

5,885 views | Dec 17, 2018, 01:18pm

How Blockchain Changed The Art World In 2018



Zohar Elhanani Contributor ⓘ
Investing



GETTY

2018 has brought both highs and lows to the art market. Auction [records were broken](#), [confidence levels wavered](#), [paintings were shredded](#), and social media continued to change the artist's role in the industry. One of the most notable changes was the increase in vibrant conversation around blockchain, which is being introduced to broaden the market's transparency, track ownership and

provenance, and provide an infrastructure for the tokenization of fractional artwork sales.

While there are many unanswered questions related to regulation, standardization, and governance, there is clearly a heightened interest by various stakeholders and multiple startups aiming to introduce these new technologies. This is prompting a robust discussion regarding their potential to disrupt the market, as well as the inherent challenges they may face.

Here are some of the key moments from 2018 involving digital currency's impact on the art world, and some predictions on how this technology might help shape the marketplace in the future.

Summits Were Dedicated To Blockchain

The art industry's growing interest in blockchain was made evident by its presence in the media. There was a noticeable increase in art and blockchain-related news, and a number of conferences were dedicated to the subject. 2018's [Ethereal Summit](#), a global conference about blockchain technology, placed emphasis on the art world, even concluding the event with a live auction. 2018 was also the year in which Christie's, one of the world's leading auction houses, held its first-ever [Art+Tech Summit](#), dedicated to 'Exploring Blockchain'. Speakers discussed technology's positive and negative attributes, questioning if the art world was ready for blockchain, and if so, if it could have a meaningful impact.

Art Was Tokenized For The First Time

In July, blockchain platform Maecenas partnered with London gallery Dadiani Fine Art to offer fractional stakes in Andy Warhol's 14 Small Electric Chairs (1980). 31.5% of the Warhol work went up for sale in cryptocurrencies, including Bitcoin and Ethereum. The total dollar value of the cryptocurrency share of the work was \$5.6 million. It was a landmark for art and technology. Maecenas' chief executive [told The Times](#) it was "the first artwork of many more to come."

YOU MAY ALSO LIKE

Going forward, using blockchain and tokenization in this way could allow easier access to the market, diversification of investment, reduced transaction costs, and increased liquidity.

Christie's Became The First Major Auction House To Record Sales Via Blockchain

In November, Christie's New York made art world history when it partnered with blockchain-secured registry Artory. The auction house's [\\$318 million](#) sale of the Barney A. Ebsworth collection, one of the most important sales of the year, saw its transactions recorded entirely via blockchain.

Artory's registry tracks histories, provenance, and archival material while allowing buyers to remain anonymous, increasing buyer and seller confidence.

"Provenance and authenticity are the main determinants of any artwork's value," Artory's founder [told AlleyWatch](#). "Currently, it has been impossible to have complete confidence about these aspects for many artworks."

The use of blockchain, however, enables the company to efficiently "vet, permanently memorialize and expertly protect" transaction data. "This combination overcomes every traditional obstacle to an artwork title registry, opening the door to a new era of trust in provenance and authenticity."

The blockchain is only as good as the data inputted, so Artory's main priority is to continue expanding its records. They're doing this by onboarding more dealers and auction houses and working with art data providers.

A Blockchain-based Auction House Was Launched

Around the same time as the tokenized sale of the Warhol painting, collector platform, Portion, announced the opening of its blockchain-based auction house. Led by blockchain technologist Jason Rosenstein, the venture is backed with \$5.5 million in funding.

Portion functions like an eBay for the high-end market. It “allows anyone to be their own auction house”, ostensibly making art investment more accessible. Launched as a marketplace for digital art, it plans to eventually offer physical artworks, too. Transactions will be made via cryptocurrency (‘porti’ tokens), eliminating all second and third parties.

Many fear this could put the secondary market at risk, as smart contracts written on the Ethereum blockchain would replace the clearing process of a secondary exchange.

Digital Artists Used Blockchain Technology To Their Advantage

Over the last five years, digital artists have been at the forefront of blockchain innovation. As well as using it to tokenize or authenticate easily reproducible works, some artists have been using blockchain as a medium itself.

Before 2018, projects like CryptoPunks had inspired the CryptoArt movement, challenging perceptions of digital art by creating works specifically for trade through cryptocurrencies. Originally started as an “experiment”, they’ve increased in popularity this year, being featured at Christie’s Art+Tech Summit alongside similar digital marketplaces like SuperRare and Dada.nyc.

In February, artist Kevin Abosch created ‘Forever Rose’, a virtual artwork valued at \$1 million and offered fractionally for cryptocurrency. Each buyer would own 10% of the work as a token recorded in a blockchain.

But There Were Reservations Too

At Deloitte’s Art Finance Conference in October, highly ambitious claims about how blockchain could transform the market were met with a degree of skepticism.

Many worried that blockchain could open the gates for forgeries, lead to inconsistencies in stored data, and cause scalability and performance issues, all of which could adversely impact the user experience. The overall consensus was that, in order for blockchain to thrive, regulation must be implemented to ensure consistency.

Even with a standardized approach in place, however, it's difficult to see how tracking provenance through blockchain could be effective with non-contemporary artworks. As an example, the attribution of Old Master paintings is often reassessed. Paintings are often identified as the work of a different artist years down the line. Others are sold under deliberately vague attributions ('From the School of Leonardo', for example) whilst research is ongoing. The closed nature of provenance-tracking on blockchain does not currently allow for later amendments, and may therefore leave permanent inaccuracies related to such works. In addition, any erroneous input to the ledger would not allow for modification, limiting the possibility of audit and correction over time.

The past year has certainly shown that blockchain is continuing to make waves in the art industry, but there's still a long way to go. While the \$318m Ebsworth sale and the launch of startups like Artory show that the market is catching on, it is evident that more data must be gathered and strategies put in place to avoid the obvious pitfalls and increase consumer confidence. As it stands, when buying art, the security of a face-to-face encounter with a specialist is hard to replace, especially with blockchain technology still in its infancy. That being said, innovations in blockchain are helping to lead the technological transformation of the art market, and this looks set to progress in 2019. This remains, however, just one part of a wider conversation about art, technology, and the future of investment.



Zohar Elhanani Contributor

On Forbes, I write about how the art and investment worlds interconnect through the use of technology. Before working in the art market, I headed a specialty finance fir... **Read More**
