

# The Brand Age

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In the early 1970s, disaster struck the Swiss watch industry. Now people call it the quartz crisis, but in fact it was a compound of three separate disasters that all happened at about the same time.

The first was competition from Japan. The Swiss had been watching the Japanese in the rear view mirror all through the 1960s, and they'd been improving at an alarming rate. But even so the Swiss were surprised in 1968 when the Japanese swept all the top spots for mechanical watches at the Geneva Observatory trials.

The Swiss knew what was coming. For years the Japanese had been able to make cheaper watches. Now they could make better ones too.

To make matters worse, Swiss watches were about to become much more expensive. The Bretton Woods agreement, which since 1945 had fixed the exchange rates of most of the world's currencies, had set the Swiss Franc at an artificially low rate of .228 USD. When Bretton Woods collapsed in 1973, the Franc shot upward. By 1978 it reached .625 USD, meaning Swiss watches were now 2.7 times as expensive for Americans to buy.

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The combined effect of foreign competition and the loss of their protective exchange rate would have decimated the Swiss watch industry even if it hadn't been for quartz movements. But quartz movements were the final blow. Now the whole game they'd been trying to win at became irrelevant. Something that had been expensive — knowing the exact time — was now a commodity.

Between the early 1970s and the early 1980s, unit sales of Swiss watches fell by almost two thirds. Most Swiss watchmakers became insolvent or close to it and were sold. But not all of them. A handful survived as independent companies. And the way they did it was by transforming themselves from precision instrument makers into luxury brands.

In the process the nature of the mechanical watch was also transformed. The most expensive watches have always cost a lot, but why they cost a lot and what buyers got in return have changed completely. In 1960 expensive watches cost a lot because they cost a lot to manufacture, and what the buyer got in return was the most accurate timekeeping device, for its size, that could be made. Now they cost a lot because brands spend a lot on advertising and use tricks to limit supply, and what the buyer gets in return is an expensive status symbol.

That turns out to be a profitable business though. The Swiss watch industry probably makes more now from selling brand than they would have if they were still selling engineering. And indeed, when you look at the graph of Swiss watch sales by revenue, it tells a different story than the graph of unit sales. Instead of falling off a cliff, the revenue numbers merely flatten out for a while, and then take off like a rocket in the late 1980s as the surviving watchmakers come to terms with their new destiny.

It took the watchmakers about 20 years to figure out the new rules of the game. And it's interesting to watch them do it, because the completeness of their transformation makes it the perfect case study in one of the most powerful forces of our era: brand.

Brand is what's left when the substantive differences between products disappear. But making the substantive differences between products disappear is what technology naturally tends to do. So what happened to the Swiss watch industry is not merely an interesting outlier. It's very much a story of our times.

Jaeger-LeCoultre's web site says that one of their current collections "takes its inspiration from the classic designs of the golden age of watchmaking." In saying this they're implicitly saying something that present-day watchmakers all know but rarely come so close to saying outright: whatever age we're in now, it's not the golden age.

The golden age was from 1945 to 1970 — from the point where the watch industry emerged from the chaos of war with the Swiss on top till the triple cataclysm that struck it starting in the late 60s. There were two things watchmakers sought above all in the golden age: thinness and accuracy. And indeed this was arguably the essential tradeoff in watchmaking. A watch is something you carry with you to tell you the time. So there are two fundamental ways to improve it: to make it easier to carry with you and to make it better at telling the time.

Obviously accuracy is valuable, but in the golden age thinness was if anything more valuable. Even in the days of pocket watches the best watchmakers tried to make their watches as thin as they could. Cheap, thick pocket watches were derided as "turnips." But thinness took on a new urgency when men's watches moved onto their wrists during World War I. And since thinness was more difficult to achieve than accuracy, it was this quality that tended to distinguish the more expensive watches of the golden age.

There is one other thing watchmakers have pursued in some eras: telling more than the time in the usual way. Telling you the phase of the moon, for example, or telling the time with sound. In the industry the term for these things is "complications." They were popular in the nineteenth century and they're popular again now, but except for one pragmatic complication (showing the date), they were a sideshow in the golden age. In the golden age, as always in golden ages, the top watchmakers focused on the essential tradeoff. And, as always in golden ages, they did it beautifully. The best watches of the golden age have a quiet perfection that has never been equalled since. And for reasons I'm about to explain, probably never will be.

