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NFTs and the Reconfiguration of Value Attribution in Digital Art

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ABSTRACT

This article argues that non-fungible tokens (NFTs) should be understood less as a novel artistic medium than as an ownership infrastructure responding to a long-standing incompatibility between digital art's allographic reproducibility and the contemporary art world's autographic value regime. It proposes that NFTs displaced artistic value formation from the relatively insulated and semi-autonomous institutional structures of the art world into open financial markets. Historically, the art world maintained its cultural and financial autonomy through systems of mediation grounded in scarcity, authenticity, and controlled ownership, which buffered artworks from direct exposure to speculative volatility. By enabling provable ownership of infinitely reproducible digital files without requiring institutional validation, NFTs relocated value attribution to decentralized marketplaces governed primarily by supply, demand, and investor expectations. Situated within the broader trajectory of emerging technologies, NFTs' rapid rise and collapse follow the pattern of a hype cycle. This trajectory closely corresponds to the macroeconomic conditions of the post-pandemic period. The article argues that the extreme fluctuations in NFT value and public interest were not anomalous, but the predictable consequence of transferring artistic ownership out of the relatively sheltered institutional system of the art world and into open, speculative financial environments. Rather than representing a failed artistic experiment, NFTs emerge as a structural development whose long-term significance lies in redefining ownership and value attribution within the art world and digital culture.

Keywords: Non-Fungible Tokens (NFTs), Digital Art, Artistic Autonomy, Autographic and Allographic Artworks, Art Market, Hype Cycle

Introduction

Non-fungible tokens, or NFTs as they are more commonly referred to, most often generate discourse surrounding their exponential rise and subsequent fall in market capitalization, as well as the intense interest they attracted across artistic, technological, and financial domains between 2020 and 2023. While this narrative of boom and collapse continues to shape discussions in these fields, it risks overshadowing the more fundamental theoretical and structural dimensions of NFTs and their relationship to the contemporary art world.

Before addressing their rapid emergence into public consciousness, it is necessary to consider the conditions that led to their invention. This requires examining the structures of creation, dissemination, and ownership within the digital realm and comparing them to the conventional systems of value generation embedded in the established art world.

Likewise, to understand the causes of their dramatic downturn and the widespread disillusionment that followed, their trajectory must be situated within both the institutional dynamics of the art world and the broader macroeconomic environment that shaped their cycle of expansion and contraction.

This article argues that NFTs should be understood not simply as a technological innovation, but as a structural reconfiguration of artistic ownership that displaced value formation from institutional mediation toward direct exposure to financial markets. Only through such an examination does it become possible to reassess their relatively short yet eventful past and to speculate more carefully about their future.

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The Slow Death of 'the Original'

In 1992, Sir Tim Berners-Lee, who is widely considered to be the inventor of the World Wide Web, uploaded a playful photograph of a four-woman comedy band named Les Horribles Cernettes to the World Wide Web to test the inline image quality of his emerging communications network. The photo, which was a scan of a physical photograph, was the first ever image uploaded to the World Wide Web. And with the introduction of those four smiling faces into one of the most influential communication systems ever created, the nature of imagery changed forever.

The human-made image, once one of a kind by its nature, has been reproduced by increasingly sophisticated methods throughout history. The profound impact of modern reproduction techniques has been scrutinized by prolific thinkers such as Paul Valery, Georges Duhamel, Walter Benjamin, and many more in the first half of the 20th century. However, the migration of images into virtual space brought forth new and complicated questions regarding the creation, reproduction, dissemination, and perception of digital images.

To understand the multilayered impact of the digitalization of images, we must consider the initial response given by the art world to the loss of 'aura' caused by the rise of mass reproduction which took place in the early 20th century. In his seminal work, The Work of Art in the Age of Mechanical Reproduction, Walter Benjamin claims that in the modern period, the traditional 'ritual value' of artwork vanishes with the proliferation of accurate and mass reproduction of images. Thus, images become much more accessible to people in their everyday lives. In this context, Benjamin suggests the mass availability of images strengthens the 'exhibition value' of artwork despite a diminishing of the 'aura' of art pieces. His claim "By making many reproductions it substitutes a plurality of copies for a unique existence. And permitting the reproduction to meet the beholder or listener in his own particular situation, it reactivates the object reproduced" (Benjamin, 2008, p. 6) shows that he sees this shift as a favorable tradeoff between the aura of the artwork and the accessibility and democratization of images. He continues: "These two processes lead to a tremendous shattering of tradition, which is the obverse of the contemporary crisis and renewal of mankind" (Benjamin, 2008, p. 6) underlining the shifts and changes in the nature of images in modernity and our relation with them as a rupture that births a great potential for artistic and social functions. Despite the modernist calls for artistic autonomy, or art for art's sake, by his contemporaries, he claims that autonomous art which rests its value on authenticity denies art's potential invigorated strength.

