



The red pill

This is your last chance. After this, there is no turning back. You take the blue pill—the story ends, you wake up in your bed and believe whatever you want to believe. You take the red pill—you stay in Wonderland, and I show you how deep the rabbit hole goes. Remember: all I'm offering is the truth. Nothing more.

Morpheus, The Matrix

The 'red pill' and the 'blue pill' offered to Neo in the 1999 movie The Matrix allow him to choose between escaping the Matrix to discover the harsh and painful real world, and the safer option of returning to his comfortable, simulated life within the Matrix. After Neo takes the red pill and emerges into the real world, Morpheus explains that the Matrix is a virtual reality created by artificially intelligent machines in order to subjugate humans and use them as source of energy in a world controlled by these machines.

We are living in the Financial Matrix, where central banks are the guardians of the Matrix, ensuring that money is perceived as wealth, volatility is bad and to be demonised, asset values should not be allowed to go down in the medium term and long term borrowings of government are essentially good and there is no real level of debt to GDP that makes no sense.

The red pill, when taken, sheds the illusion of the Financial Matrix and allows one to see reality:

- That money is not wealth: its value is based on confidence and it has no intrinsic value.
- That debt is future value taken today, so there is a logical, natural limit to what is safe.

On the other hand, volatility is what happens when the value of an asset changes to reflect some new reality.

VOLATILITY IS THE PRICE OF TRUTH.

Asset prices move to reflect reality and allow optimal allocation of resources within a society.

There is no doubt in my mind that we are living in some sort of artificially inspired Financial Matrix which is synonymous with taking the blue pill.

Is it sustainable?

We all sincerely hope so, and if not, that the illusions are dismantled slowly because if everybody takes the red pill simultaneously like in 2008, the results could be catastrophic.

Why then, given what we experienced in 2008, does it seem that the Financial Matrix seems to be more entrenched not less?

Debt levels are high, interest rates are lower and more managed. Extreme volatility is discouraged everywhere.

My guess...

Occasionally he stumbled over the truth but he always picked himself up and hurried on as if nothing had happened.

Attributed to Winston Churchill

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