Web3

Horizontal, decentralised, ultra-capitalist, or ecologically catastrophic – however you conceive of it, even the most ardent of luddites among us couldn’t escape the Great NFT Flurry. Web3 is on its way to becoming a household term, crypto’s ascent into the culture too far advanced to be stopped in its tracks. With it, as always, come questions: Are legacy institutions losing ground? Will this new world just reproduce the problems of old? Does this spell the end of a fantasy that art can live free from finance – or, to the contrary, liberation for arts workers once and for all? Curious about the potential (for good or ill) of an internet organised otherwise, we’ve invited an intrepid and extremely-online slate of contributors to weigh in on this novel chapter in the history of the web. Crack open your crypto-wallet, don a pseudonym and a limited-edition profile pic, and join us to contemplate some JPEGs.

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The next issue of Spike will be out on 29 March 2022
Artificial uniqueness and the art world’s obsession with prestige: a match made in heaven – or hell. Non-fungible tokens have opened up a world of possibilities for digital artists to commodify their work, but beyond the PR-speak promises of new economies emerging to sustain creators, what challenges await us? Are NFTs as radically artist-centric as the optimists seem to believe, or are they the harbingers of cyber-gentrification?
Rarity and legend have long been central to the commodification of the art object, then as now, value, uniqueness, and authenticity matter in both material and immaterial realms. The conversation around possession and collective participation, thrust again into the forefront thanks to the latest digital gold rush, is treacherous, littered with impassable moats and gatekeeping grifters. There’s a tidal wave of tokenisation taking place before our very eyes, in art and beyond – but do crypto-believers’ calls, promising emasculation for creatives whose work has long been underpaid, hold water? Who gains and who loses when we “tokenise everything”? Digital utopias, in the ruins of our planet. We can surely imagine it so. But is this new world actually fairer than the old?

The art world is – for better or worse – a scarcity economy; objects and experiences are desired, valued and traded based on exclusivity of access, ownership, and association. A mix of soft (socio-cultural) and hard (financial) capital go into reifying the art object as something tradable. It’s central to this equation that each artwork in the market is considered unique in its own right, or at least provably limited. To that end, the art market has always required means of record-keeping – ledgers, in whatever form they might take – to assess provenance and authenticity, verify ownership, and document the conditions of a work’s storage, carriage, display, and transaction. Enter the non-fungible token, a way to digitally instantiate uniqueness thanks to the magic of blockchains like Ethereum. NFTs made all this administrative headache – verification of scarcity, provenance, and possession – relatively straightforward in the virtual domain.

What does tokenising art actually do? Does the owner of an NFT own the artwork that it represents? Or is it closer to a certificate of authenticity? That depends. An NFT, as a cryptographic unit for record-keeping, could be seen as analogous to a signature or autograph. Perhaps it’s simply a wrapper for a quantum of spectacle. The history of this grey zone is functionally the history of conceptual art. Yves Klein’s Zone de Sensibilité Picturale Immatérielle (1959) involved the sale of documents detailing ownership rights to empty space. The buyer could participate in an optional ritual by burning the receipt, after which Klein would throw a corresponding amount of gold into the river Seine. More recently, a metaphysical arbitrageur purchased a (physical) work by Banksy and destroyed it as it was being (digitally) tokenised.

In a similar vein, Damien Hirst’s NFT project The Currency (2021) encoded, within its logic, a commercial Faustian bargain. Buyers had to choose whether to retain a physical artwork – one of a series of paper notes resembling dollar bills – or a non-fungible token representing it. Opt for the token, and the tangible piece is destroyed. What does that token represent, absent an associated object? What seems to remain is the intervention, an aura of aestheticisation, a cryptograpic vibe.

Beyond the questionable telos of tokenisation, one of many epistemic elephants in the room concerns the semantics currently being employed around NFTs. Terms like “collector”, “edition”, “authenticity”, and “exclusivity” are all carry-overs from the offline artworld of yore, but the precise nature of the relationship between creator, collector, and asset are very different in the digital realm. If a token is indeed “the autograph, not the artwork”, then the current linguistic contortions do not earnestly reflect this change of circumstance from object ownership to authorised certification. A similar linguistic trip-up is evident in the common lack of distinction between “NFTs” and “cryptocurrency” more broadly. Cryptocurrency comes down to the medium. As a category, it includes any practice that leverages the unique affordances of the blockchain: leaderlessness, transparency, public verifiability, and novel mechanisms for social and economic coordination. NFT art, on the other hand, is primarily concerned at present with the off-chain, non-fungible commodification of art into tokenised packaging – a stealthy tech-bro-fication of art, folding everything into e-commerce. (Presumably, that explains the plethora of eBay or Amazon lookalike NFT bucket shops. File them high, sell them expensive?)