However, his enthusiasm for the democratization of images has met with little reciprocation in the art world. In addition to relying heavily on concepts such as originality and uniqueness throughout its history, art can be argued to remain reluctant, even in the postmodern era, to relinquish the notions of aura and the artwork's singularity. Contrary to, or maybe because of, our constant consumption of mass-reproduced media, our culture kept coveting scarcity in a world of abundance. In his essay, The Work of Art in the Age of Digital Reproduction, Douglas Davis delves into this reluctancy as he claims: "Walter Benjamin saw accurately the logical implications of mechanical reproduction. He ignored antilogic[…] We still bid wildly at auctions and employ armies of scholars to find the 'original' and the 'authentic' masterpiece" (Davis, 1995, p. 9), underlining our refusal to accept the natural progression of the loss of originality. This persistent attachment to originality suggests that the issue is not merely cultural preference, but structural.

In 1968, in the early days of the age of mass communications and the digital revolution, philosopher Nelson Goodman constructed a much-needed categorization between artworks regarding their nature of their authenticity. He identified artworks as either autographic or allographic, depending on the conditions under which their identity and authenticity are established. According to Goodman autographic works are those for which the history of production is essential as they have a single original, and any attempt at exact replication results in a forgery rather than another authentic copy of the work. By contrast, allographic works are allowed, or even designed to be legitimately copied or re-performed without loss of authenticity. Paintings, for example, are autographic, as their identity is inseparable from the material trace of the artist's hand. They can be copied by a master forger or scanned in high resolution; however, both the forgery and the scan can be proven to be not the original one. Literature, music or dance, on the other hand, are allographic because they are meant to be reproduced, printed in many copies or performed in many different places and by many different people (Goodman, 1968).

The digital revolution of the late 20th century, however, made the line between these categories blur into each other as it made imagery and especially visual artwork, able to jump from being autographic to allographic. The inventions of digital photography and video, graphics software and the internet have stripped these kinds of artwork of a physical 'original' or a 'master copy'. The fact that an image can be captured in a digital format or generated on a computer program, consisting solely of ones and zeros on a hard drive or in the cloud, makes the existence of a physical original impossible. Even if an "original" were to be designated as the first saved file residing on the artist's hard drive, any act of sharing that file, whether online or via external storage, would necessarily produce a copy. Since identicality and equality among copies are what make the digital realm what it is, "fictions of 'master' and 'copy' have become so entwined with each other that it is impossible to say where one begins and the other ends" (Davis, 1995, p. 1). In this regard, digital art can be suggested to be leaving visual arts' traditional place in the autographic category and shifting into its new nature of being allographic. While this new form of image replicability was celebrated by some artists, it also began to blur the systems of value and authority

that the art world traditionally bestows on original, autographic artworks. Or, as modernist critics might have described it, a "confusion of the arts" had once again emerged.

Infinite Reproducibility in Digital Space and the Art World

The first reaction of the art world, and especially the established art market, towards the digitalization of artwork was dismissal. From its beginnings in the 1960s, digital art, then associated with early computer-generated works by artists such as Michael Noll, Georg Nees, Vera Molnar, and many more, struggled to gain broader acceptance. The first ever commercial exhibition of digitally created images, for example, despite showcasing physical prints of digital artwork, was a financial failure. The discussion between the artists Michael Noll and Béla Julesz regarding how they would split the profits from their show named Computer-Generated Pictures at the Howard Wise Gallery, would prove a futile one, as none of their work was sold during the exhibition (Arreola et al., 2023, p. 21). The financial failure of the exhibition can be considered understandable, or even expected, as these artworks were among the first of their kind, and neither the art world nor the general public had ever encountered anything like them before. However, even in the following decades, the involvement of the established art institutions in the digital art space remained very limited.

In the 1960s and 1970s spectacular events such as 9 Evenings: Theatre and Engineering or organizations like E.A.T. (Experiments in Art and Technology) brought prolific artists and scientists into the new media art scene. Despite generating considerable impact on a select few in the art world, these events and organizations simply could not transform the art world in a fundamental way. Digital art and even new media art in general, as "one of the most significant components of the neo avant-garde, ended up as an underground phenomenon, carving out a niche that enabled it to go unnoticed for the next thirty years" (Quaranta, 2013, p. 55).

Even when new media art finally got much-deserved attention in the contemporary art world in the beginning of the 21st century, the market's general disinterest towards digital artwork would remain a persistent attitude for a long time. In 2012, a whole 47 years after Noll and Julesz's exhibition, Claire Bishop underlines the same disregarding posture of the contemporary art world towards digital art. In her Artforum article, The Digital Divide, she asks, "Whatever happened to digital art?" and questions the art world's reluctance to embrace digital images: "The most prevalent trends in contemporary art since the '90s seem united in their apparent eschewal of the digital and the virtual" (Bishop, 2012). Even though the institutional interest was not entirely nonexistent, as Bouhanna and Chu claim "[…] when viewed in comparison with mainstream collections, both were still marginal and niche, [… where] significant collections of digital art were either the product of bequests or an art-adjacent curatorial focus allowing for the inclusion of digital art" (Bouhanna & Chu, 2025, p. 503).

