Abstract
We analyze public interventions to alleviate debt overhang among private .rms when the government has limited information and limited resources. We compare the e¢ ciency of buying equity, purchasing assets, and providing debt guarantees. With symmetric information, all the interventions are equivalent. With asymmetric information between .rms and the government, buying equity dominates the two other interventions. We also solve for the optimal public intervention and show how it can be implemented with preferred stock and warrants.