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"Tucker Carlson Tonight" was one of Fox's top rated programs

Liar, Liar, Fox on Fire!

by Sachin Sundar

In a groundbreaking move on Monday, Fox News announced that they were firing Tucker Carlson, the network's most popular prime-time host. This announcement came in the wake of Fox Corporation settling a defamation lawsuit filed against them by Dominion Voting Systems for $787.5 million. The primary reason for the lawsuit was Fox's role in spreading misinformation about Dominion's products and voter fraud in the 2020 presidential election. Carlson played a significant role in spreading this misinformation by labeling the 2020 election the "biggest scam in [his] lifetime" and a "grave betrayal of American democracy." Furthermore, Carlson claimed that the individuals who stormed the Capitol were not insurrectionists but merely "sightseers," airing only selected clips from the January 6 insurrection.

The Dominion lawsuit aired a significant amount of Fox's dirty laundry and would have likely revealed even more if the network had not settled. Documents filed during the lawsuit revealed that several prominent Fox hosts privately denigrated allegations that the election had been stolen while publicly propping up these lies on their shows. For example, Carlson stated that the allegations of fraud against Dominion were "absurd" in a private text to his producer. A night later, Carlson aired the very allegations against Dominion that he deemed absurd, claiming that "we don't know anything about the software." Maria Bartiromo, another prominent Fox host, labeled the alleged evidence of voter fraud forwarded to her by Trump's lawyer Sidney Powell as "kooky." One day later, Bartiromo invited Powell on her show, stating that she knew that there were "voting irregularities" in the 2020 election. It was revealed that Dominion had private texts from Carlson that contained racist and sexist comments about Fox executives. These texts were allegedly the reason why Fox fired Carlson.

by SPEX Analysts

While there is a certain amount of partisan bias exhibited by many mainstream news networks, Fox News has gone far beyond mere bias. The court filings in the Dominion lawsuit revealed texts from prominent Fox News hosts such as Sean Hannity and Laura Ingraham, indicating that these hosts clearly knew they were spreading misinformation about the 2020 election. The network has clearly demonstrated that it is more concerned with its ratings and profitability rather than maintaining standards of journalistic integrity. Rupert Murdoch, chairman of the Fox Corporation, reportedly labeled Trump's voter fraud claims as "really crazy stuff." According to Dominion, not a single Fox witness testified that they believed the allegations against Dominion or claims of voter fraud in the 2020 election.

The Dominion lawsuit also revealed a text chain between Carlson and fellow prime-time hosts Hannity and Ingraham, where Carlson called for a Fox reporter to be fired because she fact-checked a tweet from Trump and stated that there was no evidence that Dominion had committed voter fraud. Carlson implored his fellow hosts, "Please get her fired . . . It's measurably hurting the company. The stock price is down." Much of Fox's decision-making to air allegations of electron fraud stem from these types of calculations and the fact that Fox executives were afraid that their audience would defect to far right news alternatives such as Newsmax and OAN. Once the only major conservative news outlet, Fox has had to deal with the fact that they now face competition from news outlets that are significantly more to the right than they are.

According to a poll from *Variety*, nearly half of Fox News viewers said that the revelations from the Dominion lawsuit had no effect on their belief about voter

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Lyft Enacts 1,300 Job Cuts

How will Lyft's job cuts affect future profitability?

by Vihaan Hari

Recently, Lyft announced that it will layoff 1,200 employees from its workforce. Spearheaded by their new CEO, David Risher, Lyft made this move in response to their continued yearly losses. Although revenue hit a record high of $4.1 billion, their net loss grew by 45% to $1.6 billion in 2022. To combat these losses, Risher aims to cut operating costs and emphasize meeting the needs of riders and drivers. Whether Lyft does this by increasing earnings for drivers or investing in competitive pricing by using the money saved from downsizing, their goal remains to establish profitable growth.

While Lyft is following other tech companies' layoff strategy, its main competitor, Uber, has not announced any plans to enact layoffs, suggesting Lyft's recent layoffs are not consistent with the industry. This is essential because Lyft mirrors many aspects of Uber's business model. They utilize the same dynamic pricing model and driver system but mainly differ in revenue segments. Uber is more diversified with UberEats and international riding, creating higher and steadier revenue streams since the end of the pandemic. Since Lyft has no other revenue segments, their usage heavily fell during COVID and remained low after the pandemic as people did not want to switch from the convenience of using Uber. For Lyft to effectively compete with Uber and increase sales, it needs to increase its employee base and expand its services. To do this successfully, Lyft would need to increase funding for expansion and

Lyft has laid off 26% of its entire workforce

alter its capital structure. Lyft's current debt-to-equity ratio is 2.16 while Uber's is 1.26, indicating that Uber relies heavily on equity financing while Lyft is the opposite. By increasing its employee base and focusing on growth, it would be favorable for Lyft to transition from debt financing to equity financing to raise capital available to invest.

Additionally, this transition would change the strength of Lyft's current dual-class structure, allowing co-founders to remain in absolute control while owning less than five percent of the company's equity capital. Leaning more into equity financing will mean that the co-founders need to sell their shares to fund the expansion of Lyft's services. If Lyft underwent this expansion, it would need to be aware of threats that may harm its diversification plan. Firstly, gas prices are increasing due to higher gas demand amid tightened gas supply, and so Lyft's driver base is at risk of decreasing.

