



Zanny Minton Beddoes

**in conversation with
Ann Bernstein**

To mark 25 years since its establishment, in November 2020, CDE initiated a series of discussions with global experts and prominent individuals in South Africa on important questions on democracy, business, markets and development. The series was relaunched in 2022 as CDE Conversations. This publication, the 42nd in the series, provides a summary of the discussion.

Ann Bernstein: Zanny Minton Beddoes is a global economics expert who worked at the International Monetary Fund and advised Poland's Minister of Finance before joining *The Economist* in 1994, where she has served as economics editor in Washington, D.C. and emerging markets correspondent in London. Since 2015 she has been the paper's 17th editor-in-chief. Zanny, welcome and thank you for your time.

In May this year you said today's world is changing at a dizzying pace, and that we are in the early stages of what could be the biggest technological revolution in history. You've also said that in periods of upheaval, individuals can make an enormous difference. How can they do this? And why are you an optimist?

Zanny Minton Beddoes: We are at the foothills of pivotal moment in history, with geopolitical, technological and economic change occurring simultaneously. A handful of individuals have driven each shift: think of Dario Amodi, Sam Altman and Elon Musk on the technological side, or Trump on the geopolitical side, though larger forces were already moving the world away from the post-war order before Trump.

When times are normal, progress tends to be incremental. But when so much is thrown into the air, radical change becomes possible, and it is often individuals further down the food chain, not just government leaders, who make the difference. In country after country, including my own, the status quo is unsustainable, and a relatively small number of people will determine the future. That is alarming, but also exhilarating, which is why I remain an optimist. Technological change holds real potential for scientific progress, greater longevity, higher productivity and huge opportunities for countries to catch up. We should be seeing the glass half full, not cowering in despair.

Ann Bernstein: During your interview with Elon Musk, he claimed AI would exceed human intelligence within five years, and within ten make all jobs redundant, that we could all go gardening. How likely is this?

Zanny Minton Beddoes: I largely agree with him on the scale and speed of what is coming. When ChatGPT first emerged, we thought large language models wouldn't be terribly good; but they have proved transformative. You may have seen our recent cover asking whether AI could become conscious; that is no longer a fanciful discussion. In ten years, the quantum of artificial intelligence will outweigh the quantum of human intelligence.

Where I am less convinced is that humans will have no jobs left. History shows new technologies take a long time to diffuse: the tractor was invented around 1895, yet only a quarter of American farms had one by the Second World War. AI, and eventually AI combined with robotics, will take years to spread. Musk also underestimates how many new jobs will be created. Observers have wrongly predicted the end of work with every past technological shift, and humans still enjoy interacting with other humans, so there may well be a premium on human-produced goods and services, as Musk himself suggested. He said people would still want tomatoes from someone's garden, even if the tomatoes at the store were better. Outside coding, most people's lives haven't changed dramatically yet, but in a decade, things will feel very different.

Ann Bernstein: Should we regulate AI? And if so, how should we do it?

Zanny Minton Beddoes: I think we will and we should regulate AI. It is developing very fast, amid intense competition both between companies and between the US and China. Progress on implementing regulations has been slow partly because the Trump administration is divided between those who think regulation will slow innovation and those, like Treasury Secretary Scott Bessent, who are more worried about the risks. One big concern in the US is that regulating AI risks handing the initiative to China, which is catching up fast.

Regulation is necessary for the safety of the most powerful models, but I doubt we will get it until some kind of accident forces the issue, much as road deaths eventually forced regulation of the car. Opposition to data centres has also become a political lightning rod: Texas has even paused approvals, and that backlash alone could force a shift towards more regulation.

Ann Bernstein: Jamie Dimon, CEO of JPMorgan Chase, has said that AI might be moving too fast for society to keep up. He is proposing that governments can help people who are going to be displaced by AI. During the 1990s and early 2000s, there was a lot of talk by politicians on how they would help people displaced by globalisation. These did not work well even when implemented. Will we have to act this time, and what would action look like?

Zanny Minton Beddoes: This may be the single most important question. The response to the China shock of the late 1990s was largely ineffective, and it poisoned US politics and fed the populist wave. That shock affected only a few million jobs but was highly localised. AI's effects will be far more diffuse, making an effective response harder to design. I am shocked the economics profession is not focusing harder on how to reshape the tax system, education and the social contract for this new world.

Does it make sense to tax labour when agentic AI will supplant so much of it? Should we double down on quintessentially human capabilities, reasoning, finding things out independently, rather than outsourcing that to Claude or ChatGPT? I am not convinced universal basic income is the answer, but we need the discussion. I would be surprised if our tax and welfare systems look the same in a decade, and if they do, I doubt we will sustain political support for them.

