Arrière-garde:

The Great Recession and
The Commoditization of Hipsterism

by

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I. Introduction

In the last century, psychologists and economists have done copious research on the development of subcultures. They sought to answer what catalyzes the formation of subcultures, what keeps them afloat, and what effects they have on dominant culture. In an attempt to explain the effect subcultures have on consumption habits and vice-versa, Lauren Alfrey says, “An expression of taste – what music, clothing brand, or literature one prefers – imbues persons with opportunities for public expressions of individuality or conformity. By the same token, taste supports the human need to understand others through social categories. The physical expression of taste, the act of consuming goods, can function as a kind of heuristic tool for bypassing complexity and reifying social categories,” (Alfrey, 2010). ¹ In essence, our consumption habits allow us to both publically express whether we identify with the dominant culture or a particular subculture and organize others into socially constructed groups.

In terms of the effects that subcultures have on societies, it is undeniably clear that throughout the course of modern history, prominent subcultures have affected the way people think, dress, entertain themselves, and so on. Many subcultures, encompassing interests and beliefs that are usually at variance with larger culture, have introduced to societies new forms of art, fashion, and even business that potentially would have never existed otherwise. Examples of subcultures that have permeated popular western psyche include punk, hippie, Bohemian, and Beatnik. Some subcultures — namely punk, rave, hip-hop, and jazz — have changed the way people listened to music, while others — like Goth, grunge, and Bohemian — have crept their way into modern fashion.

¹ Alfrey (2010), “The Search for Authenticity”
² Lauren Silver Laughlin, “The hipster trend: Going flat?,” December 2014, Fortune
In today’s developed world, one of the most relevant and influential subcultures that has developed is *hipsterism*. A 2015 article in *Fortune* described hipsterism’s rise and the effects it has had on consumer behavior. The “normalization of hipster culture” has spurred a fifteen-year high in the sales of eyeglasses; real estate experts have named Brooklyn, the birthplace of modern hipsterism, the least affordable place to live in the country; and Nike’s stock has near doubled in the past two years, largely because sales of hipster Converse are up 70%. As Elizabeth Nolan Brown puts it in her Reason Digital article, “If there is a single cultural avatar that has come to represent today’s young adults, it’s the hipster.”

In its relatively short history, modern hipsterism has changed the course of this last decade and has highly affected the way young people live; yet, there has been very little academic work on the subject matter. Most sources of information about hipsters can only be found in digital news publications or kitschy books about how to be a hipster. In order to get a scholarly discussion started, we have set out to explore this very distinct and important subculture and provide evidence of its effects on today’s western society. The primary focus of this thesis, however, will be to understand the psychological and economic drivers that allowed the subculture to gain so much traction in the last decade. As we get closer to understanding what drove the rise of hipsterism, we could help equip policy-makers, entrepreneurs, and advertisers with a vital understanding of the core subculture and allow them to make more informed decisions regarding this growing portion of America’s population.

### A. The Evolution of Hipsterism

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2 Lauren Silver Laughlin, “The hipster trend: Going flat?,” December 2014, *Fortune*

The origin of modern hipsters is a bit contested amongst scholars, but most historians and experts on the topic can agree on one thing: the hipsters of today are not the first of their kind. By most accounts, hepsters or hep cats, became prominent after The Great Depression in the United States. They were a group of young, white urbanites who, in the late 1930s and early 1940s, became increasingly interested in black culture and started to defy the ubiquitous nature and omnipotence of white culture at the time. They followed jazz musicians and learned black dances; they made great strides in contesting the powerful white institutions in place. Norman Mailer referred to hepsters as White Negroes and described them as “American existentialists” who “set out on that uncharted journey into the rebellious imperatives of the self.”

Many historians assert that the Beat (or Beatnik) Generation — popularized by writers like Jack Kerouac and Allen Ginsberg — was an extension of the early hipster movement. Beat culture, which spurred from the rejection of oppressive and highly conservative white culture, placed heavy emphasis on liberating human sexuality, expanding the human consciousness by experimenting with psychedelic drugs, rejecting materialism, and exploring spiritual movements that span from the Americas to the Far East. In his book *The Dark Ages, Life in the United States*, Martin Jezer describes members of the Beat Generation (sometimes referred to as hipsters by this point) by saying, “Their language, limited as it was, was sufficiently obscure to defy translation into everyday speech. Their rejection of the commonplace was so complete that they could barely acknowledge reality. The measure of their withdrawal was their distrust of language...When hipsters did put together a coherent sentence, it was always prefaced with the word *like* as if to state at the onset that what would follow was probably an illusion. There was neither a future nor a past, only a present that existed on the existential wings of sound.”

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As the movement grew in the late 1940s, Anatole Broyard mentions in his 1948 essay “A Portrait of the Hipster,” hipster life “grew more rigid than the Institutions it had set out to defy.”

Even decades ago, some perceived it as a club of exclusivity. Eventually, this trait that came to define Beatniks and early hipsters laid the groundwork for the hipster movement of today.

Eventually, the term hipster was removed from popular speech until the late 1990’s. Still, the movement did not gain much traction until the early-to-mid 2000’s. Just as the harrowing memories of World War I brought about Europe and America’s Lost Generation, and the rejection of oppressive conservatism in post-World War II America popularized the very liberal Beatnik Generation, it is clear that subcultures are often formed or popularized to reject larger societal traits or problems. The resurgence of modern hipsterism followed suit. In his 2011 book *HipsterMattic*, Matt Granfield describes the early development of modern hipsterism. “While mainstream society of the 2000’s had been busying itself with reality television, dance music, and locating the whereabouts of Britney Spears’s underpants, an uprising was quietly and conscientiously taking place behind the scenes. Long-forgotten styles of clothing, beer, cigarettes and music were becoming popular again. Retro was cool, the environment was precious and old was the new ‘new.’”

