



Dee Hock, Founder and CEO Emeritus of VISA on capitalism and spirituality.

Interview by Jon Raymond

Everyone knows what VISA is, right? It's a credit card company, with a logo featuring blue and orange stripes, and sometimes there's a hologram of a white dove involved. It makes commercials with people buying things in tropical locales and its motto is "everywhere you want to be" (or is that the other one?). But what is VISA, really? Who owns it? Where is it located? How is it organized? These are questions that not many people can answer, even though they carry the card around in their pocket and buy things with it all the time.

VISA, it turns out, came to being in the late 1960s, out of the tumult of the early credit card industry, and went on to grow as no financial institution had ever grown before, a thousand fold in less than twenty five years. It now links more than a billion consumers in an enterprise with an annual sales volume of \$1.8 trillion, the largest consumer purchasing block in the history of the world.

The founder and CEO Emeritus of VISA is a man named Dee Hock and he is not the kind of guy you might think he would be. He is not a hard-driving

bondtrader in tassel-loafers, nor a steely-eyed industrialist with broad shoulders. Rather, he is something of a self-styled Thoreau, with a dash of the Siddhartha, living quietly in Olympia, Washington, where he spends his time reading philosophy and literature and constructing thought-experiments about the nature of organizational management. He is a CEO-guru, in the mold of guys like Larry Ellison, Mike Ovitz, and Steve Jobs, blending capitalism and spirituality in a far-ranging vision of sanctified markets and institutionalized social change.

In fact, Hock invented the mold. Back in the 60s, while the hippies of Haight-Ashbury were tripping out over the galaxies embedded in their own toenails, across the San Francisco bay in Salinas, Hock and a coterie of young bankers were doing much the same, asking themselves mind-expanding questions about the organizing principles of the universe and pondering the cosmic interconnectedness of all things. What is the purpose of being? What is the nature of a tree? The answers they came up with were a syncretic stew of gnostic Christianity, quantum mechanics, chaos theory, Zen Buddhism, and Native American eco-epistemology, aimed at replacing the command and control model of industrial Fordism with the fractal, self-organizing principles of what has since come to be known as the New Economy. You cannot understand Silicon Valley without understanding the quasi-spiritual entrepreneurship that Hock pioneered. You can't understand Chiat-Day, or Star-bucks, or Apple computers, or Ben and Jerry's or Kinko's. It is a model that exchanges the very metaphors of market capitalism for the nearly psychedelic human enhancement of the New Age.

In 1984, Hock left VISA to do some gardening and think about the lessons he had learned in the building of VISA. He bought a piece of land in Northern California, and read a lot of books, and six years ago founded the Chaordic Commons of Terra Civitas, a nonprofit group devoted to fomenting organizational experiments in a host of fields, from religion to marine systems to breast feeding to Geo data mapping. To Dee Hock, it turns out, the triumph of VISA was only the beginning, now that the world is finally exiting four hundred years of Cartesian machine-thinking.

Last year, "Plazm" editor Jon Raymond chatted with Dee Hock from his home in Olympia. What he says is not what you might expect. This is not the typical market boosterism of someone normally associated with arch-

capitalist endeavor. It makes you wonder: if the founder of VISA talks like this, what is capitalism even about anymore?

Jon Raymond: I wonder if to begin with you could draw us a little thumbnail history of credit cards in general, their beginnings with MasterCharge and BankAmericard and some of the issues the industry was wrestling with before VISA entered the picture.

Dee Hock: The original concept of credit cards arose nearly a century ago in the retail merchant segment of the economy with what they called charge-a-plates. Large merchants issued a little metal plate that allowed you to charge at their establishments only. However, you could only buy goods from them and only at the prices they commanded. They were pretty much proprietary products for many, many years. The first multi-merchant credit card was Diner's Club. Carte-Blanche followed and then American Express, all nearly a half century ago. The concept was to allow the very affluent businessperson to charge entertainment, meals and hotels. It was really a travel and entertainment card, acceptable at multiple merchants.

