotely evenly distributed either. If you were going to make a chart that showed wealth earned by an extremely small percentage of multiple editions, well we have a graph for you.

The hope of this project was to find this same information from all the other major NFT marketplaces: Makersplace, Rarible, Superrare, Foundation, and Nifty Gateway. Curiously, their APIs are not easy to access. None of these sites, including Nonfungible.com, display "average sale price" anymore. If you guessed the answer to "why wouldn't they display this information?" is "because they have something to hide," you guessed right.

It gets worse though.

These Primary Sale numbers are before fees.

I made an earlier document that surfaces all the fees deducted from the top 5 CryptoArt sites, so let's run this data through that grinder. The largest group of Primary Sales (34%) were for $100 or less. For $100, you can expect to have 72.5% — 157.5% of your Sale deducted by fees*. That's an average(!) of 100.5%, leaving you with a $0.50 deficit or more.

The next biggest group of Primary Sales (20%) were for $100-$200. For $200, you can expect to have 37.5–80% of your Sale deducted by fees*.

That’s an average(!) of 54%, leaving you with $92 or less.

The next biggest group of Primary Sales (11%) were for $200-$300. For $300, you can expect to have 25.8% — 54.2% of your Sale deducted by fees*. That’s an average of 38.5%, leaving you with $223 or less.

The other groups make up 7.7% of Primary Sales or less, which as you have probably noticed are solidly clear of the majority, so I won’t bother calculating those there.

These numbers do not show the democratization of wealth thanks to a technological revolution. They show an acutely minuscule number of artists making a vast amount of wealth off a small number of sales while most artists are being sold a dream of immense profit that is horrifically exaggerated. Hiding this information is manipulative, predatory, and harmful, and these NFT sites have a responsibility to surface all this information transparently. Not even one has.

Getting ahead of some objections:

If you’re thinking “sure, I knew this, OpenSea doesn’t curate its artists so there isn’t much money to be made from a flooded market” – it’s important to point out that;

1. This data does include some sales cross-listed from curated sites like Superrare and Nifty Gateway, and

2. Ask yourself whether you still believe exclusive NFT marketplaces are the great democratizing, decentralized force you were told they would be. Perhaps instead they are reproducing all the worst aspects of the traditional fine art market: galleries charge fees, established artists can make huge amounts of money and struggling artists who need it most can’t get in because they have no connections. Except that instead of selling art these sites are selling receipts, and the art is liable to disappear.

You might also say “this data is just for a month and doesn’t represent the successes artists had at any other time while NFTs were popular. It cannot reflect the future popularity of NFTs either. This was a bubble, and the market will recover.” I suspect no matter which week of data we had chosen we would hear this critique.

The peak of the craze, the week after the peak, the week of the crash — you can always say a selection does not represent the whole. We simply could not process all the sales information from the beginning of time until now — trust me, I would have loved to.

A selection however can show a trend. If the market were equal and prices or sales dropped, we should see that drop applied equally across all artists, but even distribution is clearly not what’s shown here.

I would argue what is more damning than only being able to process one week of data and sharing it is having the power to process all of it and choosing not to. Artists' decisions about participating on these platforms should be guided by information, and while we can only offer a window these sites could share everything and are not.

The good news here: there is still a lot of Opportunity.

A phrase I hear a lot to justify artists not profiting in this system is "this is just the price of doing business." Business is whatever you want it to be, and whatever terms you agree to. There are plenty of other digital art marketplaces that don't charge this amount of fees.

There are business models that directly pay digital artists prices that they set themselves, like commissions. You want to pay an artist $10,000 USD for their work? Nothing is stopping you!

This Wasn't a Surprise

Truly the most shocking thing about these numbers is that they look ordinary. They look just like every other market. Everything about this is run-of-the-mill, banal, predictable capitalism. That is exactly the point. Despite the promises of revolution, equality, and "lifting artists up" this technology has changed nothing: the few people at the top continue to have the greatest amount of wealth.

This is true of all technology, blockchain or otherwise. Decentralization does not mean equality of opportunity. Tech deployed within the confines of a capitalist framework will never be liberating. The only way out is by breaking the frame.