As Granfield depicts, hipsters were infatuated with reviving and resurfacing un-sexy, unpopular trends of the past to reject the subset of society that was so engrossed in their new cell phones and tablets, the fall of Britney Spears, and the reality TV show, *The Hills*. This new subculture embodied elements of the Beat Generation and the old-time hipsters from decades before, as these new hipsters were exclusive and rebellious. A few years into the revival of

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hipsterism, they were still small in number and only played important roles in hipster-centric cities like Portland, Denver, and New York.

**B. Thesis**

Let’s flash forward to 2015. Alfrey affirms that nearly a decade after its revival, hipsterism “has become a globally recognized identity” as “countless” newspaper articles, blog posts, and websites have been dedicated to its analysis (Alfrey, 2010). I ask: when did the shift in society occur that invited the promulgation and commoditization of hipsterism? Alfrey appears to be the only scholar that has attempted to explain why; however, through her analysis of globalization and the Internet’s effect on hipsterism’s growth, she was not able to find any conclusive data. This paper will attempt to turn the discussion toward another possible answer: The Great Recession. This paper will argue that:

**H1**: This shift occurred around The Great Recession of 2008

**H2**: Widespread nostalgia, which venerated a liberal past and rejected capitalist hegemony, catalyzed the commoditization of hipsterism
II. A Deeper Look into Modern Hipsterism

A. Who Exactly Are Modern-Day Hipsters?

Determining precisely who falls under the category of hipster is problematic for a variety of reasons. First and foremost, it has become common practice in the hipster subculture to defy the label (i.e. someone who internally identifies as a hipster will outwardly deny that she is one). For this paper, we will assume that someone who denies being a hipster but still matches the general description of one is, in fact, a hipster. To be clear, a general description of a hipster will soon follow. Another reason that complications arise when attempting to identify hipsters is that modern hipster subculture has evolved throughout its relatively short tenure. Thus, it is fairly difficult to discern what is still considered hipster. Furthermore, for hipsterism, the global popularity of its style has made “group boundaries highly permeable” and “opportunities for participation and imitation ripe,” (Alfrey, 2010). How do we distinguish between those who dress like hipsters because it is generally fashionable and those who identify with the movement on a more personal level? We can’t necessarily track this, but we will assume that people with consumption acts and habits that relate directly to hipsterism are indeed hipsters.

Most can agree that hipsters have developed a distinct style of dress, taste in music, and preference for liberalism. The subculture naturally rejects the current mainstream, and as Alfrey asserts, some of hipsterism’s discernible elements “include objects or styles from past eras, meant to appear ironic or novel with contemporary application,” (Alfrey, 2010). She continues, “Examples include Elvis Costello style horn-rimmed eyeglasses, 1970’s style facial hair such as muttonchops or handlebar mustaches for men, a-line haircuts and leotards or rompers for women, low-fidelity Holga or fisheye film cameras, retro style sneakers, and skinny jeans,”
Hipsters are often typecast as bold and obscure, picking up hobbies such as manually developing black and white film, riding unicycles, and learning how to play the banjo and harmonica at the same time. They champion abstract art and have been comically known to reference obscure “favorites” in art — such as their “favorite 17th century poet” or their “least favorite Mongolian actor.”

A 2009 article in Time Magazine outlined how to look like a hipster. “Take your grandmother’s sweater and Bob Dylan’s Wayfarers, add jean shorts, Converse All-Stars and a can of Pabst and bam — hipster.” Codifying rules on how to make hipster choices, Robert Lanham, who wrote The Hipster Handbook in 2003, stereotyped, “[You] walk among the masses in daily life but are not a part of them and shun or reduce to kitsch anything held dear by the mainstream. […] You graduated from a liberal arts school whose football team hasn’t won a game since the Reagan administration. […] You bought your dishes and a checkered tablecloth at a thrift shop to be kitschy, and often throw vegetarian dinner parties. […] You have one Republican friend who you always describe as being your ‘one Republican friend.’ ”

Presumably, if you’ve lived in America in the last ten years, you have a picture of a hipster in your head at this point. The picture might be reminiscent of a 2006 hipster or perhaps a 2012 hipster; these hipster archetypes are very different, as not many things can stand the test of time when it comes to being hipster cool. To reiterate a point from before: the modern hipster is not a static being; just as mass culture is dynamic and ever changing, subcultures evolve with time as well. This is especially true with hipsterism. Alfrey asserts, “Situated on a global stage, hipster norms and codes – the artifacts and objects associated with being a hipster – must change constantly to remain distinct. If an artifact diffuses outside the boundaries of the subculture,

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8 Dan Fletcher (2009), “Hipsters,” *Time*
hipsters must consider abandonment or innovation,” (Alfrey, 2010). It is very important to keep this unique trait of hipsterism in mind when reviewing its history as a subculture and assessing its effects on larger society.

**B. Prominence**

Ever since the dawn of the hipster revival in the early 21st century, hipsters have attracted media attention for their sheer level of influence. Whitney Walker of the *New York Daily News*, for example, was the first to write about Williamsburg, Brooklyn after hipsters began to gentrify the neighborhood. Soon after these hipsters — chiefly comprised of lower-income (but still wealthy enough) artists and students — began pushing out the ethnic communities (e.g. Latino, Polish, Italian, Hasidic Jewish) that comprised most of Williamsburg’s population at the time, a hipster renaissance began.  

