February 27, 2013

Rich Karlgaard, publisher of Forbes, was in the Journal with concerns about whether Wal-Mart's February numbers might indicate the next recession.

• The expiration of the payroll-tax cut will continue to hurt. Wal-Mart's customers aren't thriving, and they will sorely miss that $80 lost per month. The average American family of four earns around $50,000 in annual income. The income of Wal-Mart households is thinner yet, with analysts typically pegging it around $45,000. Incomes in this range have stagnated and lost ground to inflation in 2011 and 2012.

• Food prices are rising faster than overall inflation. Inflation is the great hidden tax, especially when it hits essentials like food. Core inflation is running at about 2%, but the U.S. Department of Agriculture predicts that food prices will be up 3%-4% in 2013. This will nip at Wal-Mart customers and Wal-Mart itself, which now gets half of its U.S. revenue from groceries.

Will Wal-Mart eat the inflation and hurt its profit, or will it pass it onto its customers and risk driving them away? Food inflation presents no good choices.

• Gas prices are up 30 cents a gallon in 2013. History says that gas hikes always hurt Wal-Mart (and other big-box stores such as Lowe's). Back in spring 2011, Wal-Mart's sales slumped for several months as gas prices rose to nearly $4 a gallon. Here's an obvious fact that isn't always obvious to pundits who live in large cities: To get to nearly all of Wal-Mart's more than 4,000 American stores, one must drive—usually several miles to the edge of town or outer suburb.

• Wal-Mart shoppers have a higher unemployment rate than the national average. An Advertising Age study from 2003 showed that only 23% of Wal-Mart shoppers had a four-year college degree. The degree-less are suffering in today's economy. As of January, their unemployment rate was 8.1%, while the national average was 7.9%. Worse, the employment-to-population ratio among this group is only 54%, as compared with 62% in the general population.

Robert Samuelson writes on the true national debt.

How big is the national debt?

You'd think this would be an easy question. Surely we know how much the government owes. Unfortunately, it's not that simple. The true national debt could be triple the conventional estimate, anywhere from $11 trillion to $31 trillion by my reckoning. The differences mostly reflect explicit and implicit "off-budget" federal loan guarantees. In another economic downturn, these could result in large losses that would be brought "on budget" and worsen already huge deficits. That's the danger.

My purpose is not to scare or sensationalize. It's simply to illuminate the problem. Broadly conceived, the national debt covers all debts for which the federal government assumes final responsibility. For politicians, the appeal of "off-budget" programs is that they allow the pleasure of spending without the pain of taxing. But they also create massive exposure for government.

Let's see why. ...

And **Jennifer Rubin** on our lack of fiscal leadership.
The president's hysteria may have reached a point of diminishing returns. His parade of horribles is like his Hollywood friends' movies — too many catastrophes, too much yelling and zero common sense.

House Majority Leader Eric Cantor (R-Va.) criticizes the president:

"The President continues to put forward a false choice on the sequester. Today, the President's Homeland Security Secretary insisted we will have to cut vital homeland security functions if we don't go along with another tax hike. This is clearly a false choice. There are smarter ways to cut Washington spending that will protect our national security and keep our economy growing. That is why I sponsored, and the House twice passed, legislation to replace the President's harmful sequester cuts with smarter, more responsible savings. Many of these ideas were drawn from some of the President's own proposals, which he now rejects unless they're coupled with more tax hikes"

He is not alone in his frustration with a president egging on panic. The Post editorial board recognizes the nub of the problem: "From the start, and increasingly in his second term, Mr. Obama has presented entitlement reform as something he would do grudgingly, as a favor to the opposition, when he should be explaining to the American people — and to his party — why it is an urgent national need." ...

Joel Kotkin with population growth figures for economic regions.
Since 2000, the Intermountain West's population has grown by 20%, the Third Coast's by 14%, the long-depopulating Great Plains by over 14%, and the Southeast by 13%. Population in the rest of the U.S. has grown barely 7%. Last year, the largest net recipients of domestic migrants were Texas and Florida, which between them gained 150,000. The biggest losers? New York, New Jersey, Illinois and California.

As a result, the corridors are home to most of America's fastest-growing big cities, including Charlotte, Raleigh, Atlanta, Houston, Dallas, Salt Lake City, Oklahoma City and Denver. Critically for the economic and political future, the growth corridor seems particularly appealing to young families with children.

