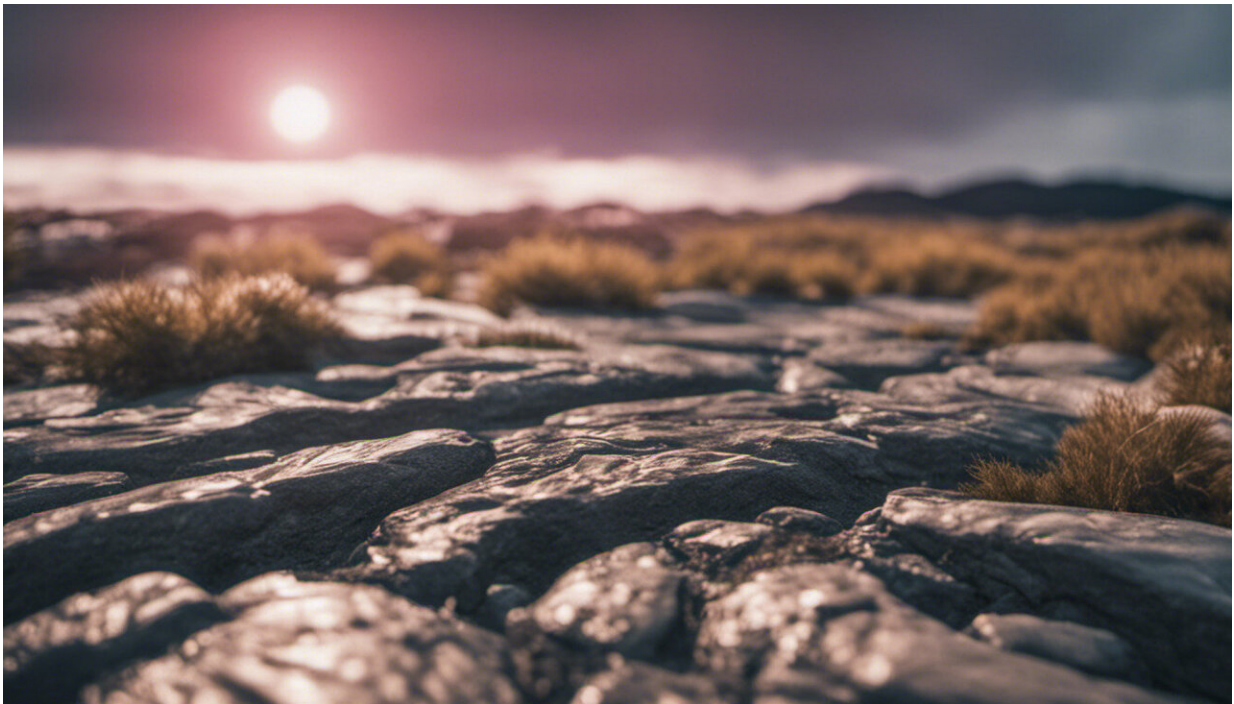


Are NFTs really dead and buried? All signs point to 'yes'

October 2 2023, by John Hawkins



Credit: AI-generated image ([disclaimer](#))

Non-fungible tokens (NFTs) are in dire straits. With the market in a severe downturn, it's safe to assume the NFT bubble has well and truly burst.

It was never clear why these digital collectables traded for such large

amounts of money. Now they mostly do not. What's behind their turn of fate? And is there any hope for their future?

What are NFTs?

Non-fungible tokens are a blockchain-based means to claim unique "ownership" of digital assets. "Non-fungible" means unique, as opposed to a "fungible" item such as a five-dollar bill, which is the same as every other five-dollar bill.

But just because an item is unique that doesn't make it valuable. Digital assets are easily copied, so an NFT is essentially a receipt showing you have paid for something that other people can get for free. This is a pretty dubious basis for value.

The [two most traded sets of NFTs](#) are the Bored Apes collection created in April 2021 and the CryptoPunks collection launched in June 2017.

