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Rethinking Real Estate

By DAN MITCHELL

IN more than 300 cities and counties across the United States, residential developers are asked — or forced — to include a certain amount of affordable housing in their projects. Critics say that such "inclusionary zoning" policies reduce the number of homes built and drive up prices.

Not so, says a report from the Furman Center for Real Estate and Urban Policy, which studied how the programs affected housing in San Francisco, Boston and Washington (wagner.nyu.edu/centers/furman.php). If there are jumps in prices, they are minimal. The report said "there is no evidence" in the San Francisco area that inclusionary zoning affects "either the prices or production of single-family houses." In suburban Boston, the policy "seems to have resulted in small decreases in production and slight increases in the prices of single-family houses."

The report also concluded, however, that inclusionary zoning by itself does not do all that much to create affordable housing. "Our analysis refutes the 'sky is falling' cries from I.Z. opponents," Vicki Been, the Furman Center's director, said in an interview with Brownstoner, a Brooklyn-based real estate blog (brownstoner.com). But, she added, such policies seem to create only a "modest number" of affordable units. Inclusionary zoning may help, but it "is not a panacea for a community's affordable housing challenges."

RATES AND COMMODITIES Prices of commodities, from copper to corn, have been soaring. Until recently, it was easy enough to cite rising worldwide demand as the cause of the increases. But in recent months, some economics bloggers argue, it has become apparent that Federal Reserve policies are driving the market.

There are specific reasons for the price increases in individual commodities. "But it cannot be a coincidence that mineral and agricultural prices have risen virtually across the board," according to Jeffrey Frankel, a professor of economics at the Kennedy School of Government at Harvard. "Some macroeconomic explanation is called for," he wrote on the blog Vox (voxeu.org).

Demand, especially in developing countries, may have explained the market until recently. But now that economies are slowing, some other explanation is needed, he said. According to Mr. Frankel, low interest rates make it cheaper to carry inventories and for speculators to move out of Treasury bills, for example, and into commodities.

James Hamilton, a professor of economics at the University of California, San Diego, agrees. In January and February, he notes on his blog Econbrowser, "the economic news was getting bleaker by the day, eventually persuading many of us that a recession has likely started.

“To argue that January and February’s news instead signaled booming commodity demand strains credulity.”

But he shows how moves by the Fed seem to have influenced commodity prices (econbrowser.com). For instance, he wrote, when the Fed lowered interest rates on March 18 by “only” three-quarters of a point (less than many people had expected), it was “interesting to note how dramatically commodity prices responded to the news” — they fell substantially.

TRIED TIN FOIL? The city of Sebastopol, Calif., was all set to offer free wireless Internet service. Then last week the City Council rejected the idea after several residents complained that the radio waves pose a health hazard. “I have had health challenges, and my body cannot handle Wi-Fi,” one resident was quoted as saying. “It gives me headaches and makes me very sick.”

As for the complainers, “I can only be glad that they weren’t alive when the city decided on electrification a century ago,” wrote Dale Dougherty on the blog of O’Reilly Media, a publisher of technology books that has its headquarters in Sebastopol (radar.oreilly.com). DAN MITCHELL