Cities such as Raleigh, Charlotte, Austin, Dallas and Houston enjoy among the country's fastest growth rates in the under-15 population. That demographic is on the wane in New York, Los Angeles, Chicago and San Francisco. Immigrants, too, flock to once-unfamiliar places like Nashville, Charlotte and Oklahoma City. Houston and Dallas already have more new immigrants per capita than Boston, Philadelphia, Seattle and Chicago.

Coastal-city boosters suggest that what they lose in numbers they make up for in "quality" migration. "The Feet are moving south and west while the Brains are moving toward coastal cities," Derek Thompson wrote a few years ago in The Atlantic. Yet over the past decade, the number of people with bachelor's degrees grew by a remarkable 50% in Austin and Charlotte *and by over 30% in Tampa, Houston, Dallas and Atlanta—a far greater percentage growth rate than in San Francisco, Los Angeles, Chicago or New York.*

Raleigh, Austin, Denver and Salt Lake City have all become high-tech hubs. Charlotte is now the country's second-largest financial center. Houston isn't only the world's energy capital but also boasts the world's largest medical center and, along with Dallas, has become a major corporate and global transportation hub.

The corridors' growing success is a testament to the resiliency and adaptability of the American economy. It also challenges the established coastal states and cities to reconsider their current high-tax, high-regulation climates if they would like to join the growth party.

Peter Wehner has a good example of why The New Yorker magazine is not worth reading anymore.
In his piece about the Academy Awards, the New Yorker's David Denby wrote this:

"I can't give up my feeling that people are approving of their own tears when they respond to "Les Misérables." After all, Michael Gerson, George Bush's principal speechwriter, wrote an entire column in the Washington Post about how much he cried at "Les Mis." But how much did the Bush Administration do for the downtrodden? I can't think of a better definition of sentimentality—an emotion disconnected from what one actually is and does—than effusions like Gerson's."

This is a sneering ignorance. Even a liberal film critic should be familiar with President Bush's 2003 announcement of the President's Emergency Plan for AIDS Relief (PEPFAR), the largest program in history to fight a single disease. The plan included a massive increase in funding–$15 billion over five years–to promote prevention, treatment, and compassionate care, mainly in Africa. Many were skeptical that large-scale AIDS treatment was even possible in the developing world. But studies show that PEPFAR is estimated to have saved 1.2 million lives between 2003-2007. The most recent data show that the number of AIDS-related deaths in sub-Saharan Africa has fallen by about a third.

"The substantial life expectancy afforded by widespread access to cART [combination antiretroviral therapy] underscores the fact that HIV diagnosis and treatment in resource-limited settings should no longer be considered a death sentence," according to Dr. Edward Mills, who helped oversee a large-scale analysis of life expectancy outcomes in Africa for HIV patients. "Instead, HIV-infected people should plan and prepare for a long and fulfilling life."

"PEPFAR is changing the course of the AIDS epidemic," according to Dr. Peter Piot, former executive director of the Joint United Nations Programm on HIV/AIDS (UNAIDS).

The President's Emergency Plan for AIDS Relief was among George W. Bush's finest hours–and for the record, Michael Gerson was one of the main advocates for PEPFAR in the Bush White House.

It takes a particularly confused and cynical individual to dismiss as “sentimentality” one of the most humane and effective enterprises in our lifetime. PEPFAR is certainly a more unambiguous success, and has saved many more lives, than the War on Poverty.

I can’t think of a better example of moral idiocy–of words disconnected from what reality actually is and what people have done–than columns like Denby’s.

He should stick to movie reviews.

Andrew Malcolm has late night humor.
Conan: The fifth Die Hard movie was No. 1 at the Box office last weekend. It features Bruce Willis trying to rescue people from a Carnival Cruise.

Letterman: The Academy Awards were on Sunday. ‘Les Miserables’ has so many nominations. It’s a musical about a Carnival Cruise.

Leno: Gas is so expensive even Lindsay Lohan can't afford to drive anymore. She needs three friends to push her car into somebody else's

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WSJ

Wal-Mart's Sales Problem—And America's

The left loves to see the retailer suffer, but does its bad February herald another recession?

by Rich Karlgaard

The Super Bowl was played on Feb. 3, with the Baltimore Ravens coming out on top. The loser claimed, with some justification, that the officials stole the game. The loser I refer to is Wal-Mart not the unlucky San Francisco 49ers.