Then back in the early 50s banks got the idea that they could maybe do this a little better, that they could combine the multiple merchant concept with the revolving credit characteristic of the retail cards. They packaged the two together and jumped into the business. Most of them had a disastrous experience and quit.

One of the few that stuck with it was Bank of America, even though they took a tremendous bloodbath in losses at first. But eventually they made a financial success of it and that frightened some of the major California banks into banding together to launch a competing card, Mastercharge, soon renamed Mastercard.

This caused BofA to think they might have some-thing valuable, and to start franchising their card to banks across the country. This all happened in the late fifties and early sixties, and, of course, the other banks that were issuing cards banded together, and a network soon emerged to compete with BofA's little network of licensees. It was sort of lemmings into the sea. Every bank got worried that they would be left out and many leaped in to the

business. There were ten thousand banks in the U.S. and several hundred were quickly into the business. They had little experience or electronic capability and no idea of how to clear the volume of paper or deal with the fraud that rapidly mushroomed—no idea of how to govern such a system. So by the late 60s the industry was hemorrhaging hundreds of millions of dollars. Literally in a state of collapse.

And where were you in this?

At the time, I was the assistant vice president of a modest bank in Seattle, Washington; one of the first six banks licensed by BofA in 1966. By 1968, I was extremely concerned that the industry may go under and our bank's investment with it. I was attending a meeting of all of the licensees of BofA which soon became a shambles of argument and accusation. The BofA were desperate to know what to do. They proposed that seven people from licensee banks, of which I was one, form a committee to look into a couple of the more pressing operating problems and propose solutions. I thought that was an exercise in futility because the problems were building much faster than such an effort could examine, let alone contain. I suggested that the committee should look into some sensible way of organizing the whole of the licensee structure to examine all the problems and propose methods to get a grip on them. It's not an uncommon story. A naive young nobody, 38 years old, stands up in a confused meeting and makes a suggestion. In desperation, the licensees, knowing it won't cost or commit them to anything, say 'fine, let's do it, but it's your idea so you're the chairman of the committee.' I just walked into a set of circumstances that was a marketing success and an operating disaster with no intent but to do a bit of civic duty.

So what was the solution? What did VISA do to solve it?

Well, a little history first. I had spent about 16 years in various management positions in the consumer finance industry, but my first love was literature and philosophy, not business. I was struck by how dysfunctional most business organizations really were, how they crushed the human spirit and how often people were in severe conflict with the organizations of which they were part. I started studying history to see where the idea of corporation came from, what it was based on, why our institutions were as they were. I became convinced over the years that all of our present societal institutions were essentially dysfunctional. We had schools that couldn't

teach, unhealthy health care systems, welfare systems in which no one fared well, farming systems that destroyed the topsoil and polluted the water, and a gross maldistribution of wealth and power. This was by no means unique to an -ism. Whether communism, socialism, capitalism or totalitarianism, it seemed to me these problems were endemic worldwide. I had become convinced over the years that we were going to face an epidemic of institutional failure, of which BankAmericard and MasterCharge were just examples.

So you wanted to rebuild from the ground up.

Right. I was raised in the mountains of Utah, so I have a great love of Nature. I became enthralled with studying biology and ecology to discover some of the essential organizing principles of Nature. How is the brain organized? Is it a command and control structure with a chief executive neuron and a bunch of board of directors neurons? How about the immune system? How about a rain forest, a marine system, a weather system? None of these things, nothing in Nature, seemed to me to be organized like these hierarchical, top down pyramids of power, these command and control, dominator organizations. That is essentially how our government is run, how our religions are run, how our business is run. I saw this huge chasm between how evolution and Nature organized complex entities and how we organize societal entities, and there was no resemblance. Societal entities had grown out of a 400 year old Newtonian/Cartesian philosophy that postulated that everything in the universe was nothing but a machine. A machine that could be taken apart and, once we understood all the parts, put back together and made to behave the way we thought it should. The bulk of society was based on a false metaphor of institution as machine.