In its persistent refusal to let digital art into its exclusive system, the mainstream art scene can be seen creating peculiar compromises and workarounds: For the longest time digital photography was only acceptable when it was printed and both photos and videos existed on the art market as strictly limited editions and were accompanied by legally binding certificates of authentication. Or celebrated artists like "Jeff Koons and Takashi Murakami create digital images which they then get professionals to paint, transforming an infinitely replicable file into a unique artwork, using a practice that is manual and entirely traditional" (Quaranta, 2013, p. 95). These examples prove that the art world and the art market have built unwritten rules to avoid digital artwork in their native, infinitely and freely reproducible form to get into the art habitat.

Claire Bishop further identifies this systematic segregation and emphasizes the incompatibility between the infinite reproducibility of digital images and the financial interests of the art world: "Is there a sense of fear underlying visual art's disavowal of new media? Faced with the infinite multiplicity of digital files, the uniqueness of the art object needs to be reasserted in the face of its infinite, uncontrollable dissemination via Instagram, Facebook, Tumblr, etc. […] visual art's ongoing double attachment to intellectual property and physicality threatens to jeopardize its own relevance in the forthcoming decades" (Bishop, 2012). This passage confirms that the disavowal of digitally reproducible art seems to stem from a sense of self-preservation by the art world. If there is no 'one and only' original, if an art piece can be identically reproduced with no limits and requires no permissions to do so, it would mean that it is impossible to be privately owned. More importantly for the art market, if something cannot be privately owned, how could the art world put a price on, market, and sell such a thing?

In short, this fundamental incompatibility between the workings of the art world and the very nature of digital files, their boundless reproducibility and un-restrictable dissemination, can be seen as the ultimate reason for the art world's refusal of incorporating digital art into itself. After all, the value the art world assigns to an artwork is founded on its unique, one-of-a-kind, autographic nature, and once that status is disrupted, the long-standing traditions governing the art world's internal structures would begin to lose their authority.

Financial Autonomy through the Aura of Artworks

In his book Beyond New Media Art, Domenico Quaranta gives a brief overview of the value system the contemporary art world functions upon: "In the contemporary art world, value is attributed by means of a complex system that includes criticism, museums and other institutions, prizes, exhibitions and the market" (Quaranta,

2013, p. 92). Within this system, artistic and financial value are inseparable and concentrated in the hands of a limited group of an elite few: "The dominating and most important person in the art world today is the dealer, he determines what should be sold and what is not. It is the art dealer who actually created a new style, not the artist" (Nake, 1971). Figures such as critics and curators should also be added to this select group that evaluates artistic value, while institutions such as museums and biennials play a crucial role in affirming and legitimizing the significance of artworks. Despite being far from an exhaustive deciphering of the very complex workings of the entire art world, these passages point to a very important fact. The intertwined artistic and financial value of artworks are generated within, and by, the actors of the art world itself. To further this argument, Quaranta refers to Art Incorporated by Julian Stallabrass, which describes the contemporary art market as a closed system governed by a relatively small number of institutions, critics, dealers, and collectors. According to Stallabrass, this self-regulating structure functions to shield art from the rules and evaluative systems of global capitalism and mass culture (Stallabrass, 2004). This, of course, does not mean that art lacks a complex relationship with global capitalism or money. Rather, it suggests that despite being embedded within the global economy, the art market, through rule by a limited group of gatekeepers who shape taste and value, manages to maintain a degree of financial autonomy within the broader economic system. This relative financial autonomy is secured through a crucial mechanism within a system in which the authority and value of artworks are inseparably tied to their one-of-a-kind nature and originality. The uniqueness of artworks grants them a form of "high-culture commodity" status that must be evaluated by professionals within the art world, distinguishing them from "everyday commodities" such as grain, gas, or stocks, which are assessed through the mechanisms of the financial industry. Because their value is mediated institutionally rather than determined solely by supply and demand, artworks operate within a semi-autonomous economic sphere. In turn, this autonomous value system reinforces the artwork's status as a high-culture commodity through institutional judgment and mediation. As a whole, this self-reinforcing, cyclical system of value generation is ultimately grounded in the concepts of aura and private ownership of unique artworks.

Digital art on the other hand, with previously discussed nature of un-authenticatability, the unlimited reproducibility of digital files, and endless dissemination power of the internet, poses a fundamental challenge to the self-regulating, protected system of the art world. As the digital revolution democratizes all kinds of information, including images and artwork, it also makes private ownership of digital files nigh on impossible. Consequently, the contemporary art world's reluctance to fully integrate digital artworks into its established equilibrium cannot be attributed solely to elitism or snobbery; rather, such works threaten the very conditions that allow the art world to function as an autonomous system of value. "At its most utopian, the digital revolution opens up a new dematerialized, deauthored, and unmarketable reality of collective culture; at its worst, it signals the impending obsolescence of visual art itself" (Bishop, 2012).

