In praise of the mixed economy

Published: January 13, 2026, 6:46 am

At the talk I gave earlier this week I sang the praises of the mixed economy. After the talk a person present said he had not heard anyone do so for a long time and asked whatever had happened to that old ideal and where had that economy gone?

I pointed out that we do live in a mixed economy and that every person under the age of 70 in the UK has always done so. Indeed, you could say most people older than that have also done so. All we have forgotten to do is sing its praises, and note the fact that it works until undermined by dogma and the anti-market abuse which far too many right wing politcians and large companies promote in the name of supposed free markets when what they are really seeking to do is suppress competition to deliver monopoly profits to a few at cost to most in society.

My eulogy to the mixed economy was in my book The Courageous State, in which I made it clear that any such state would promote the conditions in which genuine markets could flourish where appropriate whilst at the same time suppressing abuse by requiring the state run those natural monopolies that in many cases Labour is now, quite rightly, proposing to nationalise.

I described the mixed economy using the metaphor of a cappuccino as follows:

A cappuccino economy is the mixed economy that exists within society (the cappuccino cup) with the state being represented by the strong black coffee that underpins the whole edifice, while the private sector is the hot frothy milk that is added to that coffee to work in combination with it to make the final product. The luxuries paid for out of our limited disposable incomes that add the gloss to the private sector are represented by the nutmeg or chocolate that float on top of the hot milk which represents the private sector as a whole. The spoon represents democracy that determines the mix between the coffee and milk, with sugar representing the sweeteners necessary to ensure that almost all accept the eventual outcomes determined by government.

The metaphor can be pushed a lot further: the saucer represents the welfare state that stops people falling out of society; the barista has the skills society needs and must *perpetuate, the coffee-making machine and indeed the coffee shop in which most cappuccino is drunk are both representative of the infrastructure that is essential in any society, while the recipe is based on our wisdom and tradition of accumulated knowledge. The fact that cappuccino is very often drunk in a social environment is indicative of the fact that it is the exchanges within society that actually fulfil us as people and are the way in which we understand our purpose.*

Most people I have ever described this metaphor to can instantly relate to it: this is the world in which many people live and it is the world that they understand. And yet there is no economic theory currently in use that describes this economy. And that, I suggest, is the real problem we face right now, and is the reason why we are in a mess.

I am still of that opinion. We still need an economics and an ethos that actually relates to the merits of the world of compromise in which balance is created in which we can and must actually live.