Because drivers are to pay for their own gas and car maintenance, increased operating costs and lower revenue would push drivers to leave Lyft. Regarding the expansion plan, the market share of the food delivery industry is dominated by four firms, despite there being low barriers to entry. Of those, Uber Eats is the second largest firm with a share of 23%.

However, Lyft is already working with these top companies to deliver food, but purely as a third-party service. Since Lyft does not have a consumer platform for food delivery, drivers can only pick up and deliver orders, providing only a fraction of the revenue for the entire order. If Lyft leaned more into equity financing, they would establish their delivery brand with their increased capital. Lyft laid off employees to increase short-term profit and instill investor confidence in the company. However, Lyft should focus on a long-term approach and emphasize expansion- starting with reevaluating their layoff strategy. -VH

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fraud in the 2020 election. However, over 20 percent of viewers claimed to now trust Fox less. Though it is significant that a fifth of Fox viewers are less likely to trust the network, it will barely put a dent in Fox's influence on American politics and future elections. Much of the mainstream media leans to the left and Fox caters to a large portion of the country that wants a conservative take on the news. Even though OAN and Newsmax are gaining an increasing number of viewers, Fox remains the kingpin of conservative news, having four times the viewership of Newsmax and over six times the viewership of OAN. According to Pew, nearly half of Americans get their news from Fox and the network will continue to shape the perspectives of their viewership for the foreseeable future. Fox is overtly favoring DeSantis over Trump for the 2024 presidential election, and it is likely their coverage will significantly shape the views of conservative viewers, particularly as Trump faces a number of prosecutions and criminal investigations.

The only change that viewers can expect is that Fox will be less blatant in spreading misinformation in order to avoid the defamation lawsuits that are devastating to their bottom line.

As for Carlson, his fate is unclear. With the huge following he already has, Carlson could simply turn to another medium (perhaps OAN or Newsmax) or become an even more fringe figure like Alex Jones. However, for the present, at least one thing is painfully clear for both Fox News and Tucker Carlson: lies have consequences.
-SS

Cracks Show in Commercial Real Estate

At-home workers, higher interest rates, and reduced lending are shaking the industry and its creditors

by Evan Juarez

In a research paper by Arpit Gupta of NYU Stern School of Business, Vrinda Mittal of the Columbia Business School, and Van Nieuwerburgh, the researchers found a 39 percent decrease in New York office values, a $453 billion loss of value. The lowered values are the cumulation of increased at-home workers and higher interest rates.

As more people have taken a liking to online work in the aftermath of the COVID-19 pandemic, the demand for office space has fallen. A Stanford study found that 27 percent of paid full-time days were worked from home in early 2023.

The first-quarter office vacancy rate in Manhattan reached 16%.

Meanwhile, higher interest rates have reduced the value of loans, including commercial mortgages. Because most commercial mortgages have fixed interest rates, an increase in market interest rates reduces the fair value of the loan. With a current fed funds rate target of 4.75-5.00%, banks have endured significant losses to their loan books. In the fourth quarter of 2022, fair-value losses on banks' loans increased by $242 billion. The in--creased office vacancies will create a wave of defaults for commercial mortgage owners. One report stated that more than half of the $2.9 trillion in commercial mortgages will need to be renegotiated by the end of 2025. These renegotiations will harm the creditors of commercial real estate (CRE) loans, specifically banking institutions that hold $2.9 trillion of CRE loans.

A closed revolving door at the Empire State Building.

Lenders cannot simply push back the maturity date of loans, as is standard practice for renegotiations. Because many CRE owners faced a permanent reduction in cash flows after the pandemic, the increase in at-home workers has fundamentally reduced their ability to repay. Reduced future cash flows of CRE will force lenders to realize loan losses.

The biggest worries for loan devaluations are for smaller banks. Regional and local banks hold 80% of all bank's total CRE loans, which is around $2.3 trillion. For instance, in M&T Bank Corporation's recent earnings call, Chief Financial Officer Darren King said that 20% of the bank's office loans were at risk of default. Higher interest rates have also devalued other loan holdings, further tightening banks' liquidity. Last month, First Republic Bank faced scrutiny over the $22.2 billion loss in its loan book, a hole larger than its $17.4 billion total equity.

The restrictions in lending due to the recent banking crisis will further complicate the commercial real estate market's issues. In an earnings call, JPMorgan Chief Executive Jamie Dimon stated he expected tighter lending conditions primarily for "certain real estate things." At a time when many debtors need to refinance due to shifting worker preferences, a restriction in lending can be especially damaging.

Just as banks realizing losses on held-to-maturity securities pan--icked depositors worldwide, real--izations of loan losses could produce further bank runs. If a wave of CRE defaults and other loan devaluations reduce asset values beneath the level of deposits, frightened depositors could rush to withdraw their funds, causing a bank run and reigniting panic in the banking sector.

While the CRE industry is currently on shaky footing, it is not a repeat of the great financial crisis, which resulted from a housing bubble and risk management far worse than the actions of Silicon Valley Bank and Signature Bank. Current CRE loan losses are due to a shift in worker preferences and reduced liquidity. Furthermore, today's banks have much stronger capital ratios and less leverage than during the great financial crisis.

Nevertheless, the combined effects of high-interest rates and a tectonic shift in worker preferences can be very damaging, and new lending reductions will amplify the market's issues. CRE renegotiations and defaults will realize loan losses and increase the risks of reignited panic in the banking sector. Armageddon is not inevitable, but the commercial real estate industry lacks a solid foundation.

-EJ