The three most prestigious brands of the golden age were the so-called "holy trinity" of Patek Philippe, Vacheron Constantin, and Audemars Piguet. Their prestige was mostly deserved; they had earned it by the exceptional quality of their work. By the 1960s they stood on two legs, prestige and performance. And what they learned in the next two decades was that they had to put all their weight on the first leg, because they could no longer win at either of the two things watchmakers had historically striven to achieve. Quartz movements were not only more accurate than any mechanical movement, but thinner too.

The holy trinity at least had another leg to stand on. Most of the other well-known Swiss watchmakers sold only performance. None of those companies survived intact.

Omega showed what not to do. Omega were the nerds of Swiss watchmakers. They made wonderfully accurate watches, but they would have been ambivalent, at best, about the idea of being a luxury brand. When the Japanese got as good as the Swiss at making accurate movements, Omega responded in the Omega way: make even more accurate movements. They introduced a new movement in 1968 that ran at a 45% higher frequency. In theory this should have made it more accurate, but the new movement was so fragile that it destroyed their reputation for reliability. They even tried to make a better quartz movement, but there was nothing down that road but a race to the bottom. By 1981 they were insolvent and were taken over by their creditors.

Patek Philippe took the opposite approach. While Omega was redesigning their movements, Patek was redesigning their cases. Or more precisely, designing their cases, because until then they hadn't.

This is probably the point to mention what a strange beast the Swiss watch industry was in those days. It was a kind of capitalism that's hard to imagine today, and even then could only have been made to work in a country like Switzerland — a network of small, specialized companies locked into place by regulation. The companies that we for convenience have been calling watchmakers were merely the consumer-facing edge of this network. The holy trinity didn't design their own cases, or even their own movements most of the time.

In 1968 (that year again) Patek Philippe launched a new watch that shifted the center of gravity of case design. This time they'd taken their own designs to the casemakers and said "this is what you're going to make for us." The result was a striking new model called the Golden Ellipse. Somewhat confusingly, because it wasn't elliptical. The new case was more of what UI designers would call a round rect: a rectangle with rounded corners. And this new family of watches was quite successful. But it was more than that: it was the pattern for the future.

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How could merely designing a distinctive case be so important? Because it turned the entire watch into an expression of brand.

The trouble with the best watches of the golden age, from the point of view of someone who wanted to impress people with the brand of watch he was wearing, was that no one could tell what brand of watch you were wearing. Until you got within a few inches of them, the watches of all the top makers looked the same. That's the thing about minimalism: there tends to be just one answer. Plus the watches of the golden age were small by present standards. Watchmakers had spent centuries working to make them smaller, and by 1960 they'd gotten very good at it. So the only thing distinguishing one top brand from another was the name printed on the dial, and dials were so small that these names were tiny. The manufacturers' names on the holy trinity's golden age watches are between half and three quarters of a millimeter high. By taking over the case, Patek expanded the size of the brand from 8 square millimeters to 800.

Why did they suddenly decide to make their brand shout, after a century of whispering? Because they knew they weren't going to beat the Japanese on performance. From now on they'd have to depend more on brand.

There's a cost to doing this, which we can see even in this early example of case-as-brand. Golden Ellipses are not bad looking. They must have looked even cooler in the 1970s, when designers were turning everything into round rects. But the Golden Ellipse was not an evolutionary step forward in case design. Watches didn't all

become round rects. Watchmakers had already discovered the optimal shape for the case of something that describes a circle as it rotates.

They had also discovered the optimal shape for the crown, the knob on the side of a watch that you turn to wind it. But to emphasize the distinctive profile of the Ellipse, Patek made the crown too small, with the result that they're distractingly hard to wind.

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So even in this early example we see an important point about the relationship between brand and design. Branding isn't merely orthogonal to good design, but opposed to it. Branding by definition has to be distinctive. But good design, like math or science, seeks the right answer, and right answers tend to converge.

Branding is centrifugal; design is centripetal.

There is some wiggle room here of course. Design doesn't have as sharply defined right answers as math, especially design meant for a human audience. So it's not necessarily bad design to do something distinctive if you have honest motives. But you can't evade the fundamental conflict between branding and design, any more than you can evade gravity.