It is essential to note that the aforementioned arguments from Bishop, Quaranta and Stallabrass, were all articulated before a technological development fundamentally altered the un-authenticatable, allographic nature of digital files. An innovation that was going to make the provable private ownership of digital files possible and claim that it would absolutely democratize art market.

This raises a series of critical questions: What would occur if art were fully democratized? What would happen if artworks could bypass the gatekeeping roles of curators, galleries, museums, and critics, thereby losing the protective framework of the art world's autonomous value system? And what if both the artistic and financial value of art were determined directly by public participation and open market dynamics, governed solely by supply and demand, like any other commodity or stock traded within global capitalism?

The extraordinary trajectory of non-fungible tokens, from their invention to their rapid ascent and turbulent financial history, offers a compelling lens through which to examine these questions.

Non-Fungible Tokens

Michael Connor, executive director of Rhizome, an international hub for new media art that initiated and supported some of the earliest projects exploring blockchain technologies as artistic infrastructure, describes NFTs (non-fungible tokens) as blockchain-based certificates that attest to the authenticity and uniqueness of a digital item, enabling ownership and transferability of that item on decentralized markets (Connor, 2021). Excluding the technical workings which make NFTs work, their function can be simplified to a digital certification system which creates authenticity in the digital realm. It makes "immaterial work of digital art provably ownable and therefore communally (and artificially) scarce" (Alice, 2024, p. 63) and gives naturally allographic digital art pieces, a new (and again somewhat artificial) status of being autographic. When an NFT is minted, meaning adding a digital asset such as a digital art piece onto a blockchain, it certifies its ownership. The creation of digital artwork, for example, does not mean creation of an NFT artwork. The image is still an allographic image just like the billions of images on the internet. When the image is added to a blockchain, however, it records its existence and provenance in a publicly available and collectively verified log. The image can still be accessed by everyone, but its ownership can only be claimed by an 'owner' which is trackable by collectively held records. This 'ownership' however, does not grant the owner any legal power over the image's dissemination. The image of the artwork can

be seen and often copied and saved by everyone but only the legal owner can claim private ownership of the artwork and sell it (Grossi & Guerrini, 2024). Moreover, the artwork itself can be claimed to have autographic and allographic properties at the same time. The image which is privately 'owned' still lacks an original, meaning every copy of the same image is exactly the same and still a copy of a non-existent original. So, the act of coining an NFT creates an in-between state of accessibility and authenticity. The only thing that is not in a betwixt state is the market recognized ownership and financial rights of the artwork. "If we can all see these images, and even download and make copies of them, what exactly are these marketplaces selling?" Kevin Buist (2021) asks. And the answer is a complicated one. What is being transferred from seller to the buyer is not the image itself but solely the financial rights of an artwork and, of course, the 'bragging rights' of ownership: "They're not selling artworks; they're selling digital certificates of ownership. They're selling the thing that the frictionless reproducibility of internet media seems designed to eliminate: scarcity" (Buist, 2021). This answer immediately reveals one of the most contentious aspects of NFTs: their relationship with the world of finance and the mechanisms of supply and demand often being closer than their relation to the artworks themselves. Simply put, non-fungible tokens do not constitute a new way of making art. Digital art, as discussed above, existed for more than half a century before the emergence of NFTs. What NFTs introduce to the world is simply a new model of ownership.

This newly gained semi-autographic status of digital artworks granted digital artists access to participate in the commercial art space. The ability to secure, prove, and monitor ownership through a public ledger enabled digital artists to pursue financial compensation for their creative labor in ways comparable to artists working in traditional media. Faced with this shift, they encountered two possible paths: integrating into the existing structures of the traditional art market or establishing a new and independent marketplace for digital works. Having been neglected and ignored by the conventional art establishment for decades, digital and crypto art community decisively chose the latter, and did so forcefully.

The emerging NFT market established itself as a parallel structure, bypassing the exclusivity of conventional institutions such as galleries, curators and critics and gave artists, designers and even enthusiasts direct access to possible collectors. "In 2016, an engineer named Joe Looney launched Rare Pepe Wallet as a platform for creating, buying, selling and gifting memes of Pepe the Frog. This platform represents the blueprint for modern NFT marketplaces […] He also studiously avoided curation, opening up Rare Pepe Wallet to anyone who wanted to participate regardless of their level of skill or training" (Bailey & Estorick, 2025, p. 107). In this sense, as one of the very first platforms of its kind, Rare Pepe Wallet demonstrates the values and aims of the early crypto art community. It was a platform for memes, which are a product of everyday people and everyday culture rather than being examples of 'high art' created by art industry 'approved' artists. It also was structured based on inclusivity rather than exclusivity. And most importantly artistic quality was not a primary issue. Indeed, the first creative communities shaped within the NFT system were "created in opposition to the perceived exclusivity of the system it railed against. […] as an 'anti-art' movement in the tradition of Dada, Surrealism and Fluxus, crypto art defies definition by traditional art-historical methodologies" (Bailey & Estorick, 2025, p. 104). This kind of total democratization, which is rarely seen in the art world, "[…] works as a double-edged sword. On the one hand, it allows more creatives to become well-known and acknowledged as professionals. On the other, it sees a highly variable quality of artworks on sale by setting open access to everybody" (Grossi & Guerrini, 2024, p. 116).