February was a rotten month for the Bentonville Giants. Rarely does one hear musings such as "Where are all the customers?" and "Where is their money?"—let alone grumblings such as "total disaster" and "the worst in seven years"—from senior executives in a publicly traded company. Such wording is frowned upon in Investor Relations 101. But that is how Cameron Geiger, Wal-Mart's vice president for merchandise replenishment, described woeful February sales in a leaked email.

Wal-Mart CEO Bill Simon quickly stepped in bearing higher shareholder dividends and an explanation. It was the officials' fault, he said. Mr. Simon didn't mean the pinstriped guys who rule the gridiron, but the U.S. Congress and the Internal Revenue Service. The Washington zebras made two misjudged calls that wrecked Wal-Mart's hopes for February.

One was the expiration of the payroll-tax cut on Jan. 1. With the tick of a clock, the take-home pay of the average American family dropped by $80 per month. The second bad call for Wal-Mart was the IRS delaying the start of its tax refunds to Jan. 31 from Jan. 17.

According to economists at UBS pre-Super Bowl tax refunds dropped $20 billion from 2012 to 2013. In past years, Wal-Mart could rely on big sales of flat-panel TVs and party accessories during the week before the Super Bowl. This year, not so much.

But perhaps Wal-Mart shareholders can take heart: Since the delayed IRS checks hurt sales in early February, sales will rebound in March as the IRS checks flow in. Maybe Wal-Mart's customers will rush out to buy new TVs before college basketball's March Madness begins.

Even if they do, though, Wal-Mart faces a long season of headwinds.

• *The expiration of the payroll-tax cut will continue to hurt.* Wal-Mart's customers aren't thriving, and they will sorely miss that $80 lost per month. The average American family of four earns around $50,000 in annual income. The income of Wal-Mart households is thinner yet, with analysts typically pegging it around $45,000. Incomes in this range have stagnated and lost ground to inflation in 2011 and 2012.

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It once was true that as General Motors goes, so goes the U.S. economy. Today that is truer of Wal-Mart, and that's a problem. The political left loves to see the Bentonville Union Bashers suffer a bit, but does Wal-Mart's bad February herald another recession? If so, what would that do for the Obama administration's recovery narrative and credibility?

If higher gas prices and lower income levels represent a new normal, consumer spending is in trouble—and with it, the fortunes of both Wal-Mart and the U.S. economy at large.

Mr. Karlgaard is publisher of Forbes.

Washington Post
The true national debt
by Robert J. Samuelson

How big is the national debt?

You'd think this would be an easy question. Surely we know how much the government owes. Unfortunately, it's not that simple. The true national debt could be triple the conventional estimate, anywhere from $11 trillion to $31 trillion by my reckoning. The differences mostly reflect explicit and implicit "off-budget" federal loan guarantees. In another economic downturn, these could result in large losses that would be brought "on budget" and worsen already huge deficits. That's the danger.

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Let's see why. Below are five estimates of the national debt. I compare each with our national income (gross domestic product), which is the economic base to service debts. In fiscal 2012, GDP was $15.5 trillion. Some economists say a debt ratio exceeding 90 percent slows economic growth. The United States already exceeds this threshold on four of my five measures.

(1) *Treasury debt held by the public*: $11.3 trillion, 73 percent of GDP for fiscal 2012. This is the most common measure of the national debt. Reflecting past annual deficits, it represents what must be borrowed through sales of Treasury bills, notes and bonds. In 2007, the figures were only $5 trillion and 36 percent of GDP. Today's levels — as a share of GDP — are the highest since World War II's immediate aftermath.

(2) *Gross federal debt*: $16 trillion for 2012, 103 percent of GDP. This definition includes the "debt held by the public" (above) plus the Treasury securities issued to government trust funds, the largest being Social Security. Economists dislike this debt concept, because the trust-fund Treasury securities represent one part of the government owing another. It's comparable to lending yourself money. Congress could cancel these debts, though it almost certainly won't. The trust-account Treasury securities represent political commitments more than financial obligations.

(3) *Federal loans and loan guarantees*: $2.9 trillion in 2011, 19 percent of GDP. The government makes or guarantees loans to college students, farmers, veterans, small businesses and others. The face value of most of these loans don't show up in the budget, but the government is on the hook if borrowers default. Adding this debt (19 percent of GDP) to gross federal debt produces a total debt ratio of 122 percent of GDP.