Entrepreneurs moved in to establish costly pan-vegan cafes, ironically pricey thrift shops, gastro pubs, and so on. These kitschy hipster boutiques inadvertently offered a public space for new Brooklynites and entrepreneurs to indoctrinate the hipster subculture.

Since then, hipsterism has exploded in its prominence and reach. Steven Kurutz blogged in *The Sunday Review*, “As a 30-something skinnyish urban male, there’s almost nothing I can wear that won’t make me look like a hipster. Such is the pervasiveness of hipster culture that virtually every aspect of male fashion and grooming has been colonized. Even the basic building blocks of a wardrobe have been hipsterfied. Jeans, especially slim-cut denim, are a hipster essential. So are white T-shirts, leather jackets and hooded sweatshirts. I could wear suits. But they would have to be boxy styles from Men’s Wearhouse, because anything slim or tailored is the province of high-fashion hipsters. The only way to safely avoid looking like a hipster, so far

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as I can tell, is to dress in oversize mesh jerseys bearing the logos of sports teams. Oh, wait. My girlfriend read a draft of this story and told me mesh jerseys ‘are kind of hipster now.’

Hipsterification is a fast-moving, all-encompassing beast that goes far beyond urban fashion.”

Hipsterism has also reached many corners of the world. Predominantly still a very American subculture, hipsterism has developed in Brazil, Austria, Singapore, even China. It has changed the landscape of cities and the way businesses engage in advertising. In a Straits Times article on hipsterism in Singapore, Huang Lijie states that hipsterism “has spurred the growth of businesses here, from artisanal cafes to bespoke clothiers, and transformed the neighbourhoods they are in.” Around the world, hipsterism has invited the growth of film photography (which successfully competes in a market dominated by digital), thrift shops that sell 30-year-old clothing, and independently run coffee shops. It has penetrated niche markets as well, as hipsters have spurred the growth of bike shops “where customers can learn to build their own bikes from bamboo,” studios that “train locals to produce their own stain-glass windows,” and yarn stores that sell string made from Alpaca sheer.

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12 Huang Lijie, “Hipster culture helps spur business growth and transform neighbourhoods,” October 2014, The Straits Times
III. Case Studies

In this section, we will use select case studies to support the hypothesis that The Great Recession of 2008 spurred the commoditization of hipsterism. We will explore two companies: Pabst Brewing Company, which sells the notoriously hipster Pabst Blue Ribbon beer, and Urban Outfitters, a trendy retailer that has outwardly identified hipsters as their main target audience, and look into shifts that occurred for both companies around the time of the financial crisis. Note that the evidence presented is intended to suggest that there is a link between the rise of hipsterism and The Great Recession but is by no means conclusive.

A. Pabst Blue Ribbon

Since its inception in 1894, Pabst Blue Ribbon (“PBR”) has had unsteady growth and decline in terms of sales and profitability. For the first few decades after the beer launched, PBR had undergone some significant branding and name changes, which allowed the beer to grow in popularity throughout America. By the 1970’s, PBR had become exceptionally popular in the states and beer sales had peaked at 18 million barrels (2.1 billion liters) in 1977. By the early 1980’s, however, sales began to decline again, kicking off an almost 20-year sales slump. The beer eventually reached an all-time-low in 2001, when less than a million barrels (117 million liters) of beer were sold; this figure was 90% below the brewery’s highs in the 1970’s.

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14 [http://pabstblueribbon.com/pbr-history]
It is widely believed in the beer industry that once a brand begins to lag for a few consecutive seasons, the brand has little to no chance at revival.\textsuperscript{16} The beer seemed to be doomed to ultimate failure.

Figure A

![Pabst Blue Ribbon beer sales graph](image_url)

Source: Quartz\textsuperscript{17}

Figure A, however, manifests a different fate. In the decade following Pabst Blue Ribbon’s lowest respective beer sales in history, the brewery was able to turn its declining sales around and popularize itself yet again. How did that happen, and were there any wide scale changes that were introduced to the company at the time? Most academic research on the matter points to one major shift that allowed for the PBR renaissance: hipsters began to like it. Rebecca Hiscott of The Huffington Post says, “Then something changed, and PBR was suddenly the hipster's choice at bars and barbecues everywhere.”\textsuperscript{15}

\textsuperscript{16} Fast Company Staff, “Most Innovative Companies,” January 2003, Fast Company

\textsuperscript{17} Quartz
Why would hipsters, as a collective, select PBR as their brand of choice? The beer was very similar to major competitors — it was inexpensive, watery, and low in alcohol. The beer didn’t have quality taste — *The Washington Post* said, “It tastes like a dirty ping-pong ball just fell into it even when a dirty ping-pong ball didn’t. It tastes like morning breath. It tastes like cardboard with B. O. If someone says he actually likes the way PBR tastes, you should check and make certain something is not the matter with his sense of smell.”

If the beer was so bad, why did sales dramatically pick up after an all-time-low in 2001? *The Washington Post* continues, “But it has never striven to be anything other than what it is. None of the Domino’s-style televised self-flagellation, where you try to turn over a new branding leaf by apologizing to everyone you’ve wronged over the years — ‘Yes, we are aware that our beverage tastes like stale old-man tears.’ None of that. It is what it is.” And this — the way PBR branded itself — seems to be the exact reason the beer became wildly successful yet again.

“There was no brilliant marketing campaign to thank for PBR’s remarkable growth. In fact, its branding has been largely unintentional,” Quartz said in an article titled “How Pabst Blue Ribbon became a billion-dollar beer.” “After observing the beer’s unexpected popularity in Portland, Oregon back in 2001, the company concluded that people were buying the beer because it wasn’t aggressively being pitched to them.”