For better or for worse, the proliferation of NFTs and especially the inclusive markets where all sorts of NFTs are exchanged without restraint, placed this medium outside of the closed system of value generation of conventional contemporary art ecosystem. The artistic, both conceptual and aesthetic, value of NFTs was now free from the control and supervision of the professionals of the art industry and were placed on a stage where value was judged by the masses. Benjamin optimistically suggested the emancipating effect of the erosion of aura and tradition would open art to assume new functions and hoped the democratization of art would make it capable of generating social change. While contemporary art has indeed expanded its social and political roles, the case of NFTs reveals a parallel trajectory in which democratization has also facilitated a deeper entanglement with finance.

The Rise and Fall of NFTs

"It is crucial to recognize that the first public demonstration of this new technology was to perform a sale and transfer of a work from one party to another" (Alice, 2024, p. 66). This sentence speaks volumes on the nature of NFTs and their primary function as a method of creating and exchanging privately held commodities. From its first demonstration to early marketplaces, NFT space as a whole established itself as a new transactional technology "where the dynamics of a work's purchase and trade are synonymous with its medium" (Alice, 2024, p. 66). However, contrary to the established art market or even any other commodity traded in global markets, this medium lacked a history of prices, established market tendencies, and a long-standing tradition that would set precedent to set a norm or fair appraisal. The nascent and immature nature of this industry combined with its self-segregation from the supervision of the established art world meant it was vulnerable to extreme volatility in terms of financial appraisal.

In this sense, NFTs' now infamous volatile nature became apparent in just 7 short years. The initial years of NFT art's existence consisted of collaborative experiments by artists and scientists, driven by curiosity and a

willingness to explore the boundaries of this new technology. However, it quickly rose to a status of the 'next big thing' in art, technology and most apparently in the financial trading communities. The first ever sale of an NFT, named Quantum created by Kevin McCoy, took place in 2014 (Dash & McCoy, 2014), and in a few years NFTs became a ubiquitous name in all sorts of online communities. However, the breaking point came in 2021 as "Beeple's sale at Christie's closed the chapter on the early history of NFTs, and marks the moment that NFTs moved from a fringe community to a global frenzy" (Alice, 2024, p. 75).

This moment marked several important moments in the history of NFT art. Besides a record-breaking amount of 69 million dollars, Beeple's EVERYDAYS: THE FIRST 5000 DAYS carried NFTs into a global bull market, and the following year was recorded as the year in which global NFT trading volume reached its then all-time high of 24.7 billion dollars (Hayward, 2023). At the time, despite making headlines through the sales of a select few NFT artists at prominent auction houses, the majority of NFTs were still traded in independent online markets. With the circulation of the record-breaking sales in financial circles, NFTs started to be seen as more of a financial instrument than anything else. This shift pulled NFT economics into an uncontrollable cycle of hype and crash seen in the notoriously speculative economic structure of global financial markets. In a survey published in Hiscox Art Report of 2021, "Over eight out of ten (82%) NFT buyers said that value potential was their most important motivation" (Hiscox, 2022), pointing out that "the system's focus was economical, and the transaction was similar to the trade of stocks" (Grossi & Guerrini, 2024, p. 114). In part one of the same report, Hiscox, a financial insurance company, claimed "Rather than a bubble that is ready to burst, we see the NFT market entering an exciting new phase" (Hiscox, 2021). They were neither alone in their prediction nor were they correct.

The unprecedented rise of NFTs was followed by a monumental collapse in terms of prices. From 2014 to 2022, in a span of eight years, NFTs reached the height of their popularity and financial success, with 2021 and 2022 marking the peak in terms of both criteria. Within roughly a year of its 2022 high, however, the NFT market collapsed to one fourth of its value, from over 300 billion dollars to approximately 80 billion dollars (Kemmerer, 2025). This devastating collapse created a worldwide disillusionment towards NFT art and financially motivated collectors flocked to NFT markets to offload their rapidly depreciating assets, resulting in an escalating freefall of all NFT art prices. By 2025, the total market value of NFTs had declined to a level close to that of 2020 (Kemmerer, 2025).

