

Beer and Cheese Event

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Some of you cannot forget me featuring in this event three years ago. This was the most memorable performance of my life. My speech notes were translated to Chinese and Japanese. I starred in forums. I was invited by an editor of an Economic Journal to submit the notes as a paper. The paper: “10 Q&A: Experienced advice for “lost” graduate students in Economics” is published now in *Journal of Economic Education*, 44 (2013). This is not the only paper of mine with 0 citations (another one is in JET) but on the other hand I am sure that no other paper of mine was so carefully read by so many people. Yesterday, I even got an e-mail from a student, who wants to work with me, saying:

“Recently, I came across your publication '10 Q&A: Experienced advice for "lost" graduate students in economics' and your research interests align well with my area of research. I am primarily interested in Empirical research in Economics, Labor Migration and Women Unemployment.”

Sorry, no way I can repeat on the 2011 success tonight. I had several ideas what to talk about. Finally, since most of you are shy to ask me personally about the Cafés poster u see on my office door, I would like to share with you an exclusive interview I conducted yesterday with myself about my Café obsession:

Q: Professor Rubinstein, what is your Affiliation?

A: Well, look for example in my “marvelous” RES 2008 paper, coauthored with Yuval Salant, “(A,f): Choice with Frames”. Yuval is affiliated in this paper with *Stanford University* and I

am affiliated with two great universities. The second is NYU. The first-- the *University of Tel Aviv Cafés*.

Q: Interesting. What are the criteria for becoming a campus of the University of Cafes?

A: Not every café is included in our university. The criterion for acceptance is complex and soon will be axiomatized by researchers at Princeton U. who are used to axiomatize everything. First of all, it is a matter of light and shade; not too dark, not too bright. You need to feel homey pleasantness. Ideally, there is a tree to shade the windows. A small window should allow a refreshing breeze. The acoustics are important: The conversations should converge among the conversers. The music must be soft. The owners should welcome patrons even if they order only one cup of coffee.

Q: What about the quality of food?

A: It should be mediocre and down. A good Café should not serve good food as otherwise; the results will be noticeable quickly. Bagels, salads or a scone- but, not too fresh, please.

Q: What is the motto of the University of Cafes?

A: Freedom and Openness. For us, academic freedom is a reality and not a slogan. We have absolute independence in the establishment. With us, there is no demand for political correctness. Instead of keeping the office door open when someone of the opposite sex enters, in our campuses it is considered inappropriate to ignore flirtation from the opposite sex.

Q: Is the International University of Cafes such a great academic environment?

A: Yes, our university is the best place to focus on the one thing one needs to do in research: “thinking”. As for me, I have definitely written more satisfying papers in cafes than in any office.

Ooops, sorry, one place was even better, the army. Twenty-four hours a day to think, no worries, excellent food, isolation from the rest of the world—an ideal situation to think. In fact, I typed the first draft of my 1982 paper on bargaining on the typewriter in the office of the battalion commander in the border between Israel and Lebanon. Academic productivity would certainly improve if every American professor would sent annually to 21 days of reserve service in Afganistan.

Q: Is the research in your university useful?

A: In the University of Cafés, no one pretends that research is useful. From the outset, our atmosphere is of lack of purpose. This is the suitable atmosphere for research. The system of promotions at our university is based solely on the breadth of the smile of the waitresses. Every young person with a coffee mag gets tenure. We carry a real interdisciplinary tradition: Only here you find a true encounter between a mathematician, an economist and a gender scholar.

Q: How do you dare to call yourself a university once you don't have any laboratory?

A: To the contrary. We are located in the heart of the laboratory of life. Our researchers directly observe reality and are updated in real time (and not in 20 years delay). True, we don't pay

subjects to participate in our experiments and therefore our papers are rejected by experimental economists, but don't worry it is only a matter of fashion. In a few years a paper reporting on experiments with monetary incentives outside the laboratory of life will get a report analogous to one I got recently (when reporting on web-based experiment with no monetary incentives):

“The paper discusses results achieved in an unnatural stressful environment, a dark basement full with old PCS. The sample is biased: all subjects are students who did not find better ways to earn \$15 for lunch. Subjects were motivated by, monetary consequences, and so participants have no real life incentives to choose the strategy they think is best. Thus, it does not seem right to describe the study as an economics experiment.”

Q: What is your favorite Coffee roasters? Kicking Horse, Death Wish Coffee or Lavazza?

A: I have never heard about those brands. Actually, I hate coffee. The aroma gives me a headache. The bitter taste contract my facial muscles. My ideal coffee recipe would be: take a quarter teaspoon of coffee from, add a bit of milk and fill to the brim with boiling water.