Hipsters felt that they were imbibing this cheap beer by their own volition. Rene Reinsberg, CEO of Locu, conceives, “Cheap signifies underdog […] The underdog thing is important to this audience. If a beer is expensive, it doesn’t fit the story. Hipsters are into adopting the underdog.” By drinking PBR, hipsters were able to reject the ideals of big business and neglect the almost forceful marketing campaigns of PBR’s competitors. Drinking

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17 Roberto A. Ferdman, “How Pabst Blue Ribbon became a billion-dollar beer,” March 2014, Quartz
19 Brad Tuttle, “After PBR: Will the Next Great Hipster Beer Please Stand Up?,” May 2013, *Time*
this beer made them independent and egalitarian. It allowed them to freely express themselves and their desires without the interference of a strong capitalist hand.

Since PBR’s shift in brand image around the early 2000’s, the company has continued “marketing itself by not marketing itself.” 17 Its competitors, however, continue to aggressively market their beers to the American public by purchasing prime-time TV spots and sponsoring digital advertisements. 17 Figure B shows that, while PBR has seen substantial beer sales growth, its competitors’ aggressive marketing tactics haven’t done much to aid their declining or stagnant sales growth.

Figure B

Source: Quartz 17

Taking a second look at Figure A, there is a noticeable rise in sales from 2008 onwards. In fact, once The Great Recession hit in 2008, PBR saw a 20.3% jump in sales that year and
increase in consumption of 42% from 2008 to 2010. In trying to explain this phenomenon, Euromonitor conjectures that hipsterism is the reason consumption rose to such a high degree, and Salon observes that, “Hipsters fetishize the lowbrow culture of the ’70s and ’80s.”

In 2010, billionaire investor Dean Metropoulos purchased the brand for $250 million. By 2013, Euromonitor data suggests that Americans drank more than 90 million gallons of PBR (340.7 million) — an increase of 35% of sales volume from 2010 and 200% from 2004. In 2014, about four years after Metropoulos purchased the brand, he sold the brew for nearly $750 million. Evidently, the new valuation was three times higher than it had been four years earlier, and experts maintain that this was, in part, due to the popularization of hipster subculture.

Some of Pabst Blue Ribbon’s competitors have caught on. Narragansett, a Rhode Island beer that had been near dead for a decade, was revived by new ownership in 2005. Taking note of how PBR was gaining traction in the beer industry, Narragansett pursued a similar strategy in terms of appealing to hipsters. For starters, the brewery knew that in order to appeal to hipsters, they had to keep the beer relatively inexpensive. For a six-pack of 16 oz. bottles, the brewery kept retail prices at around $4.99 when the industry average was higher. The company also often tries to relate to a sense of nostalgia; several years ago, Narragansett ran a contest that featured retro “Crush It Like Quint” cans — referring to Quint, a character in Jaws, who quickly drank a can of Narragansett and crushed the can with his hands after. The contest asked consumers to “Recreate this memorable scene to the best of your ability with this can. Snap a photo and send it to us. The best and most creative ‘Crush It Like Quint’ entry will win a Gansett prize pack including a Blu-Ray copy of JAWS.”

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20 Edward McClelland, “And the next great American beer will be…?,” August 2008, Salon
B. Urban Outfitters

Dick Hebdige’s *Subcultures and the Meaning of Style* elucidates the relationship between subcultures and clothing. He says, “Clothing can be an immediate and accessible cue for communicating group affiliation and status,” indicating that people use clothing to signal to others that they identify with a certain subset of society. He highlights the distinction between common and subcultural style and explicates that common style has a “naturalness” and “relative invisibility” to it, whereas subcultural style is “a loaded choice” that “directs attention to itself” and “gives itself to be read.” Following this logic, style is a choice that allows us to identify ourselves both as individuals and members of groups. Urban Outfitters has demonstrated that it understands this concept well and can capitalize on it.

Launched in 1970 in Philadelphia, PA, Urban Outfitters is now a multinational brand with 238 retail stores across North America and Europe. Throughout its existence, the retailer has been described as “kitschy,” “bohemian,” “bizarre,” and “hipster,” and unlike Pabst Blue Ribbon, Urban Outfitters has made an intentional effort to market to hipsters and young, “nostalgic” liberals. According to the company website, Urban Outfitters’s “established ability to understand [their] customers and connect with them on an emotional level is the reason for [their] success.” The website also states, “[Their] goal is to offer a product assortment and an environment so compelling and distinctive that the customer feels an empathetic connection to the brand and is persuaded to buy.”

The company has been marketing to this specific target audience for several decades; in a 1986 Chicago Tribune article, a buyer for the retailer said, “I look for toys that would have a nostalgia appeal to our customers. We started carrying them about five years ago, and since then,

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22 Dick Hebdige (1979), *Subculture: The Meaning of Style*
23 Yahoo Finance, “Urban Outfitters”
24 [http://www.urbn.com/profile](http://www.urbn.com/profile)
the business has more than tripled.” 25 Throughout the company’s history, management sought to mass-market the hipster counterculture by venerating and re-popularizing art, music, and fashion of the past. Urban Outfitters’s target audience “[rejected] traditional lifestyles and careers; and [appreciated] irony,” according to Racked. 26 “They made a hard-to-define bohemian lifestyle accessible to an entire generation of young people growing up in the cookie-cutter suburbs.” 26

Figure C

<table>
<thead>
<tr>
<th>Gross Profit (indexed to 2004)</th>
</tr>
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<tbody>
<tr>
<td>URBN</td>
</tr>
<tr>
<td>AEO</td>
</tr>
<tr>
<td>ANF</td>
</tr>
<tr>
<td>GPS</td>
</tr>
</tbody>
</table>