It should be noted that the conventional art market has never had an entirely distant relationship with financial speculation and volatility. However, it has always had the protection of the relative autonomy of its value-attribution system, as well as a well-established fine art market that can be considered to maintain a healthy balance between collectors who see art as a mere financial instrument and those who genuinely appreciate and emotionally connect with the pieces they buy. NFTs, on the other hand, were far more directly exposed to the whims of global financial markets. Herein lies the weakest point in the conceptualization of NFTs. By the nature of their medium and their direct link to cryptocurrencies, NFTs were structurally vulnerable to unrealistic financial expectations and, ultimately, speculation. This brings us back to the unusual speed and magnitude of the rise and fall of NFTs as the scope of price fluctuations in NFTs can be claimed to be an anomaly in the art world; however, it was not an unheard-of phenomenon within the broader financial system.

Gartner's Hype Cycle and Global Interest Rates

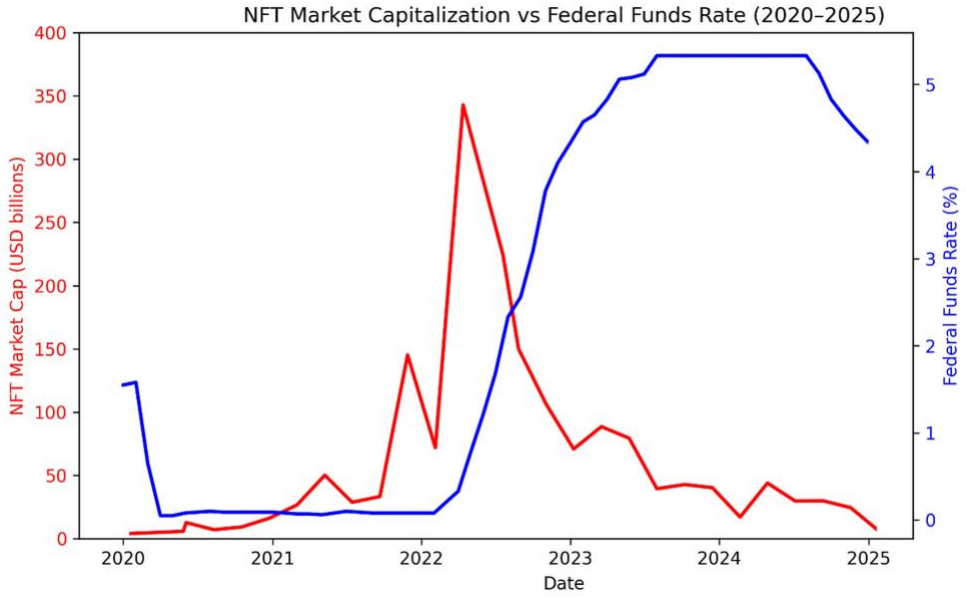
To have a greater insight into NFTs' hype and crash cycle it should be examined through a well-known concept called Gartner's Hype Cycle. Much like many other emerging technologies that came before NFTs, they too followed the trajectory of an initial technological trigger, followed by a peak of inflated expectations, and eventually a sharp fall into disillusionment.

Gartner's Hype Cycle is a graphical depiction of a common pattern that arises with some new technology or other innovation. It is a model that describes the typical life cycle of emerging technologies, from their initial appearance to either their widespread adoption or eventual disappearance. According to this model, new technologies first emerge with a technological trigger, a breakthrough or innovation that attracts early attention. In the case of NFTs this would be the first experimentations in linking digital files and imagery to blockchain technology. Just as we observe in the trajectory of the NFTs the initial technology trigger is followed by early interest and a peak of inflated expectations, where media attention, public enthusiasm, and speculative investment grow rapidly, often far beyond what the technology can realistically deliver. At this stage, success stories are amplified, failures are ignored, and expectations become detached from practical use (Gartner, Inc., n.d.).

However, this rapid growth in expectations, interest and perceived value, is followed by a trough of disillusionment, where interest declines as limitations become visible, promised transformations fail to materialize, and public and more importantly investors seem to lose faith in what was a short time ago perceived as a revolutionary new technology. This phase too corresponds closely with the sudden collapse of NFTs after 2022. At this point Gartner's model projects that some of these new ideas are abandoned entirely, while others enter a slope of enlightenment, where more realistic applications slowly emerge. Only a small number of technologies ultimately reach the final phase, the plateau of productivity, where they become stable, widely adopted, and economically and culturally normalized (Gartner, Inc., n.d.).

In the context of Gartner's Hype Cycle, the global interest shown towards NFTs was bound to face the dreaded Trough of Disillusionment phase eventually. However, the underlying financial realities of the era in which the NFT craze was built up and eventually burst made both the rise and fall of NFTs all the more spectacular and, for some, disastrous. Especially from 2020 to 2022, the market capitalization rate of the total NFT market grew almost exponentially, into hundreds of billions of dollars in such a short period of time (see Graph 1). When it started crashing down, it erased market value comparable to the gross domestic product of entire countries. The extreme heights of financial value that were created and lost through NFTs can hardly be seen as solely a commonplace and expected investor behavior, even if it fits into the general model of Gartner's hype and disillusionment cycle. However, an examination of yearly global NFT revenue data shows that throughout the initial years—even well into 2019—the NFT market remained relatively insignificant compared to its 2022 peak. Only in 2020 did the market skyrocket into billions of dollars, before beginning its rapid decline in 2022. This peculiar timing of the initial surge, combined with the unusually high volume of capital invested in NFTs within such a short period, suggests that the trajectory of NFTs' rise and fall may have been influenced by additional external factors.

