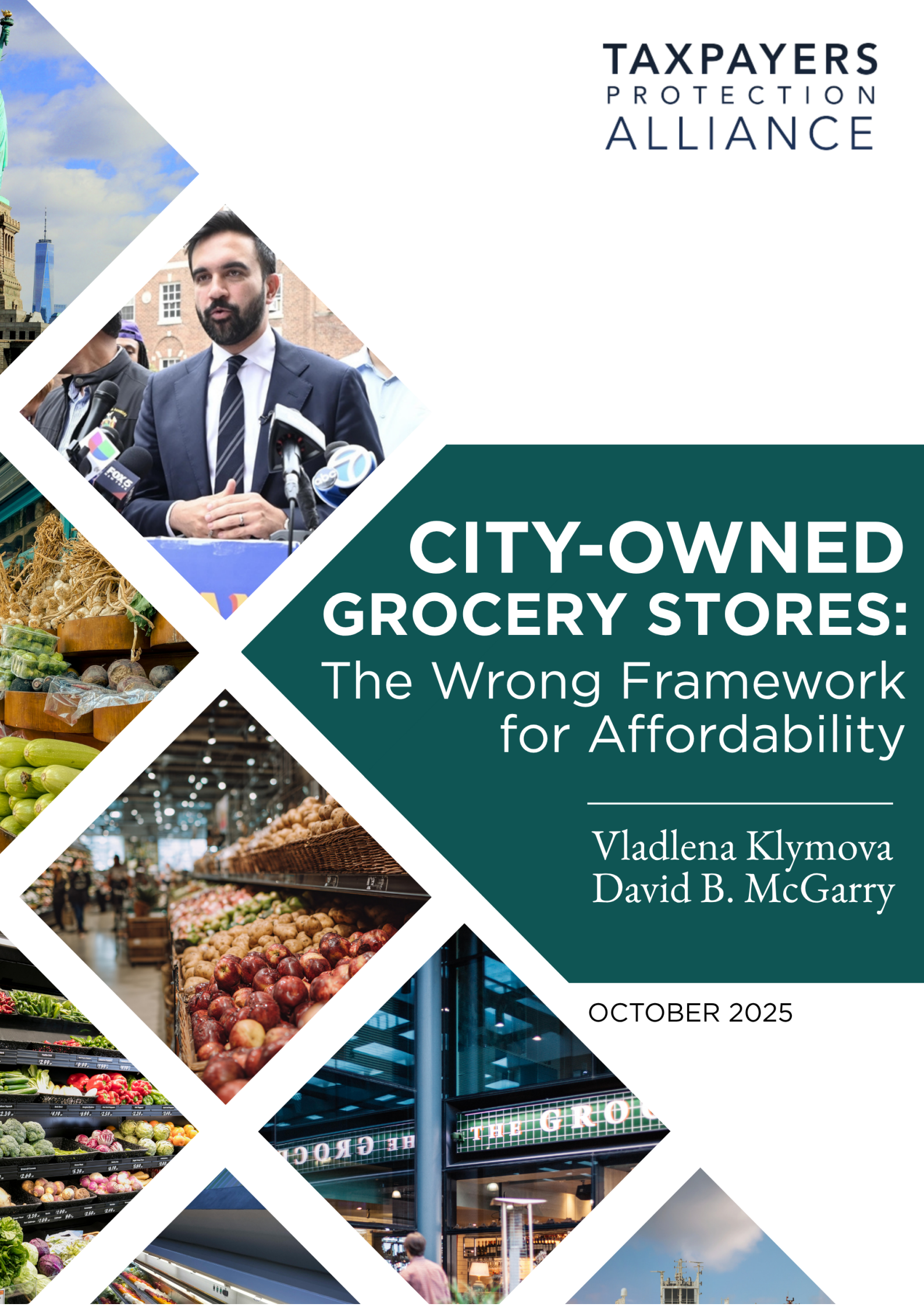


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CITY-OWNED GROCERY STORES: The Wrong Framework for Affordability

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TAXPAYERS PROTECTION ALLIANCE

The Taxpayers Protection Alliance (TPA) is a rapid response taxpayer group dedicated to analyzing and researching the consequences of government intervention in the economy. TPA examines public policy proposals through a non-partisan focus, identifying how government waste and overreach impact taxpayers and consumers regardless of the political party responsible.

TPA holds government officials in the United States, and around the world, accountable through editorials, statements, coalition letters, public interest comments, and radio and television interviews. TPA recognizes the importance of reaching out to concerned citizens through traditional and new media, and utilizes blogs, videos, and social media to connect with taxpayers and government officials.