Source: SEC

Figure D

26 Elizabeth Segran, “The Fall of the Hipster,” March 2015, Racked
Source: SEC

Figure E
Figures C, D, and E graph out net income, and gross profit, and net sales of Urban Outfitters (URBN) and some of its publicly traded competitors in the millennial retail space: American Eagle Outfitters (AEO), Abercrombie & Fitch (ANF), and Gap (GPS). The three graphs are all indicators of the same underlying facts, and all three tell a consistent story about levels of consumption for Urban Outfitters and its competitors in the last decade. They demonstrate that in the last 10 years, Urban Outfitters has seen a fairly consistent rate of growth while its competitors have seen much more variation and irregularity in gauging growth rates. To keep measures consistent with our case study on Pabst Blue Ribbon and because net sales is regarded as a much more pure value of consumption, we will focus more on net sales than on net income or gross profit for this analysis.

It appears that up until 2007, Urban Outfitters, American Eagle, and Abercrombie & Fitch had seen fairly substantial growth in sales. Gap, which has earned an average of $15.4 billion in net sales over the past decade, was an anomaly as it had seen a decline in net sales. After 2007, when the financial crisis hit America, many American retailers saw declining retail sales.
Figure F manifests the negative impact that The Great Recession had on monthly retail sales for American retailers. The year 2008 was favorable for Urban Outfitters and American Eagle, as both had seen fairly significant increases in yearly sales; Abercrombie & Fitch and Gap, on the other hand, saw declining growth. Figure F demonstrates that retailers began to slightly bounce back in 2009, while the nation was still in the depths of the crisis. In the millennial space, however, it appears that 2009 was generally not favorable. This is exemplified in declining or stagnant sales for American Eagle, Abercrombie & Fitch, and Gap in Figure E.

Source: Business Insider

Despite declining or stagnant sales in the industry, Urban Outfitters continued to grow throughout the recession. Although this evidence is not entirely conclusive, it does suggest that Urban Outfitters went against normal retail trends and appealed to a growing market. This would make sense, because at the time, Urban Outfitters was expanding to college towns, appealing to students who were “looking to express their newfound interest in indie rock or ‘80s nostalgia could put together an entire look in a matter of minutes at one of these stores.”

Urban Outfitters strategically acted on the rapid popularization of hipsterism and created a space where young, liberal-minded millennials didn’t have to sort through thrift shop bins anymore to “feel like [they] were stumbling across rare, special objects.”
IV. Ostalgie and its Similarities with Hipsterism

Next, we will discuss a phenomenon in the former Eastern Bloc known as Ostalgie — a portmanteau that references the words nostalgia and ost – the German word for “east.” We intend to explore the history and dynamics of Ostalgie and how it played a big role in the development of a post-reunification German subculture. We will then go on to discuss “GDR revival” and apply the same basic economic and psychological principles at play to deliberate what might have brought about the rise of hipsterism. To briefly restate our hypothesis: widespread nostalgia, which venerated a liberal past and rejected capitalist hegemony, catalyzed the commoditization of hipsterism.

As mentioned before, subcultures and cultural movements are often formed as a result of widespread unhappiness and mistrust. One such example of this happening is Ostalgie. In simple terms, Ostalgie refers to the nostalgia of daily life and culture of socialist Europe that spread throughout the continent a short time after communism fell. It is most notable in East Germany (and East Berlin), the Czech Republic, Poland, and the USSR. To provide some background on why Ostalgie exists, we need to look at the characteristics of daily life under communism in Eastern Europe. Daphne Berdahl, in her paper “‘(N)ostalgie’ for the Present,” illustrates this fairly well in her analysis of Ostalgie and GDR revival.

A. A Deeper Look into East German Communism and Ostalgie

For more than 40 years after World War II, the German state was divided into East and West Germany. West Germany established itself as a parliamentary republic with democratic characteristics; there, West Germans held free elections and embraced western-style capitalism.
East Germany (or the German Democratic Republic - “GDR”), which was occupied by the Soviets immediately following World War II, was set up as a Marxist-Leninist socialist state. There, the economy was heavily regulated and centrally planned, and elections were not nearly as free as what was originally intended. At the time, East Germany was notorious for being a puppet state of the Soviets even after the Soviets had officially transferred authority to German communist leaders.

East Germany, under its newly set up socialist state, became heavily industrialized and national success was highly dependent on a strong collective work ethic. In order to ensure a strong work ethic, the state looked to synthesize both the public and private spheres of people’s lives into one identity; politicians worked with state owned enterprise managers to establish doctors’ offices and daycare centers on factory grounds and sponsor small field-trips that provided opportunities for workers to travel short distances away from their homes. These production rituals enforced by the state aimed to create a production-based identity for its citizens and promote loyalty to the newly formed political system. As a result, daily life revolved around the community engendered by production, and GDR citizens began to proudly think of themselves as pawns in a big pool of East German laborers.  

By the 1960s, East Germany had near accomplished its goals of ensuring national economic success despite backlash from the West. Enhanced product design and marketing had prompted more success in the GDR’s production chain than it had in the past (Berdahl, 1999). However, this brief golden age of production did not last long. Ingenuity and creativity eventually lost their places in East German production, and many everyday consumer products — like laundry detergent, soft drinks, and even cars — went largely unchanged; this, while in the west, capitalism spurred innovation and new product development. Berdahl posits, “For many

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28 Daphne Berdahl (1999), “‘(N)Ostalgie’ for the present: Memory, longing, and East German things”
people on both sides of the inter-German border, this lack of product innovation and consumer choice, more than any political difference, constituted the principal distinction between East and West. As one woman told me: 'We saw on western TV that every year they [West Germans] had a new model of car, while our Trabi remained the same,’ ” (Berdahl, 1999).