China is already managing this diffusion deliberately, dialling adoption up or down and instructing companies on layoffs as needed. I would not be surprised if democracies adopt similar interventions, in trucking, say, mandating that a human be legally required for tasks even where it is no longer necessary technologically. This would come at a cost to productivity, but governments have sacrificed competitiveness for political reasons before.

Ann Bernstein: I have been struck by how many people in America and the UK are thinking about how to localise economic development, and I understand why that seems important in those countries. But coming from a developing country like South Africa, where there have been so many failed experiments to prevent urbanisation and bribe companies to go to faraway places where they don't actually want to go, I am sceptical. The economics never works and subsidies don't last. I feel that this issue needs a lot more thought.

Zanny Minton Beddoes: I think that is right. Our new Prime Minister, Andy Burnham, has strongly supported devolution, and the UK is a very centralised country with very little devolved power. I don't think devolution will be transformative. At least he has not yet articulated a policy focused on picking winners and providing huge subsidies for regions or anything like that. His current policy focus is on devolving power to local authorities, including giving them tax-raising authority and power to determine how public money is spent, which may be worth exploring in the UK context.

Ann Bernstein: America recently celebrated its 250th birthday. So many people see the US negatively and especially now through the lens of Trump's damage to democratic processes and institutions. *The Economist* took a different view, can you explain?

Zanny Minton Beddoes: Trump is clearly rejecting the multilateral institutions and rules his predecessors thought would benefit America and the world, in favour of a much more transactional foreign policy built on the projection of power. That is a big, uncomfortable change for the rest of the world, particularly Europe, which has relied on American protection for most of the post-war period. Many no longer recognise the US, and some call this an empire in decline, marred by narcissism and corruption.

I do not accept that America is inevitably in decline, though the Trump administration has scored tremendous own goals: its immigration policy strikes me as not just cruel but short-sighted, given that America's success has rested on being a magnet for the world's best and brightest and on having the world's biggest capital market. But it still has the world's largest market and a clear lead in the most important technology of the century. This is America's century to lose. It depends on domestic politics: continued ethno-nationalism, corruption and inequality would be an unhealthy cocktail, but it is easy to imagine a path where the worst excesses are tempered, and America's entrepreneurial machine keeps prospering.

Ann Bernstein: How do you see the future of Europe? And how do you separate Trump's rhetoric from the reality of the relationship between the US and Europe?

Zanny Minton Beddoes: This is a pivotal moment for Europe. It has lagged in AI capabilities. It is not the hellhole that Elon Musk thinks it is, but it is a continent that has chosen lifestyle over rapid innovation. And it is a continent that has lost some fundamental advantages. One is that the Americans paid for a large chunk of our security. Two, continental Europe accessed cheap gas from Russia. And three, the German economy exported to China. Those underpinnings of continental Europe's economic model have gone, while the continent is ageing fast.

I don't expect Europe to sink gradually into global irrelevance. The optimist in me believes Europeans will recognise the need for fundamental welfare state reform to raise productivity. Unlike America, Europe does not suffer from the extreme excesses of the Trump administration. We have well-educated people, and a rule of law that people still trust.

I have long thought that the UK will probably be the first country that will reshape the relationship between the state and the market in the 21st century, because it is small enough to move reasonably quickly, but large enough for that change to matter. It will be a few years before we enter a radical period of reform in the UK comparable to those under Thatcher and Blair. This could also happen in continental Europe, but on the current trajectory we are unfortunately sliding into the second tier, gradually.

Ann Bernstein: Does Europe have to spend more money on defence because of Russian aggression, and will this be good for growth? Some people say that is how to think about this major challenge. Is it that simple?

Zanny Minton Beddoes: It is not that simple. We do need to spend more on defence, but modern spending, on drones and the like, isn't necessarily very growth-enhancing. I would put it the other way round: Europe needs to spend more on defence while doing the deregulation and restructuring that generates the growth to afford it, above all welfare reform and lighter regulation, so companies can become more dynamic.

Ann Bernstein: How do you see the Chinese economy today? There was a period when we were told they were racing ahead; they were going to be the world's biggest economy. You said China is not in good shape and that in most sectors it is un-investable for foreigners. Is that still your view?

Zanny Minton Beddoes: Yes. China is really two economies. The domestic economy, driven for two decades by a property and infrastructure boom, has turned to bust, and the government has been unwilling to reflate and boost consumption at the scale most observers expected. Alongside it sits an extraordinarily high-achieving, subsidised, export-focused manufacturing sector aiming to dominate global supply chains in wind turbines, solar and electric vehicles, a strategy that is working, despite American tariffs. Europe is now worried about a "China shock 2.0", with German industry facing deindustrialisation from high-quality Chinese imports, and South Africa is seeing the same with Chinese car manufacturers flooding the market. It is a genuinely bifurcated economy, world-beating in some respects, very weak in others.