Indeed, the conflict between branding and design is so fundamental that it extends far beyond things we call design. We see it even in religion. If you want the adherents of a religion to have customs that set them apart from everyone else, you can't make them do things that are convenient or reasonable, or other people would do them too. If you want to set your adherents apart, you have to make them do things that are inconvenient and unreasonable.

It's the same if you want to set your designs apart. If you choose good options, other people will choose them too.

There are only two ways to combine branding and good design. You can do it when the space of possibilities is enormously large, as it is in painting, for example. Leonardo could paint as well as he possibly could and yet also paint in a style that was distinctively

his. If there had been a million painters as good as Bellini and Leonardo this would have been harder to do, but since there were more like ten they didn't bump up against one another much.

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The other situation when branding and good design can be combined is when the space of possibilities is comparatively unexplored. If you're the first to arrive in some new territory, you can both find the right answer and claim it as uniquely yours. At least at first; if you've really found the right answer, everyone else's designs will inevitably converge on yours, and your brand advantage will erode over time.

Since the space of watch design is neither unexplored nor enormously large, branding can only be achieved at the expense of good design. And in fact if you wanted one sentence to describe the current age of watchmaking, that one would do pretty well.

Patek Philippe didn't know for sure that making visibly branded watches would work. It was not even their only strategy, at the time. They were finding their way. But it was the strategy that did work, at least as measured by revenues.

For it to work the customers had to meet them halfway. Patek knew that not all their customers were buying their watches for the performance they delivered — for their accuracy and thinness. They knew that at least some customers were buying them because they were expensive. But it was unclear how many, or how far they could be pushed.

To encourage them, Patek did something that none of the holy trinity had done much of before: brand advertising. And what they talked about was how expensive their watches were. A 1968 Patek ad explained "why you are well advised to invest perhaps half a month's income" in an Ellipse. "Like every Patek Philippe," the ad continued, "this thin model is entirely finished by hand. Since a Patek Philippe is the costliest watch to make, production is severely limited: only 43 watches are signed out each day for delivery to prominent jewelers throughout the world."

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You can tell this is an early ad because they still mention thinness. But there is no mention of accuracy. Presumably Patek felt that battle was already lost.

The next move was made by Audemars Piguet, who in 1970 commissioned the renowned designer Gérald Genta to design their own iconic watch, this one, daringly, in steel. The result, launched in 1972, was the Royal Oak.

And Audemars Piguet's ads (for they too now started doing brand advertising) emphasized its high cost even more dramatically. "Introducing steel at the price of gold," one began. "You're looking at the costliest stainless steel watch in the world — the Audemars Piguet 'Royal Oak'. What makes it even more precious than gold is the time that went into building it, by a vanishing breed of master watchmakers." At the bottom of the ad they turn the traditional formula on its head and describe their watches as being "priced from \$35,000 and down."

The Royal Oak was also a step forward in surface area devoted to brand. The Golden Ellipse had turned the watch face into an expression of brand, but it used ordinary straps and bracelets. In the Royal Oak, the watch face was integrated with a metal bracelet that continued its design all the way around the wrist. When it said "You're looking at the costliest stainless steel watch in the world," it said it with every square millimeter of surface area.

Would customers buy this new approach? The initial results were moderately encouraging. The holy trinity's sales didn't take off, but they didn't go down to zero either. There were at least some people out there responding to the new message. Perhaps if they kept at it the number would grow.

So they did. Encouraged by the success of the Royal Oak, Patek Philippe commissioned Gérald Genta in 1974 to design a similar watch for them. The design of the Royal Oak had been inspired by a ship's porthole, so the design of this new watch would be inspired by... a ship's porthole. It was called the Nautilus, and it launched at the Basel Watch Fair in 1976.

In the Nautilus we really see the incompatibility of branding and design. It was huge. The most expensive men's watches at the peak of the golden age were typically 32 or 33 millimeters in diameter. The Nautilus was 42 millimeters. And as well as being huge it had gratuitous knobs on either side of the face, like a pair of ears. But you could recognize one from across the room.

