Developments in Web3 for the Creative Industries

A Research Report for the Australia Council for the Arts

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Executive Summary

What's next...

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Developments in Web3 for the Creative Industries identifies how artists, musicians, games designers, and other creative practitioners are pushing the established boundaries of the creative economy using the tools and platforms of web3. The report steers clear of aspirational 'use cases' and focusses instead on the industrial transformations that have manifested to date, including new ways of manufacturing ownership, rewarding and incentivising fans to sustain creative projects, and the use of web3 for organising and managing collaborative creative endeavours.

This report also looks at *who* is participating, identifying which segments of the creative industries have led the charge into web3. We discuss where art, music, and games are occurring inside web3, including emerging virtual and physical galleries and art collectives, and how existing arts and culture institutions are responding. In this way, this report asks, "what are Australian artists *doing with* web3?" as well as the bigger question of "what have artists from around the world *done to* web3?"

What is Web3?

The term 'web3' suggests a progression from web2.0, in which the internet became dominated by large platform corporations (such as Meta and Google) that trade on user data and so make audiences 'the product' of a transaction. For the creative industries, web2.0 continues to be a double-edged sword. It has created a new, digital creative class of YouTube and Spotify stars and enabled artists to promote themselves on social media. However, these opportunities are determined and constrained by the policies, algorithms, and payment terms of these corporations (Cunningham & Craig, 2019; Healy, 2022). In contrast, web3 describes an online ecosystem based on blockchain technologies (Wood, 2015), characterised by peer-to-peer transactions and an ability for users to decide who they share information with.

Blockchain technology is a means for people and machines to agree on events, including transactions and the order in which they occurred. Without blockchain technology, people need to rely on trusted third parties for many activities (such as banks that exist to maintain a record of who owns what). By enabling this common knowledge, blockchain technology makes it easier for people to coordinate, and to invent new methods for coordination. Non-fungible tokens (NFTs) are an innovation in property, in that they can be used to show proof of ownership. Decentralised Autonomous Organisations (DAOs) are an innovation in governance, whereby a group of people who are unknown to each other can coordinate to vote and impose restrictions on the actions that group members can undertake. Both of these innovations rely on 'smart contracts', meaning software that can be programmed on a blockchain to carry out an action when predefined conditions are met.

These technologies are very new, and we do not know how they will be deployed in the future. As the concerns around the environmental impact of proof-of-work blockchains demonstrate, the evolution of these technologies may also be impacted by social movements and regulatory constraints.

Why Are Creative Practitioners Using Web3 Technology?

Creative practitioners have pioneered the use of blockchain technology, transforming web3 in the process.

Creative practitioners have taken tools that first appeared in the context of finance and repurposed them to address gaps and problems in the creative economy. This includes questioning the very notion of what it means to own art (what you are paying for); giving those who 'earn' within games power over their assets; producing ready-made governance tools that help artists to work together; and strengthening the connection between musicians and their fans.

Who in the Cultural and Creative Industries is Using Web3 Technologies?

Despite the swell of NFT activity seen over 2021, take-up and use of web3 technologies in Australia remains nascent.

However, some Australian creative practitioners are using web3 technologies and they are using them to make money. Those with traditionally marginalised practices like street artists and commercial practitioners have been early adopters, finding prestige and buyers through web3. Traditional artists are increasingly getting involved, navigating the fraught field of crypto art investors and speculators.

Despite these uses, attitudes towards web3 technologies remain polarised among creative practitioners. Where some see blockchain technologies as a means for correcting the inequities and exclusions of the contemporary cultural economy, others see these same technologies as degrading cultural value and wasting limited natural resources. For others, access to web3 requires negotiating barriers of digital inequality. In response, a range of new and old cultural intermediaries are taking up educational practices, raising urgent questions about who holds expertise and authority within this new creative economy.

Where Are Web3 Technologies Being Used?

Much discussion around web3 has focussed on the potential for income generation for creative practitioners and intermediaries.

Cultural intermediaries are engaging with web3 – from public to commercial institutions, from traditional to new spaces – but some are more invested than others. Blockchain technologies like NFTs offer cultural intermediaries a range of opportunities, facilitating innovations in tracing and documenting provenance, and enabling ownership of and generating income from cultural works. Blockchain technologies also facilitate (digital) mobility of cultural works, collaboration across and between intermediaries, as well as offering mechanisms for restitution and repatriation of culturally significant collections. These opportunities do not, however, come without risks. Collecting, storing, and preserving web3 works will require careful consideration.

Legal Considerations

Blockchains and smart contracts should, in theory, reduce the administrative burden on creative practitioners by automating processes. Unfortunately, legal issues do not disappear by selling works as NFTs and it could take many years to achieve legal clarity let alone arrive at easier legal processes.

The law has always played catch up with technology. In this sense, the legal complexities of NFTs are not new. Just as web2.0 required law-making to deal with new problems in piracy, privacy, the right to be forgotten, intermediary (platform) liability, and online harm, so web3 is raising a new set of challenges and opportunities. These include questions about who has authorship when an artwork is created by a non-human entity (e.g., artificial intelligence (AI) and generative art); how or whether licences can be transferred along with a token; and whether a DAO can own intellectual property. Some of the legal grey areas will only be resolved through the courts and legislature over time, and some may require amendments to existing laws before any certainty can be achieved. In the meantime, the onus is on creators and buyers to assess the risks and seek legal advice where necessary.

Conclusion

In 2019, researchers at the RMIT Blockchain Innovation Hub published a provocation paper for the Australia Council, Australian Film Television and Radio School, and Screen Australia on the opportunities and challenges of blockchain for Australia's cultural sector. That report called for a coordinated approach to blockchain to ensure that Australian creative practitioners experience the benefits.

The conclusion of *Developments in Web3 for the Creative Industries* is that coordination is now happening from the bottom up by way of new governance tools and technical standards. The flow of value through the cultural economy is becoming explicit through web3 and those who choose to see it have much to gain. However, web3 is not replacing the established cultural economy (or not yet). If the last three years have shown anything, it's not that creative practitioners need web3, but that web3 needs creative practitioners if it is to emerge in a culturally innovative and socially responsive way.

References

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