

FT Alphaville Globalisation

The 'homoploutic' elephant, with Branko Milanović

The Economics Show 🗨️ 🗨️ FT Alphaville



Ceci n'est pas un éléphant. © AFP via Getty Images

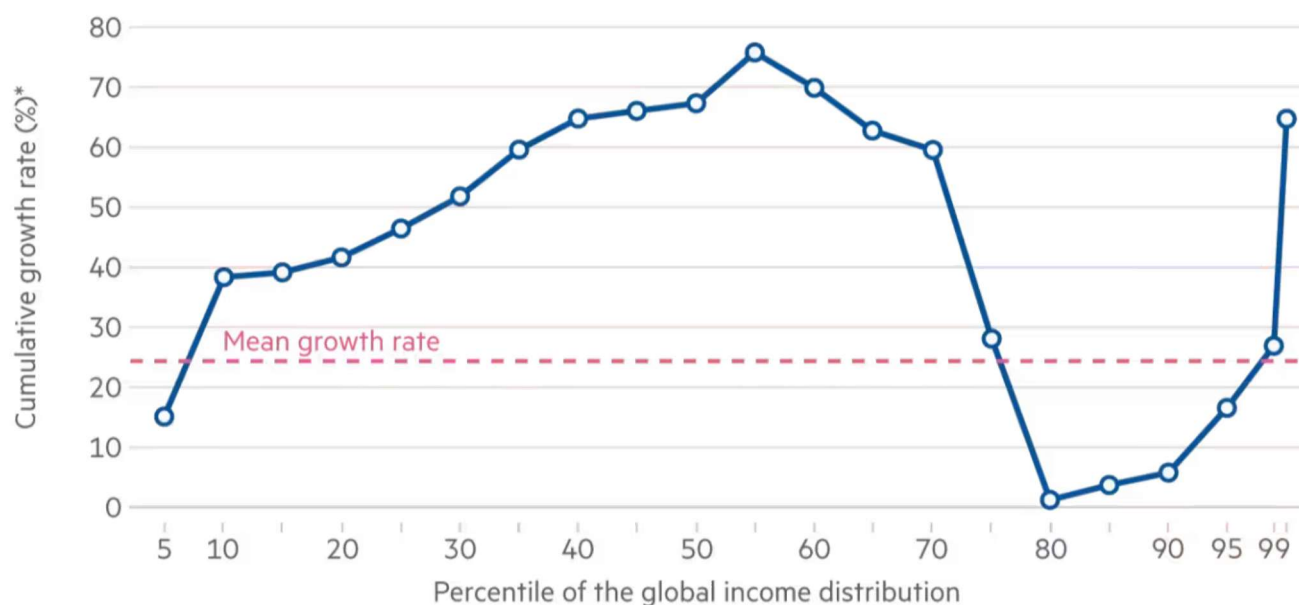
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Published YESTERDAY

Branko Milanović first became famous (well, economist-famous) when he and his colleague Christoph Lakner published this chart in 2013.

The 'elephant curve'

Global growth incidence curve, 1988-2008



* Growth rate of the fractile average income (in 2005 PPP USD). Weighted by population. Growth incidence evaluated at ventile groups (e.g. bottom 5%); top ventile is split into top 1% and 4% between P95 and P99

Source: Milanovic and Lakner (2013)

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The “elephant curve” shows how income growth (the Y axis) changed between 1988 and 2008 for different segments of the world’s population, ranked from poorest to richest (the X axis).