Of all the watches Patek makes now, the Nautilus is the most sought after. It's perfectly aligned with what present-day buyers want — basically, the loudest possible expression of brand. But in 1976 it was ahead of its time. In 1976 it was still a little too much.

The watch that finally turned Patek's fortunes around was another iconic design, the hobnail calatrava. The hobnail calatravas were so called because they were decorated with tiny pyramid-shaped spikes. That was enough to make them look distinctive. But except for the hobnails they were basically golden age dress watches.

The hobnail calatrava was apparently the brainchild of René Bittel, the head of Patek Philippe's ad agency. It was not a new design. Many watchmakers had decorated their cases with hobnails over the years, and there had been a Patek model with them since 1968. But in 1984 Bittel told Patek president Philippe Stern, in effect: make this your standard design, and I'll create an ad campaign to identify it in people's heads with your brand.

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It worked spectacularly well. The resulting watch, the 3919, is known as the "banker's watch" because it became so popular among investment bankers in New York in the 80s and 90s. Up to this point Patek had been hedging their bets, making quartz watches as well, and arguing defensively in their ads that quartz watches in fancy cases were almost as laborious to make as mechanical ones. But the bankers bought the full mechanical story. They didn't even need self-winding mechanical watches; the 3919 was hand-wound. So be it. Patek stopped talking about quartz movements. And their sales, which had been flat since the early 70s, were by 1987 on a clear upward trajectory.

It's hard to say for sure whether the critical ingredient was Bittel's skill at advertising or a receptive audience, but as someone who knew these investment bankers, I'd lean toward the audience. These were the people for whom the term "yuppy" was coined. Living expensively was one of the things they were best known for. If anyone was going to adopt a new way to display wealth, it would be them. Whereas if Bittel had sent the same message ten years earlier, there might have been no one to hear it.

Whatever the cause, something happened in the second half of the 1980s, because that's when all the numbers finally start going up again. Up till about 1985 it was still not clear what would happen with mechanical watches. By 1990 it was. By 1990 the custom of using expensive, highly-branded, conspicuously mechanical watches as status symbols was firmly established.

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Obsolete technologies don't usually get adopted as ways to display wealth. Why did it happen with mechanical watches? Because the wristwatch turns out to be the perfect vehicle for it. Where better than right on your wrist, where everyone can see it? And more to the point, what better to do it with? You could wear a diamond ring or a gold chain, but those would have seemed socially dubious to investment bankers. They might have been barbarians, but they weren't mafia. Whereas nothing could be more legit than a gold watch. The chairman of the company was still wearing one his wife gave him 20 years ago, before quartz watches were even a thing. If the increasing pressure to display wealth was going to emerge anywhere, this was the place.

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For men, at least. Women never really went for the idea of wearing mechanical watches. Most rich women are happy wearing a Cartier tank with a quartz movement. Why the difference? Partly for the same reason that most buyers of steam engines are men. But the main reason is that expensive mechanical watches now serve as de facto jewelry for men, and women don't need de facto jewelry because they can wear actual jewelry.

It was critical, though, that mechanical watches were accurate enough. A new 3919 would have been off by no more than 5 seconds a day. That was nowhere near as good as quartz. Even the cheapest mass market quartz watches were accurate to half a second a day, and the best ones were accurate to 3 seconds a year. But in practice you didn't need that kind of accuracy. If mechanical watches had only been accurate to a minute a day they couldn't have made the leap from keeping time to displaying wealth. It would have seemed too manifestly unluxurious to have a watch that always had the wrong time. But 5 seconds a day was close enough.

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This is an important point about the relationship between brand and quality. Quality doesn't stop mattering when a product switches to something people buy for its brand. But the way it matters changes shape. It becomes a threshold. It no longer has to be so great that it sells the product; brand sells the product; but it does have to be good enough to maintain the brand's reputation. The brand must not break character.

It was a lucky thing for the watchmakers that yuppies arose just in time to save them. Or maybe not so lucky. Because the evolution of the market that yuppies represented has continued with a vengeance, and watchmakers have perforce been dragged along with it. If they don't make gigantic blingy watches for buyers in Hong Kong and Dubai, someone else will. So that is what they now find themselves doing. And what began with a few comparatively subtle examples of the conflict between branding and design is now an all out war on design.