While TPA regularly publishes exposés and criticisms of politicians of all political stripes, TPA also provides constructive criticism and reform proposals based on market principles and a federalist philosophy. TPA empowers taxpayers and consumers to make their opinions known to their elected and non-elected officials and embraces bold solutions to hold an ever-growing government in check.

David E. Williams, President

INTRODUCTION

In a 43-second TikTok video,¹ New York City mayoral candidate Zohran Mamdani outlined his proposal to build a network of city-owned grocery stores, which would “operate without a profit motive, or having to pay property taxes or rent.” The city-run stores would also “partner with small businesses and local farmers and sell at wholesale prices.” He contends that the city will pass along savings to consumers.

Despite these rosy predictions, a preponderance of the academic literature, historical examples, and economic theory have repeatedly proven the futility of pursuing government-run anything. Nonetheless, campaigns for government-operated grocery chains in the name of affordability and wider access remain stubbornly persistent. Taxpayers and consumers cannot afford this reckless proposal, which has a history of failure.



STATE-OWNED STORES ARE NO MODEL TO FOLLOW

The idea to let the government operate grocery stores is not a new one. Many point to the supposed success of state-owned liquor stores in Virginia or municipal liquor stores in Minnesota. States and municipalities, however, aim to limit alcohol consumption and

operate their monopolies with significant mark-ups,² hardly a desirable model for emulation. The experience of public grocery stores has predictably proceeded with high costs to all parties involved. Stores in Erie³ (Kansas) and Baldwin⁴ (Florida) have failed to break even despite receiving subsidies for years. The City of Erie ultimately transferred operations to a private company, and the Baldwin store closed last year. Ironically, Kansas City, Missouri's failed attempt to run Sun Fresh market, which foundered despite millions of dollars in taxpayer funding, met its unceremonious end during Mamdani's fervent campaign for city-run groceries.⁵ The truth is that there are almost no credible examples of successful government-owned stores that could survive the test of competition and efficiency.⁶

WHY CONSUMERS ARE FRUSTRATED

In general, public discontent with privately-owned grocery stores centers on two factors: availability of options and pricing. These factors fail to hold up under closer scrutiny. Believers in government remedies for these alleged failures argue that public retailers would lower grocery prices and address so-called food deserts—communities with limited access to affordable, nutritious food. Each concern merits its own examination as it applies to New York City.

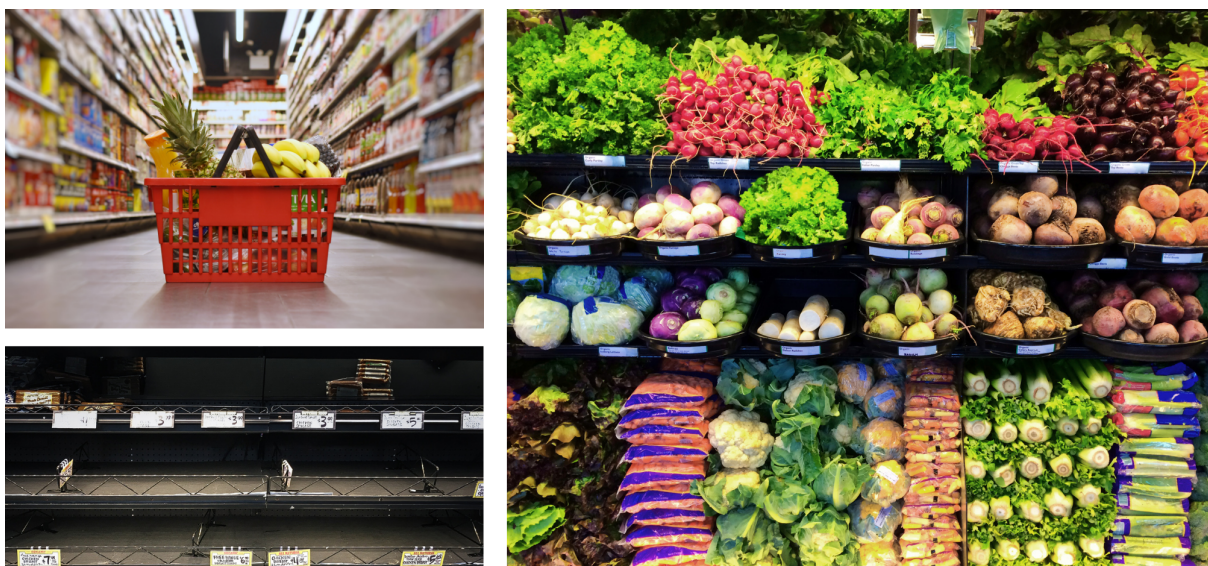
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ACCESSIBILITY