In Israel I ask the waiter for “diluted instant coffee”, “children’s coffee” or “ugly brown colored water”. Here I have a problem. No café in New York sells my coffee. For a coffee-phoebe like me the American coffee is unbearable strong. I suffered for years until I discovered a formula: asking for a large mug filled with one-fourth coffee, three-fourths water and a bit of milk.

Q; Really, what is the reaction of the coffee-sellers?

A: A shock. It goes like that. I explain what I would like and the seller cannot comprehend my request. I repeat it once, twice, perhaps three times until he understands. He brings me the brown water and asks for a dollar. I offer to pay the full price, a dollar fifty, but soon I intend to surrender to his generous gesture. At this moment the man refuses to take any money (and no, I don't think I look homeless).

Q: Wow, is this always the course of events?

A: No. But as a theoretical economist I trust only hard data. So, I hired an RA (myself 2). For each instance, my RA recorded the standard price, the price I actually paid and the average income of the population at the zip code of the Café. Then, I ran a binomial regression (don't ask me what it is) and discovered that the chance that the price of my special coffee will be lower than the regular price drop sharply with the average income level in the neighborhood. No coffee-seller who charges normally \$4.50 did ever offer me a discount. But sidewalk coffee-sellers, Pakistani immigrants, and young waiters in cafés where coffee costs less than two dollars, insist on taking even less and often nothing.

Q: How does it fit standard economic theory?

A: No idea. As an "economist" I had internalized that price is not necessarily relative to the cost of production and is affected by demand. But, in my own case I would have been willing to pay \$10 for the liquid of life. Actually, my coffee is quite costly to prepare. The savings in coffee grains is infinitesimal but can you imagine the opportunity cost of employees attempting to comprehend my English and request. Even behavioral economists, who are used to explain everything, are speechless facing my discovery.

Q: What was the profession reaction to your path-breaking research?

A: You know, some economists have difficulty understanding that the rest of the world is not as narrow as their own. So, applied economists with GT background, argued that waving the payment is a marketing gimmick aiming to maximize long term profits. So I checked: the same scenario repeated itself even when it was clear that I was a one-time customer unlikely ever to return to the same café.

Q: Conclusions from this remarkable research?

A: God forbid, I oppose conclusion sections in Economics papers. But, this will be my only exception: Apparently, there are many low income people who are sensitive to fairness of prices they charge. Those people determine the price of coffee but apparently not of interest-rates...

Q; Let us move to your magnificent Café poster. You must be a busy person. How do you deal with people who request the poster?

A: I love them. They bright my life. Look, this week I got, for example, a request to referee an 85-page short paper submitted as a note for *Econometrica*. I also got a complaint from a Tel Aviv student who failed the micro exam and says that he knows the material perfectly well, he attended all my classes and what finally broke my heart: he said that he showed to the exam although this was the day of his mother wedding". So, after that how wonderful it is to get e-mails like the following:

a. "What do you think, when you will be able to send the poster and when it

could arrive here? I'm asking because my boyfriend's birthday is in the first days of May, so that will be soon.”

b. “I’d like to give my girlfriend one of your coffee-posters. We are both interested in game theory and - no joke - also met for the first time in a game-theory-seminar”

c. “Hi Mr. Rubinstein, My name is Lu. To open a coffee house one day at my hometown, in Southwest of China has been my dream for a long time. I have been trying to visit local coffee houses whenever I get to a new place. May I ask what's special about all these coffee house in the posters? and why you have different versions for each year? So, I have a bold request. Can I have a hard copy of these posters so, one day I can hang them on the wall of my future cafe.”

Q: You are a world-wide champion in “the anti-Spelling Bee contest”, where the winner is the one who make the largest number of typos. How is it that you did not make any mistakes on your posters?

A: Wrong. Every one of my four posters contains a typo. In 2010 I spelled “St Lewis”? This was corrected in 2013. But then I spelled “Tuscon”. By the way, this is not the worst English mistake that I made in my career. In a 1985 paper with Asher Wolisnky we wanted to acknowledge that we did something in the wake of Ken Binmore but we wrote that we did it “at the wake of Ken Binmore”.

Q: What was the peak of your career?

A: A few weeks ago I got an e-mail from an Harvard graduate who took a photo of my poster hung on the walls of the Econ

dept at Harvard. Can you imagine the honor? I posted the photo immediately in Facebook declaring that “I made it to Harvard”. Two people told me last week they have heard a rumor I move to Harvard... Let me clarify, only the poster goes to Harvard.

Q: Final word, Professor Rubinstein?

A: Yes. And now I am very serious.

You know, as evening approaches, I sometimes pass by a Tel Aviv or NY Cafés, see the regulars, with or without a laptop, alone or in a group, and look enviously at them. But then I realize that I am one of the regulars and I start to envy myself. This is a wonderful feeling. You know, we have good life in Academia.