A comparison of the timelines of the rise and fall of NFTs and the unusual movements on another chart that influences all kinds of speculative markets, the global, and especially the United States Federal Reserve, interest rate graph, might help to bring a compelling correlation between the two to the fore. As a response to the social and economic uncertainties of the COVID-19 pandemic, in 2020 the United States central bank, just like many other nations' central banks, lowered U.S. interest rates to almost zero percent, effectively encouraging investors of all kinds to pursue riskier investments. This well-documented investor behavior, in which "individuals demonstrate a stronger preference for risky assets when the risk-free rate [including central bank interest rates] is low" (Lian et al., 2019, p. 2108), coincides with the rise in global NFT sales volume and market capitalization. At this moment, when interest rates were lowered in an unusually abrupt manner in response to the COVID-19 pandemic, substantial amounts of capital flowed into high-risk assets, including NFTs, resulting in rapid growth and an unprecedented level of public attention. However, following two years of near-zero interest rates and expansive monetary policies, the Federal Reserve's 2022 interest rate increase was among the most aggressive in recent history, characterized as unprecedented in both magnitude and speed. As one of the most influential central banks in the world, this aggressive interest-rate hike generated global implications. As borrowing became more expensive and liquidity began to dry up, capital quickly retreated from speculative markets. NFTs, whose rapid expansion had depended heavily on abundant and cheap capital, were among the first assets to experience a dramatic collapse. In this sense, the rise of NFTs to the peak of expectations and their subsequent downfall into the trough of disillusionment was not only a typical progression that new technologies face in the context of Gartner's Hype Cycle. It was more plausibly associated with a changing macroeconomic and financial environment, mainly central bank interest rates, that led the biggest investors in the finance industry and the general public alike into and out of the NFT market.



Graph 1**:** NFT market capitalization (USD billions) and effective federal funds rate (%) (2020–2025)

Note. Author's visualization. NFT market capitalization values were transcribed from the data table on CoinLedger's research page, "How Much Is the NFT Market Worth?" (Kemmerer, 2025). The effective federal funds rate series (FEDFUNDS) was downloaded as a CSV file from FRED (Federal Reserve Bank of St. Louis, 2024). The two datasets were combined and visualized in a single chart.

This correlation between the financial and artistic realms suggests the true nature of the peculiar fluctuations of NFT prices and the hype generated around them. It shows how an experimental and exciting new idea was rapidly absorbed into becoming a tool for rapid and artificial growth for financial players, and stripped of its artistic qualities in order to satisfy the needs of capital in search of alternative, short-term profit.

Simply put, despite the genuine intentions their creators may have had, NFTs were entangled with the world of finance. The resulting disillusionment that followed the market's contraction ultimately overshadowed some of the more nuanced and conceptually significant implications of the technology itself.

Conclusion

NFTs, as presented in this paper, should not be approached as a new artistic medium, nor should they be perceived as a mere speculative divergence from the art world. Rather, they need to be understood as a structural response to the long-standing incompatibility between the allographic nature of digital art and the art world's autographic value regime. From early debates surrounding reproducibility of artworks by mechanical means to institutional resistance digital art has faced, the art world has persistently sought to preserve its cultural, artistic and financial autonomy through concepts such as originality, scarcity and the aura of the artwork. NFTs emerged at a time when these mechanisms were becoming increasingly untenable due to proliferation of digital artwork and their allographic nature.

By reintroducing authenticity, scarcity, provenance, and most importantly, private ownership into the digital space, NFTs presented digital creators, artists, and designers with a way to be fairly compensated for their artistic and creative labor. While doing so they also created a new and direct connection between artists and patrons. This democratization moved NFTs and digital art in general away from the conventional art space and away from the gatekept cultural, artistic and financial evaluation of art professionals. As NFT marketplaces started to take shape as parallel constructs, free from any involvement from the conventional art world, they were also moved away from the insulation that had historically buffered art from direct exposure to market volatility within global finance structures and toward open, highly liquid, and speculative markets. The consequences of this vulnerability can be seen when the relatively short history of NFTs is examined in the context of Gartner's Hype Cycle, which is often associated with emerging new technologies and how they are perceived by the public. Just like a publicly traded company associated with an emerging technology, expectations, hype and investment volume generated by NFTs skyrocketed and fell in a short period of time.

In this paper, this rise and fall is correlated with the extraordinary macroeconomic circumstances that followed the COVID-19 pandemic. The exceptional financial loosening, followed by a prolonged period of near zero interest rates and abundant liquidity is identified as the triggering effect of the rise of NFT prices and the snowballing effect occurred in terms of hype cycle and public expectations. And the end of the boom period in NFT prices is correlated with sudden tightening in global markets, driving investors away from riskier investment avenues and out of NFT markets, marking the beginning of the dive into the Trough of Disillusionment.

