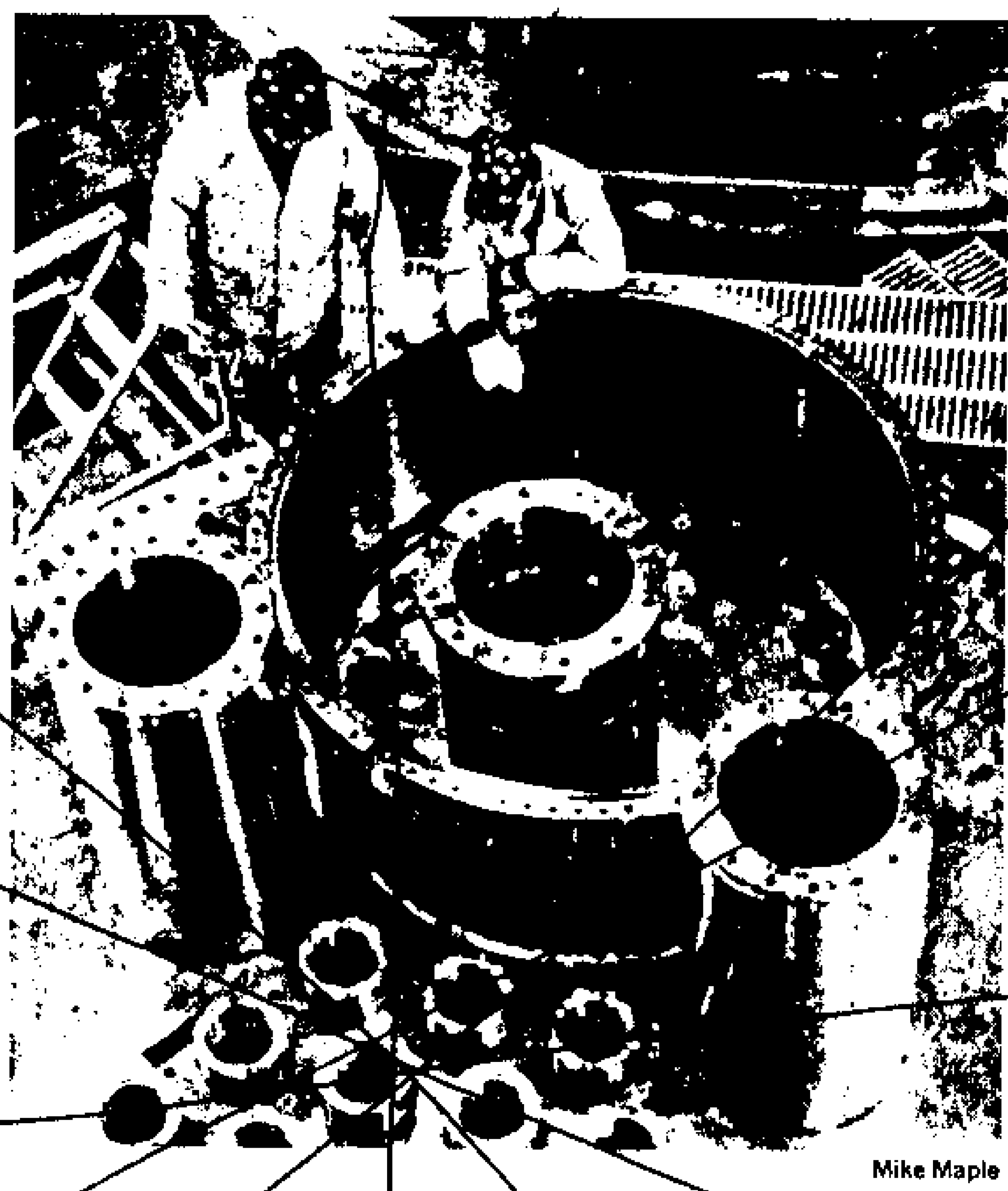
forming, has set aside reserves equivalent to just .8 percent of assets.

Many big banks argue that loss reserves do little more than cushion big swings in earnings—and, with justification, point out that reserves would be of little protection in the event that Brazil or other large debtors defaulted. But regulators want the banks to recognize that these loans in fact may never be paid back, then convey the news to shareholders and get on with business. Starting Dec. 31, for example, new Securities and Exchange Commission rules will broaden the definition of nonperforming loans, probably forcing banks to increase loss reserves and write-offs. Bills pending in Congress could also have the net effect of reducing per-share earnings. One would require banks to maintain capital-to-loan ratios of at least 5 percent, possibly forcing some banks like Citicorp and BankAmerica to issue new stock or debt. It would also spread out rescheduling fees banks are charging many debtors, depriving them of fat shots in the arm that have boosted quarterly earnings.