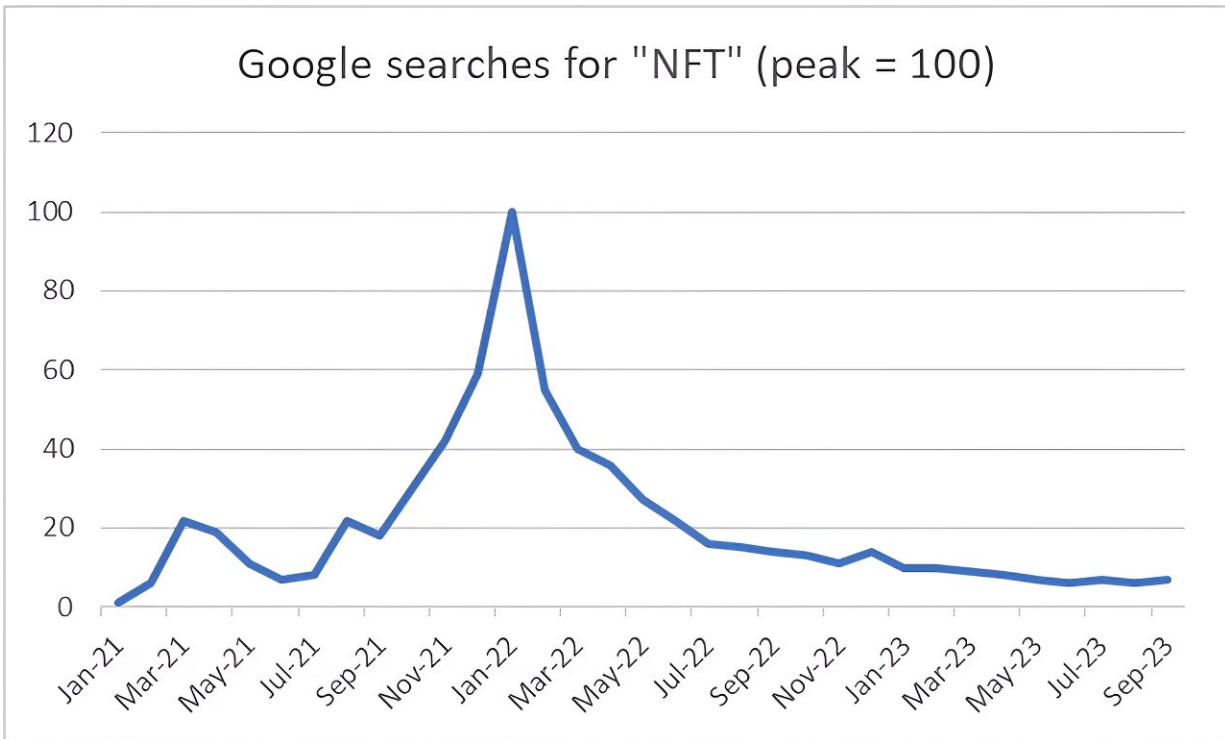
Both sets consist of 10,000 similar-looking but unique figures, distinguished by differing hairstyles, hats, skin colors and so forth. The [Bored Ape](#) character seems derivative of the drawings of Jamie Hewlett, the artist who drew Tank Girl and Damon Albarn's virtual band [Gorillaz](#). The [CryptoPunks](#) are even less interesting.

Why did people buy NFTs?

Although the first NFTs emerged around a decade ago, the trend really started to take off in 2021. And for a time NFTs were very fashionable.

Even the venerable auction house [Sotheby's](#), founded in 1744, jumped on the NFT bandwagon. Sotheby's sold 101 Bored Ape NFTs for more than US\$20 million in September 2021. They're now facing a [lawsuit](#)

from a disgruntled buyer.



Google searches for 'NFT' reached an all-time high around early 2022. Credit: Author provided/Data from Google Trends

As with Bitcoin and similar speculative tokens, the primary driver for buying NFTs [was greed](#). Seeing the initial price rises, people hoped they too could make huge profits. NFTs are essentially a superficially sophisticated form of gambling. Like Bitcoin, they have no fundamental value.

Generally, one would only profit from buying an NFT by finding a "[greater fool](#)" willing to pay even more for it. So there was never a shortage of people—including [some quite famous ones](#)—talking them

up and hoping to instill a fear of missing out.

Eminem bought a Bored Ape that looked a bit like him. Rapper KSI [boasted on Twitter](#) about his Bored Ape rising in price.

For a while there were large increases in the prices of many NFTs. But like all speculative bubbles, it was likely to end in tears. Although it's almost impossible to predict when a bubble for a speculative asset will burst, we have seen this process play out before.

Centuries ago there were the Dutch tulip, [South Sea](#) and [Mississippi](#) bubbles. Around 1970, there was a speculative bubble in the shares of [nickel miner Poseidon](#). Then came the [Beanie Baby](#) and [dotcom](#) booms of the late 1990s—and more recently, [meme stocks](#) and [Terra-Luna cryptocurrency](#).