In fact, historian Robert Darnton beheld a stark difference in German cars that he felt embodied the contrast between East and West Germany. He stated, “The two Germanys: one super-modern, hard-driving, serious, and fast; the other, archaic, inefficient, absurd, and slow, but with a lot of heart.” West Germans produced cars under brands like BMW, Porsche, and Mercedes that held high international recognition and prestige; on the other hand, East Germans manufactured their Trabant (“Trabi”), which, with its outdated style and manufacturing, embodied the country’s relative ineptitude and mediocrity.

When socialism ultimately failed in East Germany and the two countries reunified in 1990, distinct differences in manufacturing capabilities and, more importantly, differences in culture were amplified. West German capitalism was quickly imposed on the former eastern side, and easterners, or Ossis as they were known in Germany, were quickly seduced by ideals of the west. Not too long after reunification, Ossis quickly rejected buying their drab, outdated products in favor of purchasing sexier, more developed West German products. This skyrocketing rush in demand for West German products and short-term rejection of former GDR goods caused distributors to near eliminate East German products from store shelves (Berdahl, 1999). Instead, former GDR goods were consigned to warehouses and waste dumps. Furthermore, local East German shops were driven out of business by large retail chains and discount stores from the west.
Soon after, GDR goods were often subject to mockery and ridicule by former West Germans. Because the communists had engendered such a strong communal identity around manufacturing, East Germans attached a very strong sentimental value to products that they created, and despite the fact that even they were not buying Trabis or bottles of *Vita Cola* anymore, East Germans became increasingly defensive of the products they helped manufacture. Furthermore, because former GDR citizens were struggling to find work in unified Germany and because employment played such an important role in identity and state ideology, East Germans began to profoundly lose their sense of belonging in society (Berdahl, 1999). This caused a rift between both sets of Germans, as West Germans pushed their arguably more advanced culture on easterners and Ossis banded together in oppositional solidarity, having felt slighted by West German hegemony.

When Berdahl studied the effect of West German dominance in former GDR villages, she noticed a surge in the fervency of East German pride. Berdahl saw elements of post-communist nostalgia seep their way into everyday life, noting that women began re-sporting their *kittel* — a symbol of employment in the GDR — as they worked, despite kittels being considered obsolete and outmoded in the west. She logs, “A family chose to drive the Trabi instead of their western Opel to a dinner with West German relatives. […] Similarly, a group of men chose to drink East German beer after it had been nearly taboo to serve it socially; women resumed buying the East German laundry detergent *Spee*; teenagers sought out the East German *Vita Cola,*” (Berdahl, 1999).

This symbol of resistance — often referred to as “GDR revival” — had disseminated across eastern Germany, becoming a cultural ritual and routine of sorts by the mid 1990’s. Promoting a GDR revival and consuming Ostalgic products was a way for East Germans to
assert their identities in a unified Germany. The chairman of Konsum, a supermarket in Germany, explained that people re-popularized GDR products “out of disappointment, out of pride, out of definition and demarcation from western Germany,” (Berdahl, 1999).

**B. Ostalgie Today**

Today, Ostalgie has become a profitable industry in the former Eastern Bloc, and the prominence of Ostalgie in Eastern European societies suggests that the counter-motion against western dominance has been commoditized. Former communist products have adopted a new meaning as they continue to resurface in Eastern Europe’s evidently post-communist society. Subscribers to Ostalgie have reconstructed a very purified image of daily life under the regime, neglecting the harsh and oppressive realities that came with communism. GDR products are no longer associated with feelings of ineptitude and mediocrity; instead people buy into Ostalgie to vicariously reminisce the days of no unemployment and low crime rates.

This elucidates the malleability of memory and demonstrates the susceptibility of large groups of people recreating rosy views of the past. Susan Stewart postulates that nostalgia longs “for an impossibly pure context of lived experiences” and “wears a distinctly Utopian face, a face that turns toward a future-past, a past which has only ideological reality.” 29 Relating this back to Ostalgie, Berdahl asserts, “The re-memorization, re-appropriation, and ideological re-assertion of trivialities in the former GDR unveil the workings of hegemonic memory-making in the new Germany,” (Berdahl, 1999). In the next section, we will explore the economics of memory and nostalgia to further elucidate what could have brought about Ostalgie and offer an economic rationale to apply to hipsterism.

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V. Theoretical Framework

To establish a theoretical framework for this thesis, we will dive into the work of several economists who have explored the inner workings of memory and nostalgia. These economists’ papers mostly feature behavioral economics and are not based off of the rational choice theory — which assumes humans always make rational choices — as many traditional economic works are. Because behavioral economics gives us more insight into the psychological drivers of decision-making, we felt that this would apply better to studying the commoditization of hipsterism than would a traditional economic model. This paper will chiefly explore two economic principles — hindsight bias and retrospective impact bias — to create a framework and story of what might have happened to hipsterism during The Great Recession of 2008. The thesis will follow a two-step framework, as described below.

We will attempt to demonstrate that a significant portion of the population became jaded by and held contempt for the financial system because of hindsight bias and its manifestations in the human psyche during wide scale disasters. Next, we will explain the phenomenon of retrospective impact bias and apply it to the history of hipsterism; this will be in an attempt to validate our theory that hipsters retrospectively viewed the past as a better time period and sought to identify more with the past than the present.

