

# THE STERN OPPORTUNITY

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## **Bridging the Gap: Professor of the Year William Silber talks connecting theory with practice in finance**

by

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On March 13, the winners of the 2018 Professor and Administrator of the Year awards at NYU Stern were announced. This year, MBA students voted to award the Professor of the Year title to William Silber, Marcus Nadler Professor of Finance and Economics and Director of the Glucksman Institute for Research in Securities Markets. Silber, who is no stranger to winning awards for excellence in teaching, has been a member of the NYU community since 1966.

“I got here [Stern] a long time ago,” he said. “I always liked the mixture between theory and the real world here.

“I was trained as an academic economist,” Silber said, who received in PhD at Princeton University. “At Stern I was immediately confronted with real-world application.”

Silber’s initial studies were specific to academia and focused on the mechanics of the markets, both the New York Stock Exchange (NYSE) and commodities exchanges. He spent time observing people working on the floor of the NYSE, while Stern was still downtown in New York City’s Financial District.

“I watched what people did, and I published findings in academic journals,” he said, “and I thought ‘hey, I could do some of that.’”

In 1980, Silber took a two-year leave from Stern and went to work as a scalper (a trader who specializes on gaining large numbers of small profits through rapid-fire trading) on the floor of the commodities exchange. “It was probably the most exciting thing I’ve ever done,” he said. “There’s risk and decision making, and those decisions have to be instantaneous.”

Silber continued to consult when he returned to Stern; while today there is a great deal of movement between academia and industry in finance, such crossover was not the case in the ‘80s

and '90s. Despite the excitement he experienced during his time with the NYSE, he noted the appeal of Stern, particular to its academic environment.

“There are some things about Stern, like the flexible teaching framework, that are nice from a faculty perspective,” Silber noted. “We do have a core curriculum—the professors who teach [Foundations of] Finance have to teach present value, option value, risk and diversification, and arbitrage—but how and when we do each topic is flexible, and it allows faculty to play to their strengths. It’s not a rigid framework. Other schools are so much more straightjacketed and that stifles creativity; the flexibility that Stern has nurtures good teaching and good research.”

Of course, for many students, the connection between research and teaching can seem weak or nonexistent.

“Students often say ‘why do business schools reward research when students care more about good teaching,’” Silber said. “Great teaching is like local currency, because anyone in this school knows who the good teachers are. But a good *global* reputation of the Stern Business School needs knowledge of who the *researchers* are. In that way, research is international currency, valuable beyond the four walls of the institution.”

The value of such “fundamental” research, according to Silber, is manifold. Some concepts may not seem to have a direct application in industry—but these very concepts often have the capacity to form the building blocks for applicable industry frameworks.

“Any research is worth supporting because you can’t tell which will have applications. Some applications don’t happen until 5 or even 10 years down the line,” Silber said. “You can’t really tell what’s going to be path-breaking. Both research and teaching are necessary and often reinforce each other.”

Silber isn’t a stranger to the Professor of the Year award; he first won the title in 1990, and again in 1997. When asked about why he thought he won this year, he responded in a way that was strikingly similar to the language of his nomination, written by students.

“I think it’s important to deliver what you say you’re going to deliver—to do what you say you’re going to do,” he said. “I try to do that. I try to set the framework, ‘here’s what we’re going to try to understand—the power of present value, xyz.’ And at the end [of the session], I say ‘here’s how we did that,’ and I make sure that we covered everything we said we were going to cover.”

Such dedication to ensuring comprehension has made Silber’s course particularly accessible to those students with no experience with finance, in academia nor industry.

“I try to level the playing field between people with finance and non-finance backgrounds, and to make certain that the only thing that students need to succeed in Foundations of Finance is what we *do* in Foundations of Finance,” he explained. “Routinely, at least 75 percent of the As in Foundations of Finance go to people with *no* background in finance. That’s the most rewarding thing to me.”

Despite such accessibility, however, Silber sees overarching issues that impede students' ability to get the most out of courses like his.

“The biggest challenge is the pressure that students feel between getting a job and doing their academic work,” Silber said. “It seems that, especially in the 1st semester, students are overwhelmed by their job search and let academics fall by the wayside.”

Silber attributes part of the issue to the Stern MBA program's grade non-disclosure agreement. The agreement, passed in 2013, protects students' decision to “refrain from disclosing GPA, specific course grades, assignment grades or transcripts (earned at Stern), to potential employers until a full-time, post-graduation position has been offered,” according to the Stern Student Government website.

“[Grade non-disclosure and this short-run view has debased the currency,” Silber said. “Is that 14th coffee chat worth not understanding the importance of optionality? The options framework that many students ignore is to their own detriment. Ignoring that will hurt their job search more than missing the 14th chat.”

Much like Silber's career-long foray into the relationship between academia and industry, the MBA experience, he notes, would benefit from a concerted effort to find a stable way to support all of its components.

“I don't know what the solution is, but I think [the emphasis] has been pushed too far to ‘the job search,’ to the detriment to the academics—and in part, you have to know something to get a job,” he said. “There has to be a better balance.”



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