Rural areas face a deteriorating retail food landscape,⁷ and the loss of local grocery stores further destabilizes already remote and depopulating communities.⁸ At the same time, even proponents of welfare programs voice skepticism about the veracity of the “food desert” concept.⁹ However, invocations of a food desert crisis in New York are not supported by the evidence. Recent research ranks the city third nationwide in grocery access, with residents on average living just half a mile from a supermarket and requiring no additional stores to

meet most walkability thresholds.¹⁰ What's more, an abundance of online delivery services such as Instacart, Amazon Fresh, and FreshDirect leaves little reason to believe public brick-and-mortar stores would reach neighborhoods that delivery does not. Peapod, one of the earliest delivery pioneers, now integrates seamlessly with Ahold Delhaize's brick-and-mortar network.¹¹ Additionally, Walmart partnered with Instacart to offer grocery delivery services in New York City, enabling customers in Brooklyn to order items online and receive same-day delivery.¹²

Over the past several years, online grocery has transformed from a niche convenience into a mainstream pillar of the retail economy. Unsurprisingly, growing accessibility has also extended to SNAP recipients, who can order groceries online through approved retailers.¹³ As of August 2025, U.S. e-grocery sales reached a record \$11.9 billion for the month, up nearly 14 percent from a year earlier.¹⁴ Altogether, U.S. online grocery sales are projected to total about \$327.7 billion in 2025 and could climb to \$363.8 billion in 2026, reflecting the extraordinary pace of private-sector growth and consumer adoption.¹⁵



The market's growth has been propelled not by public subsidy but by private investment in logistics and technology, with Amazon leading the way through AI-optimized delivery routes¹⁶ and pilot programs expanding consumer choice.¹⁷ The most recent example of this evolution came with Amazon's launch of a "price-conscious" grocery brand, offering hundreds of items under five dollars and delivery across much of the U.S.¹⁸ The company's new model undercuts store-brand goods at many supermarkets, leveraging economies of scale and logistical efficiencies that no city agency could hope to replicate. The private sector's continuous innovation stands as the real safeguard of affordability—underscoring how markets, not municipal bureaucracies, deliver the best results for consumers.

Even if delivery fees place online services out of reach for low-income families, other initiatives in New York already address food insecurity. For example, Mercato's *Improve Healthy Grocery Access* pilot gives SNAP recipients a \$50 monthly produce credit and free delivery for a year.¹⁹ City Harvest's Mobile Markets provides free food in neighborhoods "with limited access to fresh, affordable food."²⁰

In short, with numerous private, nonprofit, and charitable initiatives already targeting food access, five city-run grocery outlets would add little to the existing system, while costing New Yorkers substantially more. Perhaps if Mamdani looked beyond socialist policy prescriptions, he would note what practical reforms the city government could actually adopt by "leveraging the capitalist private sector."²¹ Unfortunately, promising proposals such as allowing chain grocers to operate on vacant, tax-abated public-housing properties or drawing on the ideas of ex-mayoral candidates who placed greater faith in market competition are unlikely to break through Mamdani's steadfast trust in government.²² Finally, research indicates that "access to larger retail food outlets, such as supermarkets, most likely provides the greatest benefit to low-income households," due to their lower prices and provision of the widest selection of products.²³ Given this evidence on superior private-sector provision, the city government could reform its restrictive building and zoning codes and relinquish its opposition to Walmart, letting the large and cost-competitive company enter the New York market.²⁴

AFFORDABILITY

When examining food affordability, it is important to keep in mind the big picture: over the long term, food has become significantly cheaper. As Cato Institute fellow Marian Tupy noted in a 2019 analysis, "for the same amount of work that allowed an unskilled laborer to purchase one basket of the 42 commodities in 1919, he or she could buy 7.6 baskets in 2019."²⁵ This trend has been temporarily blunted, mostly by a surge of inflation fueled by massive federal spending.²⁶ Food prices in New York have risen over 25 percent since 2019, outpacing the national average.²⁷ The cost of food is rising, while grocery store profits remain static. Rapid price increases disproportionately harm low-income households. Mamdani blames rising prices on a profit motive, yet nationwide, the data is clear that "net profits average a razor-thin 1 percent to 2 percent" for private grocery chains.²⁸ Although no comprehensive data exists for the New York metropolitan area, there is no evidence that margins for the New York grocery store industry deviate from national averages. Historically,

the city has featured competitive markets, because chain and local grocery stores must also share the market with bodegas, delis, and dollar stores. The evidence does not support the notion that capitalism is leading to rising food prices. Reforms to reduce, rather than expand, the size of government are key to improving affordability.