A. Hindsight Bias

Hindsight bias, more colloquially known as the “knew-it-all-along” affect, codifies the psychological phenomenon in which people see an event (i.e. the flooding of New Orleans after Hurricane Katrina) as having been predictable, but only after the event had already occurred.
This form of bias is exhibited in Figure G below, where respondents indicated how likely a specific outcome was going to occur. Evidently, hindsight ("Told Outcome 1-4") strongly increased the perceived probability of that specific outcome as compared to foresight ("Not Told Outcome").

**Figure G**

<table>
<thead>
<tr>
<th>Experimental Groups</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not Told Outcome</td>
<td>33.8</td>
<td>21.3</td>
<td>32.3</td>
<td>12.3</td>
</tr>
<tr>
<td>Told Outcome 1</td>
<td>57.2</td>
<td>14.3</td>
<td>15.3</td>
<td>13.4</td>
</tr>
<tr>
<td>Told Outcome 2</td>
<td>30.3</td>
<td>38.4</td>
<td>20.4</td>
<td>10.5</td>
</tr>
<tr>
<td>Told Outcome 3</td>
<td>25.7</td>
<td>17.0</td>
<td>48.4</td>
<td>9.9</td>
</tr>
<tr>
<td>Told Outcome 4</td>
<td>33.0</td>
<td>15.8</td>
<td>24.3</td>
<td>27.0</td>
</tr>
</tbody>
</table>

Source: “Psychology of Intelligence Analysis”  

Several economists and psychologists have spent a substantial amount of time and effort to determine why this occurs. Baruch Fischhoff and Ruth Beyth, in their 1975 paper “I Knew It Would Happen,” conjectured that as humans receive new information, their original accounts of that information become inaccessible, resulting in a bias that they “knew it all along.” More

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30 Richards Heuer (1999), “Psychology of Intelligence Analysis”  
31 Fischhoff & Beyth (1975), “I Knew It Would Happen”
recent accounts and theories posit that people do not use new information to alter or overwrite old memories but rather use the outcome as a cue to reconstruct them.  

Ever since the phenomenon was officially documented and researched, hindsight bias has been proven to span across a number of different domains. For example, historians and authors notoriously exhibit hindsight bias in their writing; often times, they will write about an historic battle or a presidential campaign, but do so through the lens of the eventual outcome. In this vein, authors might potentially exaggerate the strides of an eventually victorious army camp and overstate the pitfalls of the opposition.

In another experiment, people were asked whether or not they thought O.J. Simpson was guilty or innocent two hours before the verdict, two days after the verdict, and one week after the verdict. Figure H shows that once O.J. Simpson was acquitted of his two murder charges, an increasing number of respondents reported that they had always thought he was not guilty.

Figure H

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Data Source: Bryant & Brockway, 1997

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32 Bernstein, Atance, Meltzoff, & Loftus (2007), “Hindsight Bias and Developing Theories of Mind”
And in perhaps one of the most prevalent examples of hindsight bias in the business world: wide-spread, positive analyst perception of Enron up until the company’s timely demise in the early 2000’s manifests exactly how hindsight bias can lead to irrational decision-making. Until its fall, Enron was heralded as one of the most successful, powerful, and innovative companies in the world. Profits were skyrocketing, and analysts regarded Enron’s management as top-notch; thus, wealth and asset managers invested their clients’ money in Enron stock. As Louie, Rajan, and Sibley pointed out, “Those who remained unconvinced by the new economy hype were deemed as old-fashioned and as missing the opportunity for inevitable success.”

However, when the company announced an exceedingly large earnings adjustment downward, indicating that the company had committed mass fraud, public opinion on the company immediately turned negative. The media had quickly begun pushing articles about Enron’s poor management practices, and the tables had turned for the investors that were previously deemed “old-fashioned.” Louie, Rajan, and Sidney continue, “Hindsight bias for the now unfavorable outcome prompted individuals to scorn financial advisors for not anticipating what, in retrospect, seemed like the company's inevitable failure.”

A similar, much more widespread phenomenon occurred when the financial crisis hit the States at the tail end of 2007 into 2008. When the markets crashed, people who had lost their jobs and investments wondered why big financial institutions took exceedingly risky bets on subprime mortgages. A New York Times article titled “Financial Crisis Was Avoidable, Inquiry Says” sums up public sentiment fairly well. Sewell Chan opens the article, “The 2008 financial crisis was an ‘avoidable’ disaster caused by widespread failures in government regulation,

32 Bryant & Brockway (1997), “Hindsight bias in reaction to the verdict in the O.J. Simpson criminal trial”
corporate mismanagement and heedless risk-taking by Wall Street, according to the conclusions of a federal inquiry.” 35 Because these people were equipped with hindsight, they exhibited a clear bias and were under the impression that the financial crisis was avoidable all along. And while it very well may have been avoidable, hindsight bias caused people to lost trust in the financial system and grow increasingly unhappy with the hegemony of big business.

B. Rosy View

We have an implicit memory system that helps us accurately determine the valence of our past experiences; that is, our memory system can discern whether a past experience was positive or negative. However, because we are often affected by explicit memories 36 in the process of decision-making, it is important for us to be aware of the fact that our memories are not static and are often reconstructed and reshaped by our thoughts and feelings at the time of memory extraction. In this vein, it is important to accurately determine both the valence of our experiences as well as the intensity of our reactions before making any big decisions (Wilson, Meyers, & Gilbert, 2003). 37

However, there is another pitfall in our memory systems. Often times, we cannot accurately conclude how low our lows were and how high our highs were in the past. Generally, humans show a retrospective impact bias and mentally intensify how happy or sad they were in the past, and this exaggeration of emotion is not limited to one discipline or another. Impact bias has been found in retroactively reported happiness levels for the 2000 U.S. election, anxiety levels before important exams, and even satisfaction levels of previous vacations. Furthermore,

36 Note: explicit memories refers to memories that are reconstructive and can be heavily affected by people’s current thoughts and feelings
37 Wilson, Meyers, & Gilbert (2003), “How Happy Was I, Anyway?”
retroactive impact bias can be found in a variety of populations, ranging from college students to professors to dieters, and so on.

