The Human Condition.

There is no such thing as an omnipotent central planner, even if the central planner has complete and perfect information and has unlimited resources and ultimate technology. Even an almost omnipotent central planner would not be able to satisfy everybody's wants and needs. Sci Fi has explored such Utopian scenarios before but while they have examined the technological and social aspects of such societies, the economic aspects can confound. For one, if you give everyone all that they need, they will go crazy comparing their endowments with one another. Envy will animate avarice and before long contention and conflict will ensue. This is the human way. One mitigating strategy might be to endow each agent equally. However, different agents have different utility functions and the equal endowments will be valued differently. Envy will animate avarice and before long contention and conflict will ensue. Assuming that the central planner had access to all private information as well, it might allocate so as to equalize utility. However, utility is variable over time. Before long the equality of utility is broken and everything again descends into hostility.

Perhaps a central planner might sell the concept that each agent has the opportunity to exceed the utility of their competitors if they were good and worked hard. This is selling hope and hope is the most powerful thing ever. What precisely is that hope? It is the hope that an agent who considers themselves as inadequately endowed can achieve an equal or higher utility than their peers. That is, that they have a chance of being above average. Clearly not more than 50% of the population can be above average. It is therefore the hope that one can be above average, or equivalently, that one is not one of the 50% who will be below average.

Coincidentally, the efforts to achieve above average utility drive the population towards progress and growth. Efforts to remain above average are as strong as efforts to become above average. If all are equally successful and achieve the same incremental success, then the status quo ordinality is maintained and the efforts are ultimately futile. If the below average are more driven, under conditions of equal opportunity, they may gain an advantage over the better endowed and thus equalize the distribution of wealth. The newly below average will then strive to excel and the perpetual cycle continues.

If for whatever reason the above average excel relative to the below average then

the distribution of wealth becomes more unequal. The probability of being able to move from below average to above average shrinks. In other words, hope is eroded. How might the better endowed excel relative to the less well endowed? There are all kinds of possibilities. The wherewithal to lobby government, ownership of capital, investment in knowledge and intellectual capital, networks, nepotism, the ability to cope with volatility and the unexpected are some examples. Inequality cannot increase without a point at which hope is lost, that is the probability of the below average catching up to the average or above average becomes improbably low. At this point the status quo is likely to be challenged.

What if the central planner has real time perfect information and can redistribute wealth in real time? Such a redistribution while it may bring agents into a position of equal utility on a pre-redistribution basis, will likely lead to agents valuing each redistribution payment or debit differentially. The perceived arbitrary nature of the redistribution will impair the perception of hope and is thus self defeating. Is it possible to take into account the differential valuation of the incremental transfers? Yes, but this creates a feedback loop which renders the solution hard to obtain and highly unstable. This difficulty and instability of the solution necessitates frequent adjustments to the basis of the redistribution which will render it indistinguishable from arbitrary redistribution, which again impairs the perception of fairness and hope, and is self defeating.

Absolute acceleration in aggregate wealth increases hope and stability. Absolute deceleration or negative growth in wealth decreases hope and stability. Extreme equality slows growth. Moderate to high inequality promotes growth. Acute inequality violates the social contract and leads to disruption.