Exceptions, of course, exist; there’s an admirably vibrant landscape of boutique digital exhibition spaces such as left gallery in Berlin, TRANSFER gallery in Los Angeles, and the online platform folia. And indeed, there are some fine justifications for tokenising the world. Crypto offers new ways to mitigate the structural inequality and gatekeeping of the “trad” art world, and solutions to these problems are sorely needed. Today’s scarcity-based art economy is deeply enmeshed with exclusion and elision. But can the crypto-utopians’ lofty promises of liberation live up to the hype? Are the foundations of these supposedly creator-oriented economies truly stable and equitable? Or are we (once again) building castles – or pyramid schemes – in the sand?

Meet the new plutocrats: same as the old ones, dressed up in a rainbow-tinged veneer of decentralisation.
The NFT market is the locus of some of the most fast-paced and frothy speculation that the world has ever seen. Hyped NFT drops sell out in the blink of an eye. In this regard, the venues for NFT trading are analogously structured to any kind of market. Despite the ostensible horizontality of peer-to-peer networks, these crypto-economies replicate the existing power dynamics of centralised finance. As a conversation between buyers and sellers, crypto markets net out close to zero-sum (allowing some margin for the platform to take a cut), meaning there are necessarily winners and losers. Those with existing know-how will inevitably have an advantage; insider trading is widespread in token markets, though it is a little more sophisticated and surreptitious here. Asymmetries run wild and unencumbered as insiders take advantage of their intimate knowledge — whether of market trends or blockchain economics — in order to covertly extract advantages over those less familiar.

Another bone of contention: the eye-watering costs involved in minting and transferring tokens. In Web 2.0, we’ve come to expect that services and digital products are free at the point of use or have gratis tiers with limited functionality. With Web3’s user-base not consisting of the same demographics, costs have come home to roost. Want to send a token from one Ethereum address to another? That’ll cost you. Trying to mint a token or deploy a smart contract? Depending on the platform, you could be looking as much as a thousand euros. Now that data-driven extractivism is out, the marketplace for blockchain — for a transaction to be included in the network’s permanent record — is the precious resource, and it is marketed to the hilt. And because of the way these exchanges are structured, the users — and the use cases — that can pay more on a popular network will always outbid those that cannot. In Bitcoin and Ethereum, this translates into profit-seeking and financialised activities outcompeting altruistic or mutautilistic ones. Arthur Röing Baer, the cofounder of Berlin-based “utopian conspiracy”-cum-coworking space Trust, calls it “the gentrification of cyberspace”. As the stakes (and transaction fees) snowball, there is an inevitable narrowing of possibilities. Meet the new plutocrats: same as the old ones, dressed up in a rainbow-tinged veneer of decentralisation.

Other asymmetries, too, give rise to a panorama of externalities. One of the principal flashpoints is the already bewildering domain of taxation. The mismatch between crypto networks and national-state regulation takes multiple forms. On one side, the crypto-liquid crypto-rich decamp to Panama, Puerto Rico, or Portugal to “sidestep” tax obligations on their holdings and gains. On the other, national-states engage in a game of regulatory musical chairs: some, like China, adopt adversarial stances, whilst others throw open their doors to attract inward investment. Tax avoidance and money laundering are no newer to art than to finance, but the blockchain creates an even more secretive channel for such insalubrious activities. Though Web3-enabled economies are ostensibly more transparent, there are also new mechanisms and opportunities for obfuscation. Buyers and sellers’ wallet addresses are visible in a token transaction, but their identities aren’t necessarily transparent. Further, in a global marketplace (such as that of art), value flows to wherever regulation is the most relaxed. The technology might be changing, but the same shady market logics still apply. When we see NFT freeports?

There is a danger of history repeating itself — or at least rhyming — when we could be building a new world another way altogether. And as is clear by now, NFTs, rather than breaking away from the inequities of the existing art market, reproduce them. Perhaps this should come as no surprise: for all their talk of decentralisation, how do most NFT marketplaces operate? Trusty, rusty old Web 2.0 infrastructure: cloud servers, client databases, and Amazon Web Services. Hardly revolutionary, unless we understand “revolution” in the sense of a revolving door that brings one to the same place as where one started. And nascent as the medium may be, the communities forming around blockchain-based art are already ridden with gatekeeping. For instance, look no further than the trend of early-access whizkids for insiders, collectors, and VPs, granting exclusive access to anticipated token projects before they go on sale to the wider public. Token-gated communities abound, functioning as insider buyers’ clubs, creating self-fulfilling market-based imaginaries through a combination of influencer clout, public hype, and concentration of existing economic resources. Imagine what will happen when — not if, but when — law enforcement subpoenas Discord for their message logs.