Energy Losses: With many of the banks facing losses in other areas, such measures seem sensible enough. The ongoing depression in oil and gas drilling has already resulted in huge losses at banks like Continental Illinois and Seafirst; last month the downturn prompted Dallas-based Inter-First Corp. to post the largest quarterly operating loss—$194 million—ever reported by a U.S. bank. While next year may bring a rebound in that business, the international debt crisis "will go on for years," notes George Salem, an analyst with A.G. Becker Paribas. With that prospect, the banks could find themselves helping to drill for oil—but still dredging to bring their stocks up from off the bottom as well.

SUSAN DENTZER with ERIK IPSEN in New York and CHRISTOPHER MA in Washington



Mike Maple

Clinch River: A $1.6 billion miscalculation

Clinch River Begins Its Final Meltdown

When the Clinch River (Tenn.) Breeder Reactor Project was first proposed in the early 1970s, it seemed like an energy idea whose time had come. The country was at the mercy of foreign oil producers, there were widespread fears of a shortage of uranium for nuclear power plants and the forecast was for a dramatic increase in demand for electric energy. Clinch River was to address those problems by producing plutonium, a fuel that can be used in light-water nuclear reactors, at the same time it was burning uranium to produce electricity. But last week, after 11 years and the expenditure of $1.6 billion in federal funds, the controversial project was dead—the victim of changing economic and environmental circumstances.

At the end, Clinch River was killed by an unlikely coalition of environmental and antinuclear groups, fiscal conservatives and some labor unions. The environmental and antinuclear activists had been opposed from the start. But Clinch River had a powerful Godfather—Sen. Howard Baker of Tennessee—and when the administration added its strong endorsement, it looked as if the $4 billion project might well be completed.

No Sense: But the fatal die was cast when conservatives came around to a view first voiced by budget director David Stockman when he was a young congressman back in 1977: Clinch River simply made no economic sense. In the years since it was proposed, supplies of both oil and uranium have soared while the demand for electric power has dramatically dropped.

Early this year, the House of Representatives voted 388-1 to abandon Clinch River unless private industry assumed an increasing share of its cost, and last week the project's fate came to the Senate floor. There, Sen. Gordon Humphrey, a conservative Republican from New Hampshire, joined with Sen. Dale Bumpers, a liberal Democrat from Arkansas, in leading a four-hour debate against the project. "This senator, like most conservatives, supported Clinch River at one time," said Humphrey. "But let me say to my conservative colleagues and others who are wavering on this issue, you do not have to support everything radioactive to be conservative." By a vote of 56 to 40, the Senate agreed.

A Home-Computer Casualty

The announcement should have come as no surprise. Battered by losses of $223 million during the first nine months of this year, Texas Instruments is bowing out of the overcrowded home-computer business. The Dallas-based electronics company said late last week that it will stop production this month of its 99/4A. As a result, TI will lay off an estimated 1,700 workers at its Lubbock, Texas, operation but plans to continue production of its more expensive Professional Computer.

Competition in the $1 billion home-computer business has been fierce. Other major players, such as Mattel and Atari, have also suffered heavy losses this year. But TI was primarily the victim of its own self-destructive strategy to bolster sagging sales. In a series of price reductions and rebates over the past year, TI slashed the price of its 99/4A in half. The gamble didn't pay off. Even though sales soared, the firm reportedly lost up to $50 for every machine it shipped. By the end of September, its home-computer operations were more than $500 million in the red.

This isn't the first time TI president J. Fred Bucy has miscalculated. During the 1970s the company's digital-watch division lost millions of dollars when TI followed the same deep-discount pricing strategy and then dragged its feet in switching to the latest technology. TI abandoned digital watches in 1981. Texas Instruments also lingered too long in the low-cost, handheld calculator business, well after it was apparent that the Japanese would gobble up the largest slice of the market.

■ IBM is expected to end months of speculation this week with the unveiling of its new personal computer for the home and education markets. The PCjr will be available in two versions. The basic model—expected to retail for $800—will be a stripped-down computer without disc drives or a computer screen; it will have 64 kilobytes of random access memory (RAM) and slots for game cartridges. The enhanced version—featuring 128K of RAM, a single disc drive, video-display screen, printer, modem (for telephone communication) and software—is expected to sell for $2,000. The operating system is designed so that some software programs running on IBM's best-selling Personal Computer will also run on Junior.