The perception of NFTs has been significantly tarnished as they delve further into the Trough of Disillusionment. Today, the majority of the public perceives NFTs, at best, as just a new way of owning property, and at worst, as a speculative vaporware-like instrument that the financial market used as a short-term tool for generating profit in a financial climate where traditional financial tools were underperforming. For this reason, NFT art will continue to suffer the consequences of its infamous past.

However, this trajectory does not necessarily mark an endpoint. As speculative excess recedes, NFT markets appear to be entering a slower and less spectacular phase of maturation or the Slope of Enlightenment in the context of Gartner's Hype Cycle. As NFT marketplaces establish their own financial traditions, history, norms, and thus their own buffer systems against financial speculation, they are also adopting strategies from the conventional art world and building new relationships with it. New forms of mediation have begun to emerge in the form of curated platforms, selective marketplaces, and algorithmic visibility, reshaping structures of value, taste, and legitimacy within NFT ecosystems. Conventional art institutions, albeit cautiously, are likewise collecting, promoting, and dealing in NFT artworks, contributing to NFTs' gradual recovery in the eyes of the public.

As NFTs prove their usefulness in everyday applications such as secure and easily transferable assets of all kinds of digital files, digital contract securitization, or even certifications of authenticity for physical art pieces they may find their way into the Plateau of Productivity, where they could become an essential and practical part of the digital space. And as they do, the negotiations between the established art world and the NFT community may eventually find a balance between collaboration and autonomy and redeem NFTs' technological, conceptual and financial value.

Whichever way NFTs end up proving their inherent value, it may be safe to assume that their comeback will be relatively uneventful and quiet. But in the end, they may gain the trust and attention of both the public and the art world again. Unless, of course, the financial world once again requires their help to get out of another difficulty of its own making and turns to NFTs to do so in the future.

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NFT'ler ve Dijital Sanatta Değer Üretiminin Yeniden Yapılandırılması

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ÖZ

Bu makale, non-fungible token'ların (NFT), yeni bir sanatsal üretim mecrasından ziyade, dijital sanatın alografik yeniden üretilebilir doğası ile çağdaş sanat dünyasının otografik değer rejimi arasındaki uyumsuzluğa yanıt veren bir mülkiyet altyapısı olarak anlaşılması gerektiğini ileri sürmektedir. Makale, NFT'lerin sanatsal değer oluşumunu, sanat dünyasının görece yalıtılmış ve yarı-özerk kurumsal yapılarından çıkararak açık finansal piyasalara taşıdığını savunur. Tarihsel olarak sanat dünyası, biriciklik, özgünlük, denetimli mülkiyet ve kurumsal aracılık mekanizmaları üzerinden kendi kültürel ve finansal özerkliğini kurmuş; bu sayede sanat eserlerini

spekülatif piyasa dalgalanmalarına doğrudan maruz kalmaktan büyük ölçüde koruyabilmiştir. Buna karşılık NFT'ler, sonsuz biçimde yeniden üretilebilen dijital dosyalar üzerinde, kurumsal sanat dünyasının aracılığına ihtiyaç duymaksızın doğrulanabilir mülkiyet imkânı sağlayarak, değer atfetme süreçlerini arz-talep dengesi ve yatırımcı beklentileri tarafından şekillenen merkeziyetsiz piyasalara taşımıştır. Gelişen teknolojilerin tipik yayılım döngüsü içerisinde değerlendirildiğinde, NFT'lerin hızlı yükselişi ve çöküşü, beklentilerin aşırı şişmesi ve ardından gelen hayal kırıklığı ile karakterize edilen bir 'hype cycle' modelini izlemektedir. Bu süreç aynı zamanda COVID-19 pandemisi sonrasında ortaya çıkan olağanüstü makroekonomik koşullarla da örtüşmektedir. Bu bağlamda makale, NFT'lerin finansal değeri ve üzerlerine yönelen ilginin aşırı dalgalı yapısının bir istisna değil, sanatsal mülkiyetin sanat dünyasının görece korunaklı kurumsal sisteminden çıkarılarak açık ve yüksek derecede spekülatif finansal ortamlara taşınmasının öngörülebilir bir sonucu olduğunu savunmaktadır. Bu nedenle NFT'ler, başarısız bir sanatsal deneyimden ziyade, uzun vadede sanat dünyası ve dijital kültür içerisinde mülkiyet ve değer atfetme biçimlerini yeniden tanımlayan yapısal bir dönüşüm olarak değerlendirilmelidir.

Anahtar Kelimeler: Non-Fungible Token'lar (NFT'ler), Dijital Sanat, Sanatsal Özerklik, Otografik ve Alografik Sanat Eserleri, Sanat Piyasası, Abartı Döngüsü (Hype Cycle)