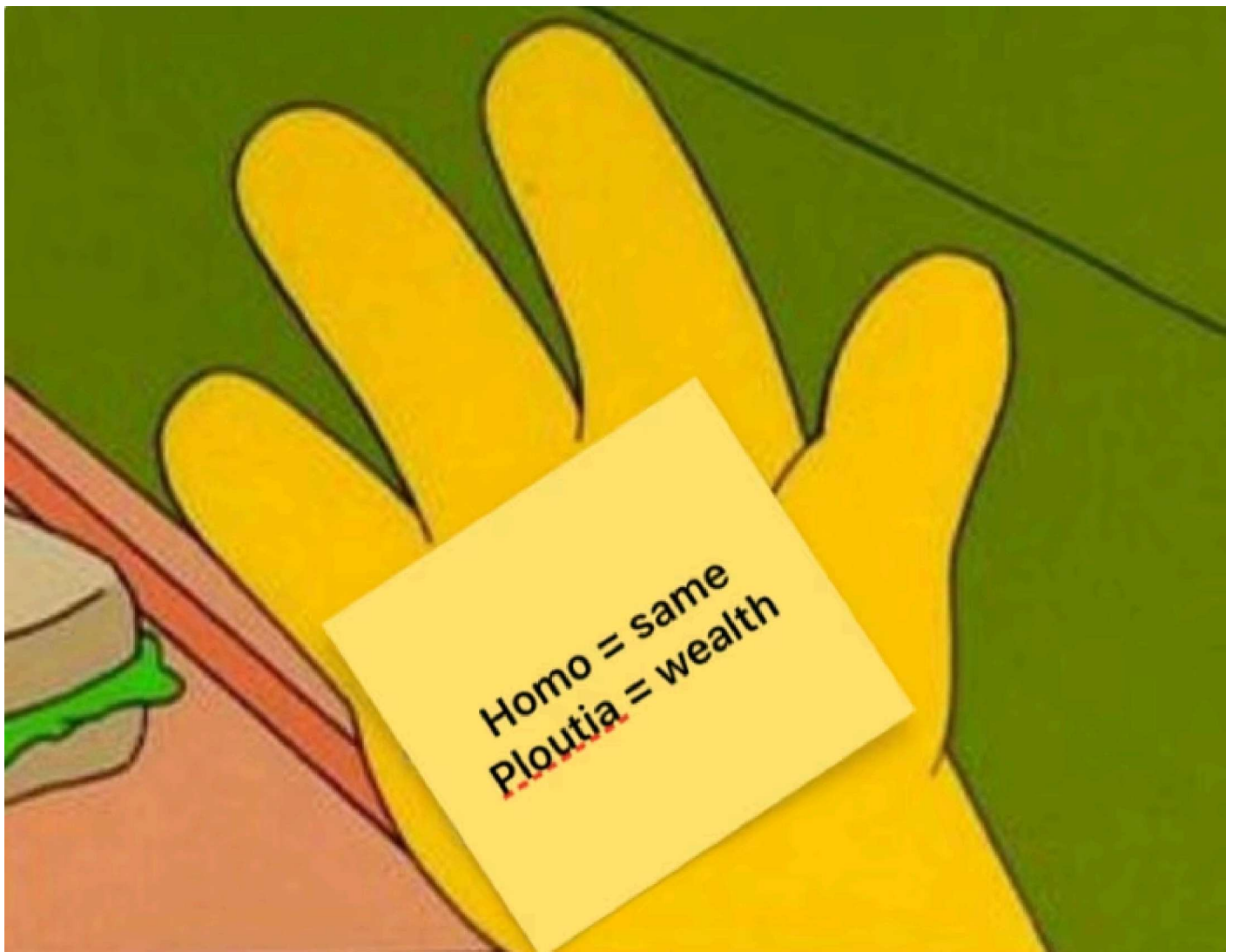
As you can see, incomes grew quickest for the middle classes in poorer places, including China (the elephant’s hump) and the world’s global elite (the trunk), but were stagnant for the Western working and middle classes (the base of the trunk). The chart became [famous](#) for seemingly explaining the anti-establishment backlash that partially fuelled Brexit, the election of Donald Trump, and the other populist movements that have characterised much of the last decade of global politics.

So what kind of shape is the elephant now? And what does it tell us about global inequality, and its political repercussions? [On the latest episode of the Economics Show podcast](#), the FT’s European economics commentator Martin Sandbu sat down with Milanović to discuss exactly this.

One key point Milanović raises: under *classical* capitalism, a rentier class of capital-rich people who earned little through labour sat at the top of the pile. But today, in rich countries like the US and China . . .:

. . . you have more and more people now who are in the top 10 per cent by overall income, but who are at the same time top 10 per cent by capital income and top 10 per cent by labour income.

An interesting aspect of this phenomenon — which Milanović calls *homoploutia* (*homo* = same in Greek, *ploutia* = wealth) — is that it cuts across geographical borders.



The richest capitalists of this type exist in many countries, including the US, China, and Russia.

And in each of those three countries, Milanović says, there has been an anti-elite backlash.

In the case of Trump and the Maga movement, it is a reaction against the bicoastal liberal elite, against the liberal ideology. It comes then with anti-foreign feeling, maybe to some extent somewhat racist feeling, but I think the ideological rejection of the liberal beliefs is very strong.

But the elephant chart doesn't just show growth among the homoploutic super-elite, as we have seen. It also shows astonishing income growth among the global middle classes in places like China, India, and South-East Asia.

Income growth in those places means some Westerners have been leapfrogged in the global pecking order. That could have consequences in terms of their ability to afford — to use two of Milanović's own examples — two-week holidays in Thailand, or tickets to the (football) World Cup.

In a sense, these changes are the logical result of greater globalisation. But now that Westerners are being supplanted by prosperous people from other countries . . . have they had enough? Will these dynamics fuel even greater isolationism? And if we want to arrest that slide, what can we do?

To hear Branko's thoughts on those issues in his delightful European intellectual's burr, [listen to the latest Economics Show](#). You can also [read a transcript of the show here](#), *sans* burr. We welcome your comments in the FTAV comment box.

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Branko Milanovic