The same pyramid of value, privileging a combination of insider knowledge and existing capital, is even more central to proof-of-stake, the leading alternative touted to the energy-guzzling proof-of-work block creation lottery. What’s not to like about “clean NFTs”’ Ethereum’s long-awaited upgrade promises a new consensus mechanism, a switch away from Bitcoin-style mining to reaching agreement over the latest state of the network. The much-vaunted proof-of-stake — replacing its predecessor’s unhinged energy consumption with a process that validates transactions by rendering tokens illiquid — has been slated for implementation since 2015, with constant delays due to the ceaseless challenges of upgrading a network in mid-flight. Even when it’s deployed (latest figures quote sometime in 2023), having weathered the logistical and geopolitical storm of the past decade, proof-of-stake is set to replicate the existing power dynamics of centralised finance.
Blockchains might never die, but their economic relevance can fade to almost nothing, like so many black dwarf stars.

2022), proof-of-stake remains a replication of interest-bearing modern finance—and thus also reproduces its inequities. It threatens to create insider clubs of network stakeholders that are even more entrenched than in proof-of-work; the rich tend to get richer, because those with more stake to start with almost always end up with even more. As the network ages, new coins are issued to those who already have sufficient balances to participate in staking—removing their existing coins from the liquidity pool—thus, the collective pie grows, but unequally. As with so much in this rapidly-emerging space, not everyone has the tools—capability, infrastructure, knowhow or time-horizon—to participate. Perhaps that’s why there is already quite a graveyard of proof-of-stake projects, launched between 2012 and 2018: most experienced oversupply, hyperinflation, or debasement of value due to economic or technical attacks. Blockchains might never die, but their economic relevance can fade to almost nothing, like so many black dwarf stars.

Still, we could see through the scepticism to envision a scenario where the proof-of-workers of the world unite! It’s possible, especially given that the technical affordances of the blockchain can be harnessed to make works of art that would simply not have been possible before: Novel coordination games, facilitated by cryptography, challenge normatively atomised parties to find ways to organise, uniting in pursuit of a higher goal. One such example is Sarah Friend’s 0x (2021), where a secret essay is embedded across a set of 255 NFT assets. Only through collaboration with one another can the token-holders unlock the clandestine content—two thirds of owners must agree to decrypt the text; otherwise, they’re all left holding Malevich-esque black squares. Similarly, crypto might enable us to imagine newly cooperative modes of art collection. Kudzu (2021), a quirky project by Billy Rennekamp, Dan Denorch, Everett Williams and Sam Hart, spreads an “NFT virus” through one’s social graph, “infecting” new owners through their interactions with friends. There is no transfer function, taking the emphasis away from resale. Perhaps we can see, in projects like Kudzu, a new space opening up for anti-speculative—or even anti-capitalist—design of technology-mediated artworks.

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Ultimately, we still live in a society, and it is governed by scarcity. Little seems to have changed there. Can we really call this a paradigm shift? The rallying cries in favour of crypto—including, but not limited to, cryptoart—have been howled for years, but the people making them have changed a lot since bitcoin’s Genesis Block was minted back in 2009. What was at first the terrain of anarchists, transhumanists and cypherpunks is now overtaken by the techno-glitterati. Time has revealed Ethereum’s foundations, from the technical to the economic to the ecological, to be less secure than the perpetual optimism of blockwashing marketers would have us believe. And the friction between crypto-networks and the outside shows no sign of going away. Legislators will struggle, there will be high-profile actions, heists and honeypots. Keys will be lost, ownership contested, collective experiments will end in acrimony. The spectacle will keep delivering, it has no alternative. But alongside the emperor’s new (digital) clothes, which presently look like just another step towards the homogenisation of art and consolidation of wealth, we ought not to lose sight of these tools’ potential: enabling new creator economies, facilitating novel forms of collaboration, and even opening up modes of collecting and sharing that run contrary to the present distribution of entrenched power. It is there—not in the speculative fervour of gentrified cyberspace land grabs—that we may ultimately find a truly revolutionary cause worth fighting for.

By Wassim Z. Alsindi