If you really think about it, an institution, or organization of any kind, has no reality except in your mind. It has a lot of manifestations, like a name and a logo, buildings and financial statements, but they are not the reality, they are only physical manifestations. The organization itself cannot be perceived by any of your senses. You can't taste VISA. You can't touch it or feel it. You can't smell it. You can't see it, nor can you touch, smell, or feel the thing we call the United States of America. So, if you really think deeply about such things, you come to realize that every organization is nothing but a mental construct, an idea around which people and resources are assembled theoretically in pursuit of common purpose and in accordance with a belief

system of some sort. So I became convinced that it is really the ultimate design problem. If an organization is really nothing but a mental construct, then anything you can conceivably imagine in putting together the relevant materials, which include people and their relationships, is possible. And this construct will either bring out the best in people or the worst in them. In the long run, the command and control model rewards and brings out the worst in people instead of their best.

In your book, you draw on ideas of chaos theory and quantum dynamics, as well as various dialectical thinkers, the ancient Greeks, Buddhism, native peoples. Can you talk about the roots of your thinking a little bit?

I can't remember when I've spoken to an audience in which there are Native Americans or Maoris from New Zealand, or any native peoples, that someone doesn't come up to me afterwards and say, "What tribe are you?" The idea of being integral with Nature, and in harmony, and not opposed to it, has been a tradition of every native people since the beginning of time. These same themes are everywhere in classical writings from every culture through the centuries, though we have seldom practiced them in the last few centuries. So, if you really search for roots of the thinking that I believe in, they are literally everywhere. You can find roots of it in Islam, Buddhism, Aristotle, Plato, Lao Tse, Emerson, Voltaire, Khayamm, and many others. That doesn't mean I believe as any one of them does, but there are threads of it in all of them.

So how did all these ideals play out vis a vis VISA? How did you apply them?

Well, I asked three other people from licensee banks who I thought had pretty open, curious minds to join me, isolate ourselves for as long as it took to address a single question based on a single assumption: "If anything in the world was possible, if there were no constraints whatever, what would be the nature of an ideal organization to create the world's premier system for the exchange of value? We struggled for five or six days and couldn't seem to get anywhere, until finally I woke up one morning with a wild idea: we shouldn't be talking about how to organize this thing yet, we should be talking about the underlying principles of organization that should apply to it. So the new challenge was to determine the organizational principles of a societal organization that would emulate the principles that nature seemed

to use. And then we really started to make progress. The principles really started to come out one after another.

What were they?

One was that participation and ownership should be open to all relevant and affected parties. A rain forest doesn't choose which seed will sprout. They're all eligible to belong. Another was that decisions and deliberations should be made by bodies and methods that included all relevant and affected parties and were dominated by none. There is no dominant part of nature. No organ in your body dominates any other. Get rid of your liver and your brain dies just as certainly as your liver will without the brain. After a two year effort we formed what was then called National BankAmericard. Two years later the international licensees asked us to make an effort to organize a global effort to create a similar institution based on the same principles, which was named Ibanco. A year or two later, with adoption of the VISA as the common world- wide trademark, they became VISA USA and VISA International. The whole thing soon exploded. It released human ingenuity and human imagination and linked people of every culture and language, every political persuasion, every conceivable currency, into a cooperative network in which the owner-members, the banks, engage in the most fierce competition, while at the same time engaging in intense cooperation in elements essential to existence of the whole. It's not unlike the cells in your body. Every cell in your body competes for every atom of nutrient and oxygen you swallow and at the same time is interconnected so it can recognize where there is a greater demand on any other cells and voluntarily release its demand for the good of the whole. That is the essence of VISA. It started as 200 owner-member banks and 2 or 3 billion dollars in sales, and thirty years later its volume will be a trillion eight hundred billion dollars. It is cooperatively owned by 20 thousand banks in 240 countries and territories serving over a billion consumers. And its electronic systems clear more financial transactions in a week than the entire US federal reserve system does in a year.

But there's not a centralized VISA board or headquarters dictating things?

There is VISA International board, but that is composed of appointed directors from a whole series of regional boards: Asia Pacific, Central Europe, the remainder of Europe, Mideast and Africa, Latin America,

Canada. Those boards are in turn composed of appointed directors from a whole series of national VISA organizations.

So its almost like a Parliament or Congress.

