

## Basil Williams

New York University  
19 West 4th Street  
New York, NY 10003

basil.williams@nyu.edu  
212-998-8423  
www.basilwilliams.org

**Employment** Assistant Professor of Economics 2015-  
Department of Economics, New York University New York, NY

Visiting Scholar 2018 - 2019  
Stanford GSB Palo Alto, CA

Visiting Scholar 2017, 2018  
Federal Reserve Bank of Philadelphia Philadelphia, PA

**Research Interests** Financial economics, corporate theory, game theory

**Education** *Ph.D. Finance* 2015  
Duke University Durham, NC

*B.S. Mathematics, B.S. Statistics* 2009  
Brigham Young University Provo, UT

### Working Papers

“Model Secrecy and Stress Tests” (with Yaron Leitner)

- Conventional wisdom holds that the models used to stress test banks should be kept secret to prevent gaming. We show instead that secrecy can be suboptimal, because although it deters gaming, it may also deter socially desirable investment. When the regulator can choose the minimum standard for passing the test, we show that secrecy is suboptimal if the regulator is sufficiently uncertain regarding bank characteristics. When failing the bank is socially costly, then under some conditions, secrecy is suboptimal when the bank’s private cost of failure is either sufficiently high or sufficiently low.

“Search, Liquidity, and Retention: Signaling Multidimensional Private Information”

- Revise and resubmit at *Journal of Political Economy*
- *Abstract:* I present a model in which sellers can signal the quality of an asset by both retaining a fraction of the asset and by choosing the liquidity of the market in which they search for buyers. Although these signals may seem interchangeable, I present two settings which show they are not. In the first setting, sellers have private information regarding only asset quality, and I show that liquidity dominates retention as a signal in equilibrium. In the second setting, both asset quality and seller impatience are privately known, and I show that both retention and liquidity operate simultaneously to fully separate both dimensions of private information. Contrary to received theory, the fully separating equilibrium of the second setting may contain regions where market liquidity is increasing in asset quality. Finally, I show that if sellers design an asset-backed security before receiving private information regarding its quality, then the optimality of standard debt is robust to the paper’s various settings.
- Awarded the 2014 PhD Outstanding Paper Award in Honor of Stuart I. Greenbaum, Olin Business School, Washington University in St. Louis.
- Awarded the 2015 Cubist Systematic Strategies Ph.D. Candidate Award for Outstanding Research.

“Stress Tests and Bank Portfolio Choice”

- *Abstract:* How informative should bank stress tests be? I use Bayesian persuasion to formalize stress tests and show that regulators can reduce the likelihood of a bank run by performing tests which are only partially informative. Fully disclosing stress tests are never strictly optimal, and I find conditions under which full disclosure is worse than no disclosure. Optimal stress tests give just enough failing grades to keep passing grades credible enough to avoid runs. I find that optimal stress tests, by reducing the probability of runs, reduce the optimal level of banks’ capital cushions. I also examine the impact of anticipated stress tests on banks’ ex ante incentive to invest in risky versus safe assets.

<b>Dissertation</b>	“Revealing Asset Quality: Strategic Stress Tests and Liquidity Signaling,” 2014, Duke University. <ul style="list-style-type: none"><li>• <i>Committee:</i> S. Viswanathan (Chair), Adriano Rampini, Felipe Varas, and David McAdams.</li></ul>	
<b>Publications</b>	“Pollution source direction identification: embedding dispersion models to solve an inverse problem,” (with William Christensen and Shane Reese). <i>Environmetrics</i> 2011; 22: 962-974.	
<b>Seminar Talks</b>	Federal Reserve Board New York Federal Reserve UNC-Chapel Hill	2018
	New York Federal Reserve	2017
	Princeton Economics, Civitas Finance Georgetown Economics Philadelphia Federal Reserve Stanford GSB, Finance	2016
	Wharton University of Illinois, Urbana-Champaign UNC-Chapel Hill Michigan State University University of Chicago University of Rochester University of Maryland New York University, Economics London Business School Brigham Young University	2015
<b>Conference Talks</b>	Midwest Macro Meetings Financial Intermediation Research Society (FIRS) Einaudi Junior Finance Conference Society of Economic Dynamics (SED) CEPR Regulatory Forbearance Workshop Federal Reserve Stress Testing Conference Lisbon Meetings in Game Theory and Applications	2018

	Macro Marrakech—Fourth Workshop in Macroeconomics	2017
	Society of Economic Dynamics (SED) Financial Intermediation Research Society (FIRS)	2016
	Econometric Society World Congress Western Finance Association (WFA) Annual Meeting FIRS Conference (invited) Wash U. St. Louis Corporate Finance Conference (poster)	2015
	INFINITI Conference on International Finance	2014
<b>Discussions</b>	(2018) SFS Cavalcade; (2016) FIRS, Federal Reserve Stress Testing Conference; (2015) Tel Aviv University Finance Conference, Oxford Financial Intermediation Theory (OXFIT), Financial Intermediation Research Society (FIRS); (2014) INFINITI Conference	
<b>Professional Association</b>	Finance Theory Group (FTG)	2016-
<b>Referee Service</b>	American Economic Review, Econometrica, Review of Economic Studies, Journal of Finance, Review of Financial Studies, Journal of Financial Economics, International Economic Review, Management Science	
<b>Awards</b>	<i>PhD Outstanding Paper Award in Honor of Stuart I. Greenbaum</i> Olin Business School, Washington University in St. Louis	2014 St. Louis, MO
	<i>Cubist Systematic Strategies Ph.D. Candidate Award for Outstanding Research</i> Western Finance Association Annual Meeting	2015 Seattle, WA
<b>Teaching</b>	<i>Instructor, Third Year Paper Workshop (PhD)</i> Economics Department, New York University	2017- New York, NY
	<i>Instructor, Intermediate Microeconomics (undergraduate)</i> Economics Department, New York University	2016- New York, NY
	<ul style="list-style-type: none"> <li>• Preferences and utility, comparative statics, revealed preferences, choice under uncertainty, intertemporal choice, firm supply, equilibrium, externalities.</li> </ul>	
	<i>Instructor, Corporate Finance Theory (PhD)</i> Economics Department, New York University	2015- New York, NY
	<ul style="list-style-type: none"> <li>• Costly state verification, moral hazard, dynamic financing, bank runs, stress tests, IPO underpricing, limited enforcement, debt overhang.</li> </ul>	
	<i>Teaching Assistant, Corporate Finance (MMS)</i> Finance Department, Duke University	2013-2014 Durham, NC
	<ul style="list-style-type: none"> <li>• Discounted cash flow, financial distress costs, adjusted present value, real options, capital budgeting.</li> </ul>	
	<i>Teaching Assistant, Advanced Corporate Finance (MBA)</i> Finance Department, Duke University	2011-2013 Durham, NC
	<ul style="list-style-type: none"> <li>• Valuation under short-term financing, valuation for large projects, valuation during a financial crisis, repurchase financing, cash accumulation, international capital budgeting.</li> </ul>	

*Teaching Assistant, Capital Markets (MMS)*  
Finance Department, Duke University

2011-2012  
Durham, NC

- Portfolio optimization, CAPM, and factor models.

**Additional  
Research**

*Research Assistant*  
National Center for Atmospheric Research

2008  
Boulder, CO

- Worked with statistician Steve Sain to formulate and implement an MCMC estimation procedure for modeling extreme values of precipitation.