

## The cappuccino economy

Published: January 14, 2026, 2:54 pm

---

I am in Brussels today at a conference being run by the EU on tax fairness, largely for the benefit of its own staff. Over lunch I was talking to a number of people about the necessary balance between the state and private sectors, each having a very real role to play in the economy in my opinion. I mentioned my idea of the economy being like a cappuccino, which I have not shared here for some time, so I thought it worth doing so again.

The idea that underpins this suggestion is that neither the state or private sector is inherently better than the other. It is obviously the case that to get the best out of the economy you need both. The cappuccino is a metaphor for this.

The state is the cup. The economy exists within it for the purposes of this example. (Of course it extends beyond it but that is for another blog; just think about the coffee shop if you want to anticipate the direction travel).

The espresso on the bottom is the government. It shapes and moulds the whole thing. If it is good, then pretty much the whole thing will be, and vice versa.

The frothy milk is the private sector that builds on the foundation of the state.

And on the top is some chocolate or nutmeg which is the thing we all see, and because in real life this represents the frivolities that feature in Sunday colour supplements we think that the private sector, that almost always produces them, is the source of the fun things in life when in fact without the state, and the mundane functions of the market, they would not be possible.

The reality is that in practice a cappuccino stands or falls as a whole. It's hot frothy milk without the espresso. It is just an espresso without the milk. Both are acquired tastes for some. Many think the compromise — with the fun bits on top — is best. But most importantly, when drunk you can't tell the component elements apart.

Let's not push the metaphor too far, but the task we face is to actually find politicians who, like a skilled barista, can blend the right product for our economy that delivers the

appropriate mix of state and private where each recognises the role of the other and is willing to support the role the other has to play. The problem in our current economy is that we do not have politicians who are, as yet, showing those barista skills. Far too few appreciate the fundamental role of the state. We have too frothy an economy as a result that is too volatile to be durable. And we also have a private sector that is refusing to recognise it is even in partnership. The result is quite reasonable anger from many about what it is doing.

My aim is for a cappuccino economy: one where state and private sectors both flourish because each is allowed to do what it does best. We're a long way from being there right now. And in my opinion that's because the espresso is too weak right now. We need an extra shot.