In a 2000 paper, Wilson et al. found that people might be subject to a focalism bias when thinking about past events (Wilson et al., 2000). In this case, people might consider their happiness in a vacuum, focusing on one element of their extended experiences and ignoring all other life events at the time that could have contributed to their referenced emotional state. Because of this, they are likely to overestimate the positive impact of a certain event or past time period (Wilson et al., 2000).

The culmination of all these theories points to two important traits about our memories: they are much more reconstructive and affected by our current emotions than we think, and our recollection of how good a certain time frame in our lives was is often wildly exaggerated. Economists refer to this overall effect as having a “rosy view.”

In a research paper titled “What to Do on Spring Break?”, researchers tested whether retrospective impact bias plays a role in how college students remember their respective spring breaks. The experiment was conducted by surveying participants over the course of eight weeks — several times before their break, several times during their break, and several times after their break. They were asked a series of questions that was designed to capture their subjective experiences and rank them as positive, negative, or neutral. Figure I depicts the overall subjective experience that participants reported regarding their spring break trips and also illustrates how predicted positives and negatives were perceived before, during, and after the trip. As Figure I depicts, retrospective impact bias played a key role in the perceived experiences that students had on their trips — exaggerating both the positives and negatives of their experiences.

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38 Wilson et al. (2000), “Focalism - A Source of Durability Bias in Affective Forecasting”

39 Wirtz et al. (2003), “What to Do on Spring Break?”
In the analysis of the paper, Wirtz et al. performed path analyses between the record data on their experiences and the participants’ desire to repeat the experience. Testing this on overall...
subjective experience, positive affect, and negative affect, Wirtz et al. concluded that the only predictor of participants’ desire to repeat the experience was their remembered experience; in simpler terms, participants’ rosy views (and not their predicted or online experiences) were the only views that made for a call to action. This data is presented in Table A. Thus, if participants had a fairly neutral experience during the trip but remembered it as much better than it actually was, participants were much more likely to repeat the trip.

Table A

<table>
<thead>
<tr>
<th>Measure</th>
<th>Prediction 2 weeks prior</th>
<th>Prediction 2-4 days prior</th>
<th>On-line experience</th>
<th>Recall 2-4 days after</th>
<th>Recall 4 weeks after</th>
<th>Desire to repeat experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>On-line experience</td>
<td>1.00</td>
<td>1.00</td>
<td>.58/.63/.70</td>
<td>.75/.53/.63</td>
<td>.54/.36/.23</td>
<td>.56/.49/.27</td>
</tr>
<tr>
<td>Recall 2-4 days after</td>
<td>1.00</td>
<td>1.00</td>
<td>.82/.84/.76</td>
<td>.72/.53/.48</td>
<td>1.00</td>
<td>.72/.53/.48</td>
</tr>
<tr>
<td>Recall 4 weeks after</td>
<td>1.00</td>
<td></td>
<td></td>
<td>.82/.84/.76</td>
<td>.72/.53/.48</td>
<td>1.00</td>
</tr>
</tbody>
</table>

Note: The three coefficients in each cell correspond to the overall-subjective-experience, positive-affect, and negative-affect measures, respectively. All correlations greater than .29 are statistically significant at the .05 two-tailed alpha.

Source: “What to Do on Spring Break?”

This same concept can be applied to explain the commoditization and popularization of hipsterism. The theory would go something along the lines of: disgruntled citizens, equipped with hindsight bias, were unhappy with the level of power that big financial institutions held. As a result, they looked back to a time when big business was apparently less powerful and saw that time period with a rosy view. Subsequently, because hipsterism — a movement that romanticizes the past — was already picking up in a number of different cities in America, these people latched onto it. To signal their newfound identities, these more “mainstream” hipsters bought hipster-related products sold by companies such as Pabst Blue Ribbon and Urban Outfitters and eventually surged the movement into global pop culture.
VI. Concluding Remarks and Key Takeaways

Although it may no longer be cool to outwardly identify as a hipster, the hipster subculture definitively still exists and continues to grow. Through this analysis, we have learned that hipsters are a highly influential group of people, not just in America, but also in many pockets across the developed world. Hipsters have brought back a variety of niche industries — some even more successful than they were in the past — by imbuing in pop culture a romanticization of the past. They have changed the way businesses operate and people think and dress; hipsters have even affected the way congressional and presidential campaigns are run. Yet, there has been very limited academic work on the subject matter.

Understanding the psychological and economic drivers that allowed hipsterism to gain so much traction in the last decade would allow us to make better-informed decisions regarding this big and still emerging subset of the developed world. This thesis aims to lay the theoretical foundations necessary for understanding the development of hipsterism and start the conversation about a potential link to understanding its rise — The Great Recession.

As this thesis proposes, nostalgia dramatically warps our perceptions of the past and creates impossibly pure versions of our memories. It constructs a past that “has only ideological reality.” 29 Perhaps this is why so many people reflected on the past during the financial crisis. Perhaps this is an explanation as to why evidence from pre-2008 and post-2008 suggests that there was a shift in hipster trends during that time period.
Works Cited