(4) *Fannie and Freddie*: $5.1 trillion, 33 percent of GDP. The government wasn't legally required to cover the debts of these "government sponsored enterprises" — the major lenders to the housing market — but almost everyone assumed it would if they got in trouble. That happened in September 2008. With Fannie and Freddie, the total debt ratio rises to 155 percent of GDP.

(5) *The Federal Deposit Insurance Corporation*: $7.3 trillion, 47 percent of GDP. That's the insurance protection on bank accounts up to $250,000. Including the FDIC brings the total debt ratio to 202 percent of GDP.

So the most expansive measure of national debt ($31 trillion) is nearly three times the conventional estimate ($11 trillion). Almost all the items on my list — whether Treasury bonds or bank deposits — are ultimately legal obligations of the federal government. Note: They differ from Social Security and Medicare benefits, which are often called "debts." They aren't. Congress can alter the benefits anytime it chooses.

Now let me add some less-alarmist qualifications.

First, some federally backed credit programs confer huge benefits. The FDIC's insurance prevented a depositors' panic in the financial crisis. It also has a $25 billion insurance fund to cover payments. Second, most federally backed credit goes to private borrowers who should be able to repay. Lax credit standards may produce some defaults, but in normal times they should be a tiny fraction of the total. Indeed, estimates of possible losses are contained in the official budget. Usually, these programs aren't a major drain on taxes. By contrast, borrowing to cover budget deficits is not automatically self-liquidating.

The rub is that we don't live in "normal times," as that term was used. Credit expanded on the upbeat belief that steady economic growth, marred only by modest recessions, would enable most debts to be serviced. The financial crisis and Great Recession demolished this permissive presumption. As the slump deepened, off-budget commitments became on-budget costs. Bank rescues swamped the FDIC's resources; mortgage losses impelled the Fannie and Freddie takeovers.

Something similar could happen again. A deep downturn could cause a cascade of defaults on "off-budget" guarantees that require on-budget bailouts. The lesson: We should reject new off-budget commitments and curb some that already exist.

Right Turn

Leaderless on our fiscal woes

by Jennifer Rubin

The president's hysteria may have reached a point of diminishing returns. His parade of horribles is like his Hollywood friends' movies — too many catastrophes, too much yelling and zero common sense.

House Majority Leader Eric Cantor (R-Va.) criticizes the president:

"The President continues to put forward a false choice on the sequester. Today, the President's Homeland Security Secretary insisted we will have to cut vital homeland security functions if we don't go along with another tax hike. This is clearly a false choice. There are smarter ways to cut Washington spending that will protect our national security and keep our economy growing. That is why I sponsored, and the House twice passed, legislation to replace the President's harmful sequester cuts with smarter, more responsible savings. Many of these ideas were drawn from some of the President's own proposals, which he now rejects unless they're coupled with more tax hikes"

He is not alone in his frustration with a president egging on panic. The Post editorial board recognizes the nub of the problem: "From the start, and increasingly in his second term, Mr. Obama has presented entitlement reform as something he would do grudgingly, as a favor to the opposition, when he should be explaining to the American people — and to his party — why it is an urgent national need."

Why hasn't he been leading? It is the same reason Republicans refuse to give him any more tax revenue: *He does not want to make significant changes in the nation's entitlement programs or to curtail spending in any meaningful way*. After four years in office, surely Obama could have presented a budget or a concrete plan in writing to the GOP that would do those things. That he hasn't done so should have alerted responsible advocates on the right and left that this is not a president who takes our debt problem seriously and/or is willing to endure criticism from partisans — as Sen. Marco Rubio (R-Fla.) has done on immigration or Rep. Paul Ryan (R-Wis.) has done on entitlements. Rather than taking the election as an opportunity to expend political capital in the interest of the country's long-term fiscal condition, he took it as a license to demagogue. He and his most fervent supporters have chosen to convince themselves that the other side is a bunch of malicious liars. *This* is why he will not lead.

Republicans rightly suspect Obama simply wants to tax and spend some more. They simply cannot justify giving him additional revenue when, by the president's own admission (that is what a budget is), he will simply spend it on more domestic programs. Liberals say progress can't be made on the debt without revenue; Ryan and Senate budget-makers will show how. It might not be a formula that liberals like and may entail a redesign of welfare and entitlement programs. But at least Republicans will show the consequences of their views on taxes and illustrate how entitlement reform can shift the balance away from discretionary cuts.