Misguided Relief, Misdiagnosed Problems

Predictably, Mamdani seeks to bypass market competition by exempting public grocery stores from rent and property taxes.²⁹ If he intends to undercut private competitors by granting preferential treatment to public stores, he risks driving many retailers out of business. Reduced competition, more closed stores, and lost retail jobs are unlikely to improve grocery affordability or access for New Yorkers. And by insisting his stores will buy and sell at wholesale prices, he is effectively conceding that they would either rely on subsidies to cover operating expenses or force wholesalers to grant steep discounts—an unlikely prospect for a network of only five grocery stores. Hiding the true cost of groceries with tax dollars not only negates the stated goal of the proposal but also risks fueling black markets for opportunistic criminal entrepreneurs to exploit subsidized goods.

Mamdani seems to have a poor understanding of the status quo. “With New York City already spending millions of dollars to subsidize private grocery store operators,” he contends, he will “redirect public money to a real ‘public option.’”³⁰ The mayoral candidate falsely asserted that the government subsidizes private grocers, whereas the FRESH program, to which he referred, is simply a package of regulatory and tax incentives to spur the expansion of grocery stores in food deserts.³¹

Tackling the Real Causes of High Grocery Prices

To seriously engage with the issue, instead of sabotaging market forces, Mamdani could use his political capital to address the root causes of grocery unaffordability. To begin with, a grocery store’s cost structure consists of such items as rent and property, transportation,

labor, regulatory compliance, legal disputes, and spoilage. To address substantial property expenses, the city could lower taxes on businesses—the commercial rent tax, the corporate income tax, and the commercial property tax—all of which contribute to the groceries in New York being “40 percent more costly than in the average city.”³²

At the start of 2025, New York City introduced a congestion pricing program to mitigate chronic traffic in Manhattan. These surcharges add tens or even hundreds of thousands of dollars per year to the cost of bringing goods into Manhattan.³³ This new toll directly contradicts Mamdani’s campaign promise. Ending congestion fees could at least keep rising logistical costs in check.



Wages and salaries are typically the largest operating expenses in the grocery store industry. Minimum wage laws set a threshold for labor costs, which translates into increased grocery prices.³⁴ New York City’s current minimum wage sits at \$16.50 per hour.³⁵ Scheduled annual increases will continue “negatively impacting the state’s economic competitiveness and increasing consumer prices,” as put by one 2023 paper.³⁶ Contrary to calls for removing minimum-wage hurdles, Mamdani has pledged to raise the wage floor to \$30 per hour by 2030,³⁷ thereby undermining his own objective to make food cheaper and more affordable.

Moreover, compliance expenditures and punitive fines also become incorporated in retail prices.³⁸ New food donation and scraps separation laws,³⁹ along with stringent yet arbitrary rules that disregard the costs of compliance⁴⁰ and operational disruptions,⁴¹ are embroiling grocers in financial hardship. Rationalizing building codes, zoning laws, and fire codes to end the one-size-fits-all approach to rulemaking would help small corner stores compete with large supermarkets. Reforming licensing and permitting protocols and eliminating redundancy of inspections from federal, state, and local agencies with overlapping mandates

would relieve regulatory pressure still further. So long as expectations⁴² imposed on would-be grocers remain unreasonable, so will grocery prices.

CONCLUSION

To borrow a famous and time-tested phrase from economist Milton Friedman: *There's No Such Thing as a Free Lunch*. At best, Mamdani's grocery stores might sell at lower prices—but the question remains: at what cost? The intended consequence of lowering grocery prices through city-run stores is undermined by the inevitable results: selecting winners from losers and subsidizing store practices undisciplined by market forces. In the end, Mamdani's plan condemns New Yorkers to fewer choices, weaker markets, and higher prices in the long term.



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FOOTNOTES

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- [3] https://www.koamnewsnow.com/city-owned-erie-market-now-under-new-operators/article_db661d32-7b84-11ef-9197-970b2aba003f.html.
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- [20] <https://www.cityharvest.org/food-distribution/>.
- [21] <https://www.aei.org/op-eds/nix-socialist-supermarkets-and-unleash-capitalism-to-fix-nycs-food-woes/>.

[22] The first proposal—to allow chain grocers to operate on vacant, tax-abated public-housing properties—was advanced by Howard Husock in “Nix Socialist Supermarkets—And Unleash Capitalism to Fix NYC’s Food Woes,” AEI, Oct. 2024. He also cites Scott Stringer’s idea for “Shared Grocery Delivery Centers” in public-housing sites, where delivery firms would waive fees in exchange for access to city-run drop-off points.

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