The present era of mechanical watchmaking doesn't yet have a name. But if we need one, it's obvious what it should be: the brand age. The golden age ran from 1945 to 1970, followed by the quartz crisis from 1970 to 1985. Since 1985 we've been in the brand age.

This won't be the only brand age. Indeed, it's not even the first; fine art has been in its own brand age since the establishment of the Barr canon in the 1930s. And since we'll probably see more of this kind of thing, it would be worth taking some time to look at what a brand age is like.

How are things different now from the way they were in the golden age? The best way to answer that might be to imagine what someone from the golden age would notice if we brought him here in a time machine.

The first thing he'd notice, if he walked through a fancy shopping district, is that all the prominent watchmakers of the golden age seem to be doing better than ever. They're not only all still around, but most now have their own boutiques instead of depending on jewelers to sell their products as they used to back in the day.

In fact this is an illusion. Only three watchmakers survived the dark days of the 70s and 80s as independent companies: Patek Philippe, Audemars Piguet, and Rolex. All the rest are owned by six holding companies, which reinflated them as it became clear that mechanical watches would have a second life as luxury accessories for men. Instead of separate companies they're now more like the brands that got rolled up into the big three American automakers: they're ways for their parent companies to target different segments of the market. So Longines, for example, no longer competes with Omega, because the company that owns them both has assigned it a lower tier of the market.

[10]

There's a reason the Vacheron Constantin boutique looks so much like the IWC and Jaeger-LeCoultre boutiques, and for that matter the Montblanc and Cartier boutiques. They're all owned by the same company. It's similar with clothing brands, incidentally. When you walk through a town's fanciest shopping district, what seem to be the shops of lots of different brands are actually owned by a handful of conglomerates. That's one reason these districts seem so sterile; like suburbs built by a single developer, they have an unnatural lack of variety.

When our time traveler peered into the windows of these shops, the first thing he'd notice would be how large all the watches were. This would surprise him, because in the golden age, as indeed in all the preceding centuries, big meant cheap. An expensive golden age men's watch might have been 33 millimeters in diameter and 8 millimeters thick. An expensive watch today will be more like 42 millimeters in diameter and 10 millimeters thick — more than double the size. It would astonish our visitor to look through the windows of what were clearly very fancy shops and see what seemed to be cheap watches.

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We know how this happened. When watches switched from telling time to telling brand, they grew in size to be better at it. And not just in size, but in shape too. That's another thing our time traveler would notice: the surprising variety of strange case shapes and awkward protrusions that have been produced as the centrifugal tendency of branding played out. What, he'd wonder, is going on with the huge guards on the crowns of those Panerai's? What do people do with these watches that makes the crown need such protection? And why would a crown guard have a message engraved on it saying that it's a registered trademark? It's obvious to us what's going on here, but imagine how confusing it would be to someone from the golden age, when form followed function.

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As he puzzled over this strange assortment of bulky watches, he'd notice a further pattern. He'd realize that a surprisingly large number of them looked like a specific brand of bulky watch he was already familiar with.

I haven't talked about Rolex so far, because Rolex didn't have to do much to adapt to the new era. They already had one foot in the brand age during the golden age. Early in their history they put a lot of effort into making their watches better, but they "stopped taking part in competitions in Geneva and Neuchâtel at the end of the 1950s," and from about 1960 "largely abandoned research into mechanical watchmaking."

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The reason was not that they'd become

lazy, but that they'd discovered they could make sales grow faster by marketing their watches as status symbols. So that became their focus during the 1960s, and by the time the quartz crisis hit ten years later, their customers were self-selected to be people who didn't care that much what was inside a watch, so long as it was recognizably a Rolex.

And they were far ahead of other watchmakers in that department. They already had in the 1940s what we saw Patek Philippe and Audemars Piguet struggling to create in the 1970s and 80s: a case that immediately proclaimed the brand of the maker. The Rolex look seems to have evolved organically, but once it did, they realized how important it was. In fact they pitched it as one of the features of their watches. A 1960s Rolex ad says "You can recognize its classic shape, carved out of a block of solid gold, from the other end of the conference table."

Indeed Rolex was ahead of its time in both dimensions: their cases were not merely recognizable, but big too, at least by golden age standards. That was not the result of clever marketing, though. It was a byproduct of the founder Hans Wilsdorf's obsession with building waterproof watches.