When the Republicans stonewalled on the debt ceiling in 2011, liberal pundits accused them of trying to destroy the economy. Now that Obama refuses easy fixes (e.g. more discretion to departments to make smart cuts), it seems only fair to hold him responsible for preferring chaos and "holding the country hostage."

The media have discovered the president is a hypocrite when it comes to selling access to high rollers. They now complain he isn't transparent. A few have figured out his Middle East policy is in shambles. Now perhaps there will be growing awareness that the president is unserious and irresponsible on the biggest domestic challenge of our time. It's hard to remember: *What was the argument in favor of his reelection?*

WSJ

America's Red State Growth Corridors

Low-tax, energy-rich regions in the heartland charge ahead as economies on both coasts sing the blues.

by Joel Kotkin

In the wake of the 2012 presidential election, some political commentators have written political obituaries of the "red" or conservative-leaning states, envisioning a brave new world dominated by fashionably blue bastions in the Northeast or California. But political fortunes are notoriously fickle, while economic trends tend to be more enduring.

These trends point to a U.S. economic future dominated by four growth corridors that are generally less dense, more affordable, and markedly more conservative and pro-business: the Great Plains, the Intermountain West, the Third Coast (spanning the Gulf states from Texas to Florida), and the Southeastern industrial belt.

Overall, these corridors account for 45% of the nation's land mass and 30% of its population. Between 2001 and 2011, job growth in the Great Plains, the Intermountain West and the Third Coast was between 7% and 8%—nearly 10 times the job growth rate for the rest of the country. Only the Southeastern industrial belt tracked close to the national average.

Historically, these regions were little more than resource colonies or low-wage labor sites for richer, more technically advanced areas. By promoting policies that encourage enterprise and spark economic growth, they're catching up.

Such policies have been pursued not only by Republicans but also by Democrats who don't share their national party's notion that business should serve as a cash cow to fund ever more expensive social-welfare, cultural or environmental programs. While California, Illinois, New York, Massachusetts and Minnesota have either enacted or pursued higher income taxes, many corridor states have no income taxes or are planning, like Kansas and Louisiana, to lower or even eliminate them.

The result is that corridor states took 11 of the top 15 spots in Chief Executive magazine's 2012 review of best state business climates. California, New York, Illinois and Massachusetts were at the bottom. The states of the old Confederacy boast 10 of the top 12 places for locating new plants, according to a recent 2012 study by Site Selection magazine.

Energy, manufacturing and agriculture are playing a major role in the corridor states' revival. The resurgence of fossil fuel–based energy, notably shale oil and natural gas, is especially important. Over the past decade, Texas alone has added 180,000 mostly high-paying energy-related jobs, Oklahoma another 40,000, and the Intermountain West well over 30,000. Energy-rich California, despite the nation's third-highest unemployment rate, has created a mere 20,000 such jobs. In New York, meanwhile, Gov. Andrew Cuomo is still delaying a decision on hydraulic fracturing.

Cheap U.S. natural gas has some envisioning the Mississippi River between New Orleans and Baton Rouge as an "American Ruhr." Much of this growth, notes Eric Smith, associate director of the Tulane Energy Institute, will be financed by German and other European firms that are reeling from electricity costs now three times higher than in places like Louisiana.

Korean and Japanese firms are already swarming into South Carolina, Alabama and Tennessee. What the Boston Consulting Group calls a "reallocation of global manufacturing" is shifting production away from expensive East Asia and Europe and toward these lower-cost locales. The arrival of auto, steel and petrochemical plants—and, increasingly, the aerospace industry—reflects a critical shift for the Southeast, which historically depended on lower-wage industries such as textiles and furniture.

Since 2000, the Intermountain West's population has grown by 20%, the Third Coast's by 14%, the long-depopulating Great Plains by over 14%, and the Southeast by 13%. Population in the rest of the U.S. has grown barely 7%. Last year, the largest net recipients of domestic migrants were Texas and Florida, which between them gained 150,000. The biggest losers? New York, New Jersey, Illinois and California.

As a result, the corridors are home to most of America's fastest-growing big cities, including Charlotte, Raleigh, Atlanta, Houston, Dallas, Salt Lake City, Oklahoma City and Denver. Critically for the economic and political future, the growth corridor seems particularly appealing to young families with children.

