

# Ocasio-Cortez Mourns a Coffee House Driven out of Business by a Minimum Wage Law She Supported

For 28 years, Union Square's iconic cafe the Coffee Shop—located at 29 Union Square West—served New Yorkers and tourists who wanted to get a glimpse of where Carrie Bradshaw and her friends would hang out on *Sex and the City*. (The coffee shop was [frequently featured](#) on the hit HBO show. And yes, *ahem*, I've watched it.)

That will change this year. The owners of the restaurant [announced in July](#) that the Coffee Shop would close its doors for the final time on Oct. 11th.

This is the nature of the foodservice industry, of course. Anyone who has worked in it can tell you how tight profit margins [are for restaurants](#). Some make it; some don't.

## Paying Their Respects

Still, it's never easy to see a beloved diner or cafe close—especially one in which you can occasionally see A-list celebrities such as Julianne Moore or Stanley Tucci walk through the door.

Unsurprisingly, many are observing the passing of this Big Apple treasure. Among those to pay their respects on social media was none other than Alexandria Ocasio-Cortez, the 28-year-old democratic socialist who stands poised to win New York's 14th congressional district.

It turns out that before her [stunning primary upset](#) of incumbent Democratic leader Joe Crowley, Ocasio-Cortez worked

shifts at the Coffee Shop. On Monday, the would-be Congresswoman [tweeted](#) on what she expected to be her last visit to the shop.

*The restaurant I used to work at is closing its doors.*

*I swung by today to say hi one last time, and kid around with friends like old times.*

*I'm a normal, working person who chose to run for office, because I believe we can have a better future.*

*You can do it too. We all can.*

A touching homage, to be sure. Yet, we'd be remiss to overlook the reasons the Coffee Shop is closing. Charles Milite, co-owner and president of the restaurant, [told](#) the *New York Post* that the decision stemmed in part from New York's recent minimum wage hike.

## **If We're Going to Point Fingers...**

"The times have changed in our industry," Milite told *The Post*. "The rents are very high and now the minimum wage is going up and we have a huge number of employees."

Milite was citing legislation signed by Governor Andrew Cuomo as part of the 2016-2017 budget that [will raise the minimum wage](#) to \$15 an hour for "Big Businesses" in the city (those employing 11 or more employees) by year's end.

Cuomo's minimum wage law was no doubt music to the ears of Ocasio-Cortez. She's [on record](#) stating that she "will not rest until every person in this country is paid a living wage to lead a dignified life."

That sounds great. Who doesn't want a living wage or a dignified life? Alas, eating these costs is no simple matter for business owners, especially when the costs imposed are

severe. Take New York, for example.

## Minimum Wage and the Empire State

In 2016, the state's minimum wage [was \\$9 per hour](#). By mandating a \$15 minimum wage, lawmakers are imposing a 67 percent increase phased in over two years. Many businesses simply cannot bear these employment cost hikes and stay in the black; this was evidenced by Milite's decision to close his coffee shop, which employs some 150 people.

This sad news comes as no surprise to students of economics. Social scientists have long understood that minimum wage increases, especially sharp ones, reduce employment.

This point was made by Milton Friedman in a 1966 *Newsweek* op-ed in which the Nobel Prize-winning economist predicted (correctly, as it turned out) that a 28 percent hike in the federal minimum wage would increase unemployment. Friedman wrote:

*Congress has just acted to increase unemployment. It did so by raising the legal minimum-wage rate from \$1.25 to \$1.60 an hour, effective in 1968, and extending its coverage. The result will be and must be to add to the ranks of the unemployed.*

Some might argue that fewer jobs is a worthy sacrifice for better wages. But one should also consider who are most harmed by minimum wage laws. Here is what Friedman [had to say](#):

*The groups that will be hurt the most are the low-paid and the unskilled. The ones who remain employed will receive higher wage rates, but fewer will be employed. As Prof. James Tobin, who was a member of president Kennedy's Council of Economic Advisers, recently wrote: "People who lack the capacity to earn a decent living need to be helped, but they will not be helped by minimum-wage laws, trade-union wage*

*pressures or other devices which seek to compel employers to pay them more than their work is worth. The more likely outcome of such regulations is that the intended beneficiaries are not employed at all."*

## But Wait, There's More!

A person looking for a more recent example (or a more "mainstream" source) need only turn his eyes to Seattle, the pioneer of America's most recent minimum wage experiment.

[A massive study](#) conducted by the University of Washington [concluded that](#) Seattle had "about 5,000 fewer low-wage jobs in the city than there would have been without the law."

*The Seattle Times* editorial board, hardly a bastion of capitalist cranks, said Seattle needs to "[open its eyes to minimum-wage research](#)."

Does City Hall really want to know the consequences, or does it want to put blinders on and pat itself on the back?" the editorial asked, referring to Seattle Mayor Ed Murray's efforts to downplay ([and preempt](#)) the study's findings.

Many people see the minimum wage as a "political issue," but for many business owners it's simply a matter of arithmetic.

"I'm a bleeding heart liberal and I'm a big Bernie Sanders supporter, but this whole, flat-out, \$15, one-size-fits-all is just wrong," [said](#) Jane Elias, the owner of a Minneapolis art store who opposed city efforts to raise the minimum wage to \$15 an hour.

The city's effort [succeeded](#).

For politicians, \$15 sounds like a nice round number (well, it's [technically not round](#), but you know what I mean), which is no doubt why they select it. For many businesses owners,

however, this number means the end of their livelihood.

Sadly, it appears many metropolitan areas seem intent on learning economics the hard way.

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