As its name suggests, that was the *raison d'être* of the Rolex Oyster. Watches like the Oyster were designed to be tough, like Jeeps. In the golden age there were two poles of watch design. At one end were tool watches, which were thick, tough, and usually made of steel. At the other end were dress watches, which were thin, elegant, and usually made of gold. But Rolex blurred the line between them. When they made thick, tough watches, they made them out of gold as well as steel. The result was a sort of luxury Jeep. And if that phrase didn't ring a bell in your head, stop and think about it, because that is exactly what everyone is driving now. That's what SUVs are, luxury Jeeps. What happened to watches is the same thing that happened to cars. And indeed if our time traveler turned and saw a Porsche Cayenne pass by and realized what it was — a huge, pseudo-offroad vehicle meant to recall the Porsche 911 — he might have been even more shocked than he was by the watches he'd been looking at.

If the time traveller walked into a Patek Philippe boutique and actually tried to buy a Nautilus, he'd get the biggest shock of all. They wouldn't sell him one. Because at Patek he'd encounter the most extreme brand age phenomenon: artificial scarcity. You can't just buy a Nautilus. You have to spend years proving your loyalty first by buying your way through multiple tiers of other models, and then spend years on a waiting list.

[15]

Obviously this strategy sells more watches. But it also supports retail prices by keeping watches off the secondary market. A company using artificial scarcity to drive sales can't allow too many of the scarce models to leak into the secondary market, or they stop being scarce. The ideal is the watch equivalent of carbon sequestration: for the people who buy their watches to keep them till they die.

To push the market toward this ideal, Patek squeezes from both sides of the sale. They weed out flippers by making the path to the scarce models so costly in both time and money — so inconvenient and unreasonable — that only a genuine fan would endure it. The lower tier watches sell for below retail on the secondary market, because Patek doesn't restrict their supply, so a would-be flipper should have to spend years making money-losing purchases before he could even get something he could flip at a profit. Apparently some people still manage to beat this system though, so Patek's countermeasures don't end there. They keep a vigilant eye on secondary sales to see who's selling their watches. Auction listings usually include serial numbers, so those are easy to trace, but if necessary they'll rebuy their own watches on the secondary market to get the serial number and trace the leak. They buy hundreds a year. And when they catch someone selling watches they don't want them to, they don't just cut off that customer. If a retailer's customers are responsible for too many such leaks, they'll cut off the whole retailer. Which naturally makes retailers eager to help them police buyers.

There will of course always be some leaks into the secondary market. Even the most loyal customers die at a certain rate. And in fact it's critical for Patek that the secondary market continue to exist, because it's one of the most valuable sources of information they

have about the most important question they face: how fast to increase the supply of the top tier watches. Their scarcity helps drive the purchases of all the others, so those that do make it into the secondary market should always sell for above retail. And I'm sure Patek leaves a large margin for error when increasing supply, because if secondary market prices for these watches get close to retail prices, you're getting close to a price collapse — which, since people now buy these watches as investments, would have the same disastrous cascading effect as the bursting of an asset bubble. It wouldn't just be like the bursting of an asset bubble. It would be the bursting of an asset bubble. That's the business an elite watchmaker is in now: carefully managing a sustained asset bubble.

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This is an instance of what I call the comb-over effect: when a series of individually small changes takes you from something that's a little bit off to something that's freakishly wrong. I'm sure Patek didn't cook up this whole scheme in one shot; I'm sure it evolved gradually. But look at what a strange place we've ended up in. Back in the golden age the way you bought a Patek Philippe was to go to a jeweler and give them money. Now Patek is policing buyers to maintain an asset bubble.

The most striking thing to me about the brand age is the sheer strangeness of it. The zombie watch brands that appear to be independent and even have their own retail stores, and yet are all owned by a few holding companies. The giant, awkwardly shaped watches that reverse 500 years of progress in making them smaller. The business model that requires a company to rebuy their own watches on the secondary market to catch rogue customers. The very concept of rogue customers. It's all so strange. And the reason it's strange is that there's no function for form to follow.