Cities such as Raleigh, Charlotte, Austin, Dallas and Houston enjoy among the country's fastest growth rates in the under-15 population. That demographic is on the wane in New York, Los Angeles, Chicago and San Francisco. Immigrants, too, flock to once-unfamiliar places like Nashville, Charlotte and Oklahoma City. Houston and Dallas already have more new immigrants per capita than Boston, Philadelphia, Seattle and Chicago.

Coastal-city boosters suggest that what they lose in numbers they make up for in "quality" migration. "The Feet are moving south and west while the Brains are moving toward coastal cities," Derek Thompson wrote a few years ago in The Atlantic. Yet over the past decade, the number of people with bachelor's degrees grew by a remarkable 50% in Austin and Charlotte and by over 30% in Tampa, Houston, Dallas and Atlanta—a far greater percentage growth rate than in San Francisco, Los Angeles, Chicago or New York.

Raleigh, Austin, Denver and Salt Lake City have all become high-tech hubs. Charlotte is now the country's second-largest financial center. Houston isn't only the world's energy capital but also boasts the world's largest medical center and, along with Dallas, has become a major corporate and global transportation hub.

The corridors' growing success is a testament to the resiliency and adaptability of the American economy. It also challenges the established coastal states and cities to reconsider their current high-tax, high-regulation climates if they would like to join the growth party.

Mr. Kotkin is a presidential fellow in urban futures at Chapman University and a City Journal contributing editor. This op-ed is adapted from a report released by the Manhattan Institute on Tuesday, "America's Growth Corridors: The Key to National Revival."

Contentions

David Denby's Sneering Ignorance

by Peter Wehner

In his piece about the Academy Awards, the *New Yorker*'s David Denby wrote this:

"I can't give up my feeling that people are approving of their own tears when they respond to "Les Misérables." After all, Michael Gerson, George Bush's principal speechwriter, wrote an entire column in the Washington *Post* about how much he cried at "Les Mis." But how much did the Bush Administration do for the downtrodden? I can't think of a better definition of sentimentality—an emotion disconnected from what one actually is and does—than effusions like Gerson's."

This is a sneering ignorance. Even a liberal film critic should be familiar with President Bush's 2003 announcement of the President's Emergency Plan for AIDS Relief (PEPFAR), the largest program in history to fight a single disease. The plan included a massive increase in funding–$15 billion over five years–to promote prevention, treatment, and compassionate care, mainly in Africa. Many were skeptical that large-scale AIDS treatment was even possible in the developing world. But studies show that PEPFAR is estimated to have saved 1.2 million lives between 2003-2007. The most recent data show that the number of AIDS-related deaths in sub-Saharan Africa has fallen by about a third.

"The substantial life expectancy afforded by widespread access to cART [combination antiretroviral therapy] underscores the fact that HIV diagnosis and treatment in resource-limited settings should no longer be considered a death sentence," according to Dr. Edward Mills, who helped oversee a large-scale analysis of life expectancy outcomes in Africa for HIV patients. "Instead, HIV-infected people should plan and prepare for a long and fulfilling life."

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The President's Emergency Plan for AIDS Relief was among George W. Bush's finest hours–and for the record, Michael Gerson was one of the main advocates for PEPFAR in the Bush White House.

It takes a particularly confused and cynical individual to dismiss as "sentimentality" one of the most humane and effective enterprises in our lifetime. PEPFAR is certainly a more unambiguous success, and has saved many more lives, than the War on Poverty.

I can't think of a better example of moral idiocy–of words disconnected from what reality actually is and what people have done–than columns like Denby's.

He should stick to movie reviews.

Investors.com
Late Night Humor
by Andrew Malcolm

Fallon: Bill Gates says he's still dis-satisfied with Microsoft's innovation. He would've said more, but he had to get off the phone so his assistant could use the Internet.

Fallon: Sports Illustrated swimsuit model Kate Upton just announced that she recently became single. So to all those guys out there who've been waiting for a chance with Kate Upton — you still don't have a chance with Kate Upton.

Fallon: A D.C. bar is selling a new cocktail for $1,500 that comes with a diamond. It's the perfect way to tell her, "You're my favorite hooker."

Conan: Google is reported looking to open retail stores. It’s great for anyone who’s ever wanted to ask for porn and penis pills in person.

Conan: Khloe Kardashian was fired as an "X Factor" host. Producers didn’t actually fire Khloe, they just released her back in the wild.

Conan: The fifth Die Hard movie was No. 1 at the Box office last weekend. It features Bruce Willis trying to rescue people from a Carnival Cruise.