Ann Bernstein: There is a wave in Latin America of leaders taking an authoritarian, militarised approach to crime. Has this worked, and what does it mean for foreign investment?

Zanny Minton Beddoes: This wave began in El Salvador under Nayib Bukele, the self-proclaimed "cool dictator." Facing extreme homicide rates, he built mega-jails and imprisoned a substantial share of the young male population; in a small country, that obviously brings crime down dramatically, and on that narrow measure, the policy succeeded. Bukele remains hugely popular but has become increasingly authoritarian, and companies are wary of investing in a country dependent on one dictator's whim.

Several other countries, including Colombia under its recently elected president, have adopted elements of the Bukele playbook. It is not clear the same approach will work against something as large and diffuse as the cocaine trade, but I understand why populations frustrated by violence are willing to try it. Latin America has always swung between right and left-wing waves; now the region is experiencing a right-wing wave whose leaders admire Donald Trump. It will likely work to some degree in some places, but where it produces real authoritarianism, it will clearly harm the region.

Ann Bernstein: There is a lot of criticism of the so-called mainstream media, often from prominent people. Is it because journalists increasingly blur reporting on what is happening with their own views of what should happen?

Zanny Minton Beddoes: *The Economist* has always unashamedly combined opinion and analysis. We were founded in 1843 to champion classical liberal values, though we try hard to keep our analysis fact-based enough that even readers who reject liberalism find it useful. One of my predecessors called us a "views paper," and he was right. But several things have changed in the past decade, above all social media. Its algorithms reinforce echo chambers and reward ever more shrill content, which is a part of why trust has fallen so far. Mainstream media bears some responsibility too, as there has been opinion dressed up as news and insufficient curiosity about things that do not fit the popular narrative.

That decline in trust worries me. A vibrant democracy needs a shared factual base. The BBC, for all its faults, still anchors that in the UK. The US has no real equivalent: watch Fox in the morning and MSNBC in the evening and you get not just different perspectives but completely different news, as if reporting from two different countries. Responsibility for that sits in many places at once.

Ann Bernstein: You are the first woman editor-in-chief of *The Economist*. Have you had to change anything in the organisation at all relating to different treatment for men and women?

Zanny Minton Beddoes: The short answer is no. *The Economist* has always been genuinely meritocratic. At our Monday editorial meeting, anyone can pitch a leader – an intern who arrived last week or a veteran of forty years – and if the argument is good, it gets written. I have made plenty of staffing changes as the paper has grown, but I did not arrive thinking everything needed ripping up. We could still do much better on racial diversity, and I want more women in senior roles. I am surprised how often people still mention I'm the first woman to lead the paper, and I look forward to it no longer being a talking point.

Ann Bernstein: The equality of women is one of the most significant revolutions of the past century, yet we do not talk enough about it and its implications. Nor do we talk nearly enough about women still living in societies where they are treated appallingly. How do you see this?

Zanny Minton Beddoes: I agree completely. We recently ran a cover story marking five years since the Taliban's return to power in Afghanistan: a horrific, depressing account of removing women from public life and barring girls from public secondary schools. That is one extreme, but in many countries, women still face barriers ranging from the difficult to the near impossible. That is both a shocking human rights abuse and a form of economic self-harm: no country can afford not to draw on the full potential of half its population.

Even in advanced economies, there are still far too few women at the top of companies, and female labour force participation is flattening or falling in places. Unfortunately, this has become entangled, especially in the US, with the backlash against a diversity, equity and inclusion movement that did go too far in some areas. And that backlash risks obscuring how much more genuinely needs to be done, especially for women, in the parts of the world where discrimination is most severe.

Ann Bernstein: For an outsider, UK politics looks mind-bogglingly awful. Why is a country that has been so successful struggling so much right now?

Zanny Minton Beddoes: I have lost count of how many prime ministers we have had; we're in disarray. Part of the explanation is the Brexit referendum and a collective moment of anger that produced a genuinely short-sighted decision. The other is that the financial crisis hit our economic model hard, and the Cameron-Osborne government then imposed excessive austerity, slashing public services just as immigration was rising, a toxic combination.

Living standards have been flat or falling for almost a quarter century, growth is elusive, and politicians cannot push through reforms almost everyone agrees are necessary. We have an angry population that, since Brexit, has mostly been venting rather than confronting what needs to change. Our traditional two-party system has fragmented into four or five parties, though I expect it to consolidate again over time. That is my hope.

Ann Bernstein: Zanny, it has been an absolute privilege to spend an hour with you. Thank you so much.

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