Up to the end of the golden age, mechanical watches were necessary. You needed them to know the time. And that constraint gave both the watches and the watchmaking industry a meaningful shape. There were certainly some strange-looking watches made during the golden age. They weren't all beautifully minimal. But when golden age watchmakers made a strange-looking watch, they knew they were doing it. In fact

they give the impression of having done it as a deliberate exercise, to avoid getting into a rut.

That's not why brand age watches look strange. Brand age watches look strange because they have no practical function. Their function is to express brand, and while that is certainly a constraint, it's not the clean kind of constraint that generates good things. The constraints imposed by brand ultimately depend on some of the worst features of human psychology. So when you have a world defined only by brand, it's going to be a weird, bad world.

Well that was dark. Is there some edifying lesson we can salvage from the wreckage?

One obvious lesson is to stay away from brand. Indeed it's probably a good idea not just to avoid buying brand, but to avoid selling it too. Sure, you might be able to make money this way — though I bet it's harder than it looks — but pushing people's brand buttons is just not a good problem to work on, and it's hard to do good work without a good problem.

The more subtle lesson is that fields have natural rhythms that are beyond the power of individuals to resist. Fields have golden ages and not so golden ages, and you're much more likely to do good work in a field that's on the way up.

Of course they don't call them golden ages as they're happening. "Golden age" is a term people use later, after they're over. That doesn't mean that golden ages aren't real, but rather that their participants take them for granted at the time. They don't know how good they have it. But while it's usually a mistake to take one's good fortune for granted, it's not in this case. What a golden age feels like, at the time, is just that smart people are working hard on interesting problems and getting results. It would be overfitting to optimize for more than that.

In fact there's a single principle that will both save you from working on things like brand, and also automatically find golden ages for you. Follow the problems.

The way to find golden ages is not to go looking for them. The way to find them — the way almost all their participants have found them historically — is by following interesting problems. If you're smart and ambitious and honest with yourself, there's no better guide than your taste in problems. Go where interesting problems are, and you'll probably find that other smart and ambitious people have turned up there too. And later they'll look back on what you did together and call it a golden age.

## Notes

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The Bretton Woods agreement didn't fix exchange rates between currencies directly. It fixed each relative to gold. Obviously this also fixed them relative to one another.

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The Golden Ellipse isn't quite a round rect, because the sides aren't quite flat. It's similar in shape to the superellipses popularized by Piet Hein in the early 1960s, and in fact that may be where they got the name. But mathematically it's not an actual superellipse. My guess is that Patek's designer just experimented with French curves till he got something he liked. And to be fair it is a good shape.

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It was ironic that Patek Philippe of all companies made this mistake, because Adrien Philippe was the inventor of the modern

crown. But they must have realized what they'd done, because later Ellipses have if anything excessively prominent crowns.

[4]

The high ratio of design space to practitioners in fine art has combined with the practical importance of attribution to give people the impression that painting in a distinctively Leonardesque way is what makes Leonardo good. The most dangerous problem faced by curators, art historians, and art dealers — the one that has the worst consequences if they get the wrong answer — is attribution. So inevitably they spend a lot of time thinking and talking about the features that distinguish the work of one artist from another. But those aren't what make artists good. What makes the line of a woman's cheek in a Leonardo drawing good is how good it looks as the line of a cheek, not how little it looks like lines made by other artists.

Because painting has such prestige, the myth that having a distinctive style (rather than painting well) is the defining quality of great artists has in turn given cover to a lot of bad design in adjacent fields. A brand that does something hideous to distinguish their products can say "Like all great works of art, ours have a distinctive style," and people will buy it.

[5]

An ad that Patek Philippe ran in America in 1970 famously described a Patek 3548 with a gold bracelet as a "\$1700 trust fund." Was it actually a good investment? In the very best case a dealer might pay you \$20k now for one in unworn condition with its original box and papers. That's about a 4.5% rate of return, which is not absolutely terrible. But apparently the average rate of return on S&P 500 stocks over this period was more like 10%, if you reinvested all the dividends after paying taxes on them. The average rate of return would have been over 9% if you merely bought a lump of gold that hadn't been made into a watch. So, not surprisingly, the ad wasn't very good investment advice.