Letterman: The Academy Awards were on Sunday. ‘Les Miserables’ has so many nominations. It’s a musical about a Carnival Cruise.

Conan: The Italian press is reporting that the next pope could be the Cardinal from Boston. If he gets the job, he’ll be the first Pope to make you kiss his 2007 World Series ring.

Fallon: They had the annual Race to the Top of the Empire State Building the other day. But it looks like there might be a scandal brewing. Several of the competitiors tested positive for "elevator."

Letterman: Vanna White's birthday was the other day. She’s been on ‘Wheel of Fortune’ so long. Producers wanted to do something special for her. So, they moved the camera back 50 more feet.

Fallon: To appeal to younger viewers this year’s Academy Awards were called the Oscars. And for even younger viewers, they spell Oscars with a Z.

Conan: Reports circulating that the next pope could be a Boston Cardinal. Which means the Vatican may soon endorse birth control -- but only for Yankees fans.

Conan: Kim Kardashian says she's learned the importance of privacy. For more on Kim and privacy, be sure to watch E! this Sunday, at 9 PM Eastern.

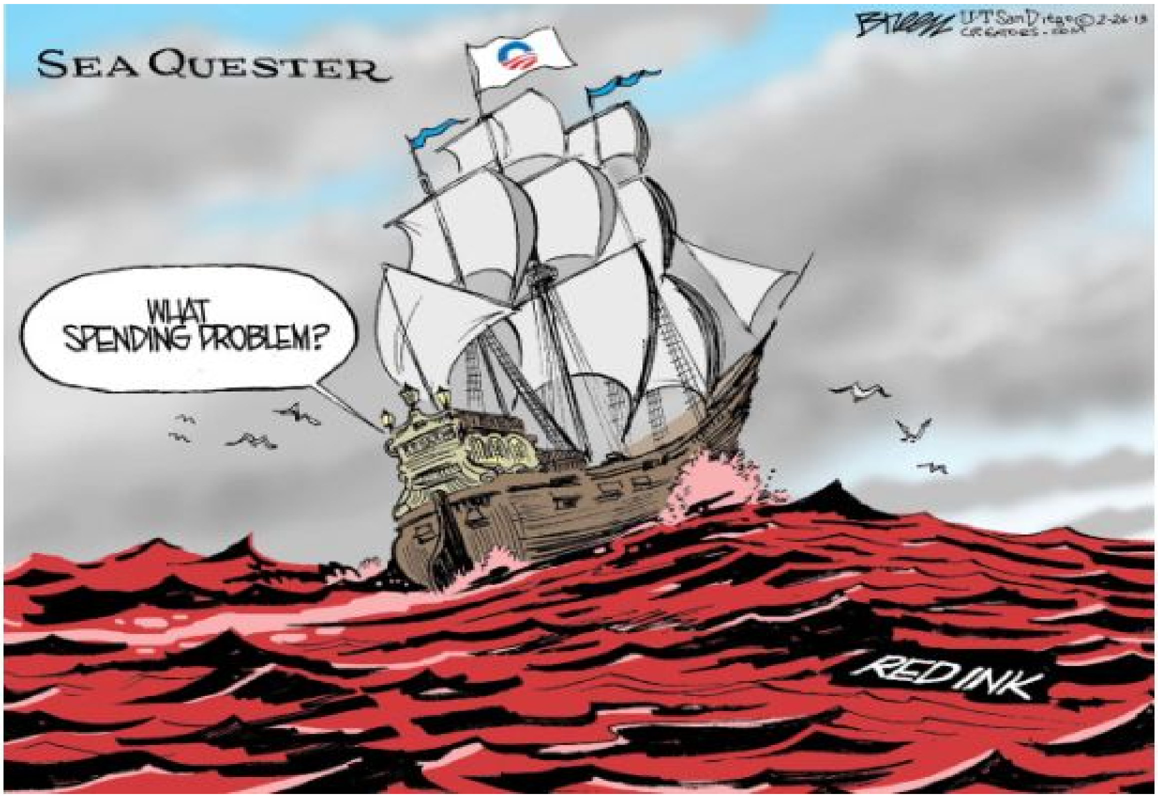
Leno: Gas is so expensive even Lindsay Lohan can't afford to drive anymore. She needs three friends to push her car into somebody else's.