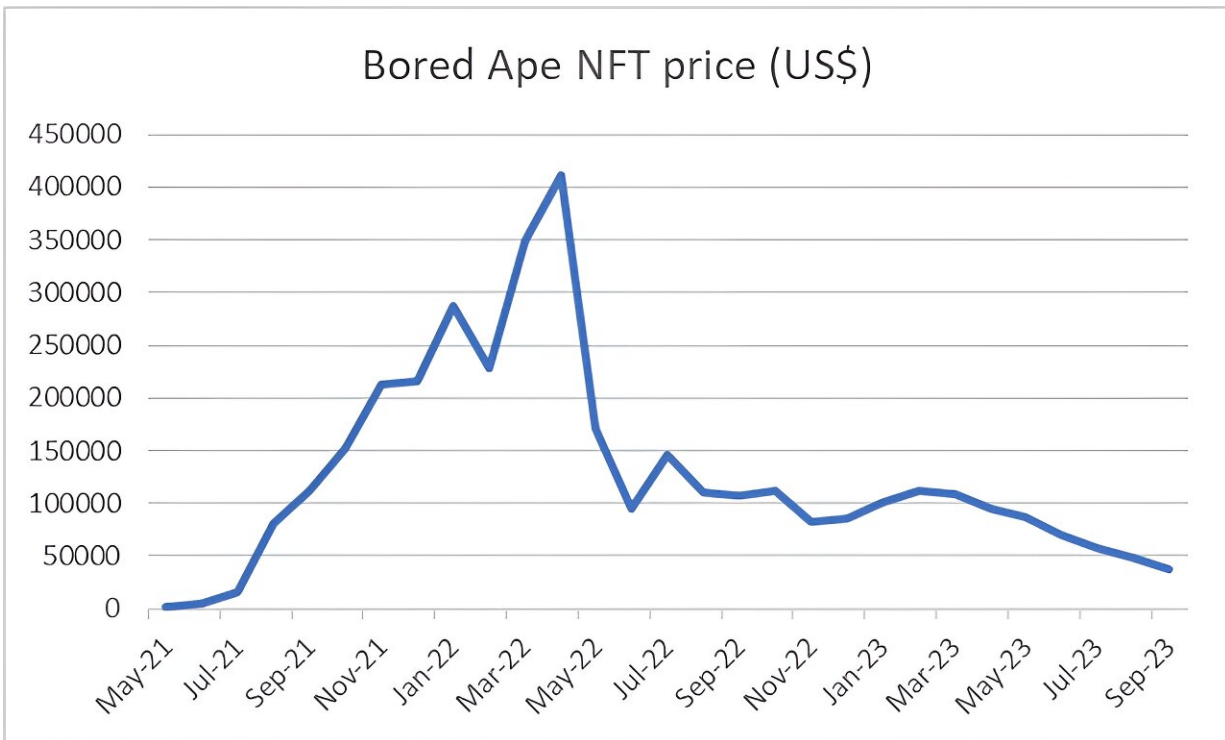
The NFT crash

Punters now seem to be as bored with NFTs as the apes. Google searches for "NFT"—which grew rapidly through 2021—have [fallen away](#) dramatically. Trading volumes [have collapsed](#).

Prices in the NFT market have also seen huge falls. The prices of Bored Ape NFTs are [down about](#) 90% from their peak. The CryptoPunks have done [slightly better](#) by losing only 80%.

A recent [report](#) covering about 73,000 NFTs estimated 70,000 are now valued at zero. This leaves 23 million people holding a worthless "asset."

One [high-profile example](#) is an NFT of the first tweet by then-Twitter CEO Jack Dorsey. Crypto entrepreneur Sina Estavi [bought this NFT](#) for US\$2.9 million in March 2021. When he tried to sell it a year later the top bid [was US\\$6,800](#).



The value of Bored Ape NFTs has fallen dramatically since March of last year.
Credit: Author provided/Data from Coingecko.com

What drove the NFT collapse? As well as losing their novelty, the market was hurt by the large falls in the price of Bitcoin and other [cryptocurrency](#), as well as the collapse of the [FTX exchange](#) and [publicity given to scams](#).

Beyond that, the lifting of COVID lockdowns meant people who began trading NFTs now had [other ways to pass their time](#). And higher interest rates from mid-2022 made most speculative assets seem less attractive.

Collectively, all of these factors made NFTs seem like a riskier proposition. Prominent people started jumping off the bandwagon. Some

of [KSI's](#) later tweets lament the losses he suffered from his gambles.

Last year, British Prime Minister Rishi Sunak announced, when he was chancellor of the exchequer (their equivalent of treasurer), the Royal Mint would produce an NFT. The plan has now been [abandoned](#).

Some foolish people had even taken out loans using the "value" of their [NFTs as collateral](#). When the lenders wanted the money back, they were in trouble: forced to sell their NFTs, they got back much less than they'd paid. Fortunately, there weren't enough people like this to lead to a systemic problem in the financial sector.

Gone for good?

NFTs probably won't completely disappear. Some subjects of past bubbles are still around. Tulips are still grown in the Netherlands. Poseidon shares, [which ran up](#) from 80 cents in September 1969 to \$280 in February 1970, are still listed (and currently trading [for 2 cents](#)).

But unless some actual use is found for them, NFTs are likely to fade further from public discussion, with their prices increasingly trending down (although the occasional blip up may give die-hard fans some hope).

They will probably join the Dutch tulips and dotcoms in the history of speculative follies.

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