

What are NFTs (Non-Fungible Tokens) & why should you be interested in them

NFTs look to be the next big digital investment opportunity as musicians, artists, and others look to create unique and authenticate pieces of work.

NEW YORK CITY, NEW YORK, UNITED STATES, March 11, 2021

/EINPresswire.com/ -- The relationship between the quantity of a commodity produced and the quantity desired by consumers is known as supply and demand. Ever since Adam Smith first espoused this idea in his 1776 economic magnum opus *The Wealth of Nations*, this concept has been at the heart of economic activity, trade, and commerce.

Supply and demand remains extremely relevant in our modern age as well, even as the lines between legitimate products and services continue to blur. The digitization of trade, goods, and services continues to envelop society and transform the way we do business. The value of digital goods or currencies (i.e. Bitcoin) continue to be doubted by individuals who prefer the real world or tangible items (gold or USD).



What would the father of Capitalism have to say about NFTs?



Grimes, partner of Elon Musk, looks to be on the forefront of NFTs, selling her work as non-fungible tokens.

Just to make matters worse, or doubly confusing, the emergence of NFTs (Non-Fungible Tokens) has created a new digital commodity for consumers to buy or invest in. The issue, once again

being, “why is this thing valuable”? Before diving into that, what do NFTs look like? It seems to be up to the discrepancy of the producer or artist. For example, some pieces which are being traded are music, digital paintings, video clips, and even sports highlights. What comes with each NFT is a unique identification code, indicating the “authenticity” or ownership of the piece. It’s not unlike art reprints. Original paintings, handcrafted by artists, are often limitless in their value which is why they can be auctioned for millions of dollars. Reprints, while still displaying the same image, are not handcrafted by the artist and thus not worth the same. Original paintings are usually accompanied with a signature or certificate of authenticity, similar to the identification codes accompanying NFTs.



Should athletes be able to capitalize on companies selling their highlights for extreme markups?

So, why are digital animations created by [Grimes](#) being sold (\$5.8 Million USD) for approximately the same value as a Banksy creation? Speculation and investment purposes essentially. While the buyers could argue that they simply just like the art Grimes has created, the broader objective definitely seems to be betting on the fact that resale value for the item will grow over time. And who knows, perhaps in twenty years a serial code indicating that Grimes created that very clip could be worth double or triple the initial price.

However, the argument being made by practical economists in favor of real world products or services are not without their own merit. Take a look at NBA Top Shot, a site which produces and sells NBA highlight clips along with unique identification codes. The cooler the highlight, the more renowned the player, the more the clip is worth. LeBron James blocking a dunk against the San Antonio Spurs is being peddled for \$250,000 USD. This exact same clip can be found on YouTube, for free. So essentially [NBA Top Shop](#) is only selling a unique identification number indicating its authenticity, but authenticity from who? That's the question which cannot be answered and really does harm the potential value of some NFTs. Those buying these clips are simply betting that they will be able to resell the clips for more money, not because the clips intrinsically harbor value.

But again, value (much like beauty) is in the eye of the beholder. If Grimes art or LeBron's clip

sells for thousands of millions of dollars, someone thinks it is worth that much. The question is why, and if the answer simply remains “because maybe I can profit off it” then really the value is purely speculative.

The issue with NFTs, much like any digital commodity or cryptocurrency is their volatility. Individuals buying such commodities are betting that their value or relevance will continue to grow. But due to the advancement of technology, it's very hard to say whether or not that will remain true. Will my video clip of LeBron's block be worth more than the \$250,000 I paid if a new holographic platform allows others to literally display the clip physically in real time? Maybe purely for the sense of nostalgia watching a video clip would create.

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