Letterman" News from the business world. Are you familiar with Office Depot? Have you heard of Office Max? Well, they're merging. From now on, they'll be known as Office Office. And also from the business world American Airlines is merging with U.S. Airways. So, the new company will be known as Airways Airlines.

Letterman: How about that Joe Biden? Did you see what he's talking about now? He says everybody should get a shotgun. I was thinking, A vice president with a shotgun. Gosh, what could possibly go wrong there?

Letterman: Anne Hathaway was up for (and won) Best Supporting Actress at the Oscars. She's won so many awards they're testing her for banned substances.

Fallon: Researchers have discovered that a chemical in the brain causes women to talk more than men. It’s called “chardonnay.”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WHAT SPENDING PROBLEM?
RED INK


THIS TIME I WANT TO HEAR MORE SCREAMING.
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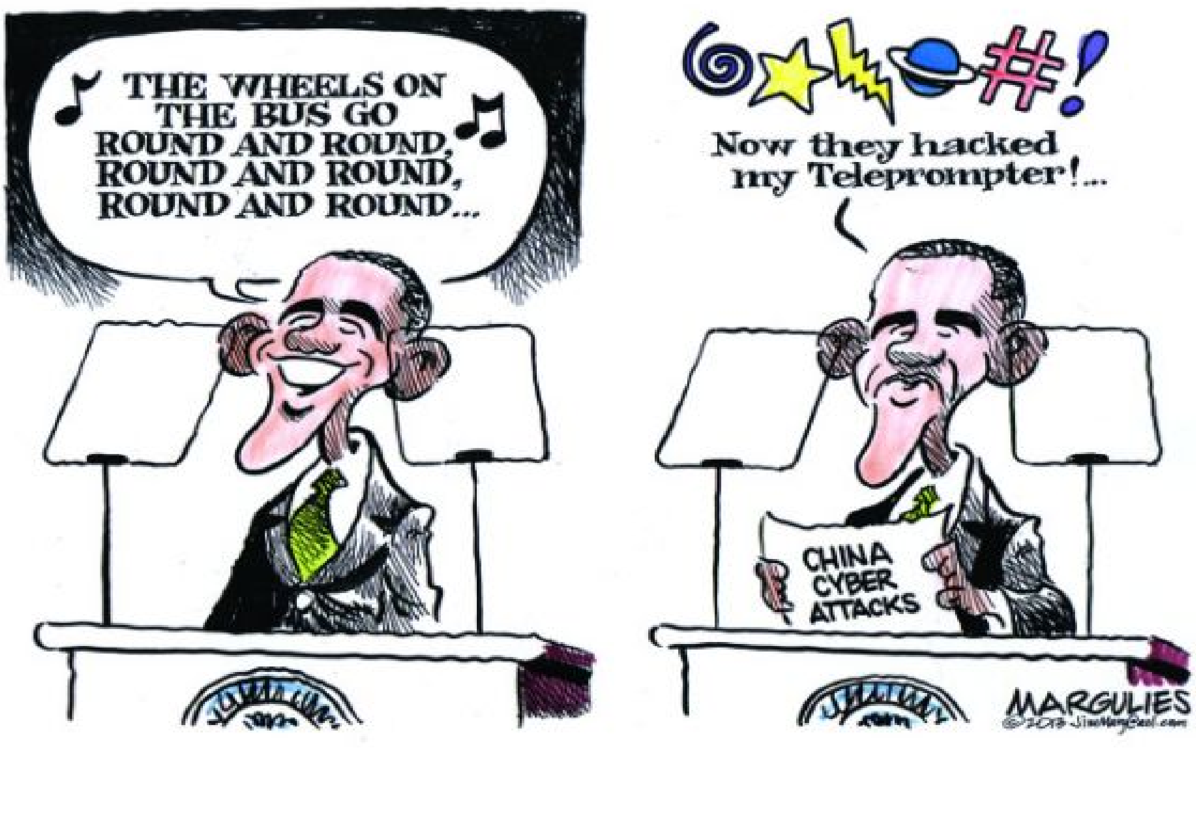
FOR HIS WORK ON "DEBT REDUCTION," THE OSCAR FOR BEST COSTUME DESIGN GOES TO....
BEELER
THE COLUMBUS DISPATCH


THE WHEELS ON THE BUS GO ROUND AND ROUND, ROUND AND ROUND, ROUND AND ROUND...
Now they hacked my Teleprompter!...
CHINA CYBER ATTACKS
MARGULIES