So Why the Promise of Riches?

Why was there ever a narrative of NFTs being an incredible new way for artists to make money?
All the most popular NFT sites have one thing in common: they use Ethereum. Ethereum is a blockchain platform that makes "smart contracts" possible, something Bitcoin was not interested in adopting.

All transactions on the Ethereum network require its currency: Ether. Despite calling itself a currency however, Ether doesn't have an economy: you can't buy anything with it. All you can do with Ether is sell it again. It is a speculative pseudo-asset: bought in order to be sold at a higher price for profit.

At its heart is the *Greater Fool Theory*: when an investor purchases questionably priced securities without any regard to their quality, hoping to be able to quickly sell them off to another "greater fool."

What makes the price of Ether go up? Positive media coverage, and market demand. Unlike Bitcoin, there is no cap on the amount of Ether available, so unlike Bitcoin its value isn't linked to its scarcity.

Ether's value is instead linked to the demand for it. If demand drops, and the amount of Ether keeps increasing, the value will plummet. So for anyone holding Ether it is absolutely in their best interest to convince the largest number of people to buy in after them. And what better way to convince someone to buy Ether than inventing something for them to buy.

As David Gerard writes on Attack of the 50 Foot Blockchain:

People invest in the hope of profit. This means that more money must come into the system, new people have to join the chain (or as some may say "scheme"). This is obvious to everyone "investing" — they must recruit. Old investors are paid with money from new investors, the key characteristic of a Ponzi scheme. Functionally, this is a pyramid scheme — even as it has no specific operator.

Ponzi schemes typically have someone at the top as a "mastermind" but Ethereum does not, which is why a "headless Ponzi scheme" is the most accurate way to characterize it, or as Preston Byrne calls it a "Nakamoto Scheme," named after the pseudonymous inventor of Bitcoin, Satoshi Nakamoto:

- *The Nakamoto Scheme is an automated hybrid of a Ponzi scheme and a pyramid scheme which has, from the perspective of operating a criminal enterprise, the strengths of both and (currently) the weaknesses of neither.*

The Nakamoto Scheme draws strength from the same things which make pyramids and Ponzis so compelling, in that it promises insane investment returns, can be accessed by the man on the street with almost no effort at all, and recruits individual participants as new, self-interested evangelists of the scheme.

It has no current weakness in that the regulators, blinded by lobbying from the Valley, have seen these schemes as futuristic and cutting-edge rather than what they really are: victim factories, which in the next crash will produce hundreds of thousands of howling investors with little formal legal recourse due to four years of inaction on the regulators' part.

These NFT sites are victim factories, and it's not just naïve tech investors that are the victims — it's artists, since every artist selling work on these platforms is now an Ether investor too. The value of their work is tied to the speculative value of Ether. This feudalist system quickly turns artists into crypto recruiters, desperate to bring even more people into the fold so the value of their Ethereum token stays high and they can sell for a profit.

As Stephen Diehl puts it:

- *If you peel back the slick marketing and technical obscurantism, you're confronted with a simple inescapable cash flow question.*
- Where will all the money come from to pay out all these new paper bitcoin millionaires?

The answer is simple: they need it to come from you.

Artists are in many ways the perfect marks: chronically underpaid, tired from trying to shine in an increasingly over-saturated attention economy on social media platforms that have already trained us to produce endless rapidly consumed content.

There are, however, bright lights in this darkness. More studios are shifting to worker-owned models and unions, like the "Art Babbitt Appreciation Society" which helps artists learn about unionizing and helped major animation house Titmouse recently with their union process. The Canadian government is right now considering implementing universal basic income (UBI).

There is a popular refrain among recruiters of these sites that NFTs are inevitable, but an exploitative structure with the majority of artists being chewed up as fodder doesn't have to be our future. The success of NFTs depends on its public perception; as a speculative asset that is all these tokens have.

As artists we have the ability to educate ourselves and decide whether or not we want to be used as neoliberal hype fuel. And maybe, with luck, we can work together to build something better, that does lift everyone up.