[6]

Tania Edwards, who ran US marketing for Patek Philippe in the 90s, said that Bittel literally sketched the design of the 3919 on

a piece of paper. This sounds odd to me, because the 3919 looked exactly like the existing 3520 with the addition of sub seconds (a small dial with a second hand above 6 o'clock). Why would you sketch a design almost identical to an existing watch when you could just point to the existing watch and say "that, with sub seconds." What this story does show, though, is the degree to which people within Patek felt their ad agency was responsible for the design of the 3919.

[7]

If I had to date the turning point for mechanical watches precisely, I'd say 1986. Unit sales of Swiss watches rebounded in 1985, but revenue didn't, which means what we're seeing is the boom in cheap quartz Swatches. Indeed, sales of mechanical watches must have been down if revenue was flat despite the sale of all those Swatches. Whereas in 1986 revenue turns sharply upward even though unit sales only increase by a little, which implies a corresponding increase in sales of expensive mechanical watches.

[8]

There is of course another reason some people are into mechanical watches: because they're interested in old technology. And if you are genuinely interested in mechanical watches, there's good news. You don't have to wear a billboard on your wrist or pay a lot to own one. Just buy golden age watches. They still keep good time, they're much more beautiful, and they cost a fraction of what new watches cost.

The key to buying a golden age watch is to find a good dealer, and the best way to recognize one is by how much they tell you about the watch. A bad dealer will just have a lot of fluff about the prestige of the brand and the sleek lines of the case. A good dealer will tell you the model number of the watch and movement, have lots of pictures, including some with the case back open, give you dimensions, disclose all damage and restoration, and tell you exactly how accurately the watch is running. Good dealers tend to be watch nerds themselves, so they're into this kind of thing.

(There are a few independent watchmakers trying earnestly to make good mechanical watches now, but their efforts show how hard it is

to do good work when the current is against you.)

[9]

Oddly enough it might have helped that the 3919 was hand wound. If a watch runs for long enough, 5 seconds a day starts to add up. After three months a watch that gains 5 seconds a day will be 7 minutes fast. But with a hand wound watch you occasionally forget to wind it, and it runs down. And when you wind it again you reset it — on average to a time about 30 seconds behind the actual time. So if you forgot to wind a 3919 every two weeks or so, it would rarely have shown the wrong time.

[10]

There's one brand still waiting to be reinflated: Universal Genève, which was one of the big players of the golden age but since 1977 has been little more than a brand name passed from acquirer to acquirer. They're scheduled to come back to life later this year, no doubt with stories about their long tradition of watchmaking.

[11]

More precisely, a high ratio of size to accuracy meant cheap. It's easier to make a larger movement keep good time, but between two watches of the same accuracy, the larger was usually the cheaper.

[12]

Their form did once follow function. They were originally diving watches. But they're long since obsolete for this purpose. Present day diving watches (now called dive computers) are digital and tell you much more than the time.

[13]

Rolex was awarded an average of 16.6 patents per year in the 1950s, but only 1.7 per year in the 1960s.

Pierre-Yves Donzé, *The Making of a Status Symbol: A Business History of Rolex*, Manchester University Press, 2025.

[14]

Rolexes also shared something more specific with SUVs: aspirational manliness. An internal 1967 report by Rolex's ad agency

J. Walter Thompson explained the idea they were trying to convey: "Because a Rolex is designed for any situation, however rough or dangerous or heroic or exalted, it implies that the man who wears it is, potentially, a hero."

Reprinted in Donzé, *op cit.*

[15]

This business model only works when purchase decisions are driven mainly by brand. In a normal market, if one manufacturer restricts production, customers just buy from whichever competing manufacturer offers something as good. It's only when customers are seeking a certain brand rather than a certain level of performance that you can manipulate them by restricting its availability.

[16]

Of course the first question one has on noticing a bubble is: will it burst? The reason ordinary bubbles eventually burst is that speculators get overoptimistic, but in this case the CEO of Patek Philippe controls the "money supply" and can thus take measures to cool down an overheated market. So there are probably only two things that could cause their specific bubble to burst: if his successor is not as capable, or if the whole custom of wearing mechanical watches goes away. The latter seems the greater danger. People aren't going to wear three things on their wrists, so all it would take is for there to be two popular devices that were worn on the wrist, and mechanical watches would start to be seen by the next cohort of young rich people as an old guy thing. It's hard to imagine a luxury watch brand surviving that.

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