To quote the incomparable Ursula K. Le Guin:

- *We live in capitalism. Its power seems inescapable. So did the divine right of kings. Any human power can be resisted and changed by human beings. Resistance and change often begin in art, and very often in our art, the art of words.*

With thanks to Cabeza Patata, David Gerard, Amy Castor, Arturo Castro, and Mitchell Malloy. (I'm sorry I didn't know enough Python to email you, Stephen Diehl!)

Notes (See ETH NFT Marketplaces Document)

<u>Price and Currency Conversion</u>

OpenSea returns total sale price in cryptocurrency units, along with information about the type of payment token used. Unfortunately, this does not include the exchange rate from payment token to US dollars at the time the transaction took place. To calculate the approximate sale price in USD we bucketed transaction time by hour and used the USD conversion rate for that hour returned by the CoinGecko API.

Nifty Gateway is an exception to the other Ethereum-based CryptoArt sites in that it operates using Ethereum but allows purchases of NFTs with credit cards instead of having to buy Ether. Like other sites, Nifty Gateway makes its money by taking a percentage of all sales. Nifty Gateway claims that percentage goes merely toward maintaining the site, but even if that is true it is worth noting Nifty Gateway and its crypto exchange company Gemini are owned by The Winklevoss Twins, early investors in Bitcoin, who absolutely are profiting off any increased speculative value of cryptocurrency.

A Note on Proof of Stake

Have I heard of hic et nunc?

I do not mention any of the other issues with NFTs here, like the environmental impact and artificial scarcity, because it has been discussed at length by others much more articulately than me. Inevitably you will hear someone ask if you have heard of X blockchain that uses Proof of Stake and assure you that the technology is evolving in a way that will solve all of these problems.

First, it is critical to separate NFTs from what they are now and what they could be. As it stands while I'm writing this, there are two current issues with Proof of Stake blockchains being used for art. The first is that PoS does not solve blockchain's image storage problem. As the technology exists now, there are 4 options:

1. the blockchain cannot store large images (this is all major NFT sites currently) so your file is saved to the NFT platform's server. If the server ever goes down, the NFT points to nothing. This is already happening and means the longer you own an NFT the more likely it is to be worthless, destroying the longevity of the secondary market. Saving the file to your own computer is meaningless because the NFT points to a link, not a file.

2. the blockchain uses IPFS. IPFS is a peer-to-peer network, not a magical permanent file system. It works just like BitTorrent but with magnet links – if no one is seeding your image, it's gone. Weeks later, many NFT images are already not being seeded by anyone.

3. the blockchain uses BSV and can store large, encrypted images. The problem with being able to encrypt large images is that you can encrypt large images. Images of abuse have already been uploaded to BSV, and developers have admitted they have not figured out what to do about it. You'll remember the whole purpose of blockchain is to make changes impossible, thereby creating a system that makes detecting, reporting, and removing abuse as difficult as possible.

4. the blockchain uses Arweave. Unlike IPFS Arweave is permanent, but like BSV that is also exactly its problem: everything is permanent. There is a very good reason why our databases should be easily alterable, such as if someone posts personal information or abuse. There are already examples of coding personal information into metadata on the blockchain, and it will be interesting to see how these permanent systems will collide with existing rights to privacy like "The Right To Be Forgotten". On decentralized blockchains, the only protection offered is that everyone can see who the abuser was, but "we can see who it did" isn't exactly a persuasive deterrent to everyone.

If you are wondering why these platforms have launched without thinking ahead about how to preserve the art their value is based on, remember that the entire market is designed to enable the easy creation and trade of speculative assets. Whether they're "green" or not, the art is irrelevant.

The second issue that Proof of Stake has not solved is that participation or "stake" is decided by the amount of wealth you have to lose. Ethereum's Staking system, for example, requires you to amass 32 ETH to participate (roughly $65,000 USD at time of writing).

To quote Everest Pipkin:

I'm sure you're seeing the problem here- there is not a schema that doesn't reward those who already are already wealthy, who are already bought in, who already have excess capital or access to outsized computational power. Almost universally they grant power to the already powerful.