It's what you might call a reverse holding company, in that the core doesn't own the parts; the parts own the core. It's technically a Delaware, Non Stock, For-Profit Membership Corporation. Ownership is in the form of irrevocable rights of participation, which the banks can't sell. They can sell their portfolio, but not their membership, and therefore no one can raid it, trade it, buy it or sell it. It's invulnerable because it has no stock. Over the years the core of the organization has developed all sorts of services it sells outside the membership so it can become a source of revenue rather than of taxation. It has a venture capital firm; does most of the auto-mated clearing house clearings; and has a host of other entities. So it's a very fractal system.

If you examined it, it would look very much like the organs in a body, then the cells within the organs and the nucleus within the cells. In three decades these organizational concepts took the enterprise from a hemorrhaging industry on the verge of collapses to what is now arguably the largest commercial enterprise on earth, and the largest single block of consumer purchasing power on the globe.

And so where do the profits of VISA go?

Well the banks each have their own portfolio of cards, and they own that. That's their property. They can sign merchants to accept cards or participate in their issuance. The pricing, marketing and operation of these functions is entirely up to them and they retain the revenues. The banks contribute a very small royalty to the totality to run its global marketing, its computer system etc.

In some way it seems like VISA has become for you a forum for spiritual yearning. Does it seem strange at all to express spiritual desires through theories of corporate organization?

Not at all. In my own mind I don't feel the borders. The western world has been trying to break everything into pieces. But there are no boundaries in Nature. Get out an atlas of the world and search for one of those lines in the

dirt. It's never there. They're all manmade, conceptual boundaries which have no reality save how we respond to the notion of them, which is in our mind alone. Consider your own body, do you think it's separate from the world? If you were to take the surface of your skin and the air it presses against and enlarge that supposed border a few thousand times, what would you find? Just atoms and particles of atoms circulating in largely empty space. Where are the boundaries between you and the earth? You swallow a carrot which goes through your digestive tract. You think your digestive tract is really hollow as well as your lungs; that they have boundaries, an inside and outside. In truth, nothing divides them from the oxygen you inhale and the nutrients you swallow. Whether you take a macroscopic or microscopic view, you will find the universe and everything in it without boundaries. Boundaries are distinctions in our mind, and some are useful. But they really are not there. If you think deeply about it, you come to realize that there is no perceived boundary that is not equally a connection.

But in applying some of these metaphors to capitalist corporations, is there an inherent problem...

is a fiction. Every organization is nothing but a mental construct, a manifestation of the ancient idea of community.

Right. But with real effects on the environment and on people.

Not so. The people who compose the corporation have the effects, not the corporation itself. Their concept of it may affect their behavior in a variety of ways, but that is in their head. Your mind is affected by your conceptualization of the corporation and that results in your action which may well be destructive of the environment. I deeply believe that what makes an effective, constructive organization is commonly arrived at, deeply held purpose, and principles of behavior shared by the community—the whole comprises a belief system to which they are ethically and mentally and emotionally bound. Now, by purpose I mean the most clearly stated, one-sentence articulation of that which the community hopes to achieve—that which binds them together. The reason why they wish to act as a group.

That being for most corporations the maximizing of profit for their shareholders.

But that is not a purpose.

Why not?

Well let me go on. A true purpose always has ethical and moral content, which can be either implicit or explicit. It is a statement to which all members of the community can say with the wholeness of mind, body and spirit, "If we (notice the plural) could achieve that, then my (notice the singular) life would have meaning." By that test, does making next quarter's profit give my life meaning? It may be a necessity, it may be desirable, it may be beneficial in some way, but it's not a purpose. It's a relatively meaningless objective or goal.

Then what is the purpose of Exxon?

I doubt that it has one in the pure sense of the word. And that means the people are assembled there in one way or another simply for personal advantage, which all too often comes at the expense of other people, or the planet. And that's why we're hollowed out. We're rusting out inside. We know most commercial and other societal organizations give no meaning to our lives, and we're desperate for want of it. We know they're destructive.

Without principles, a purpose is dangerous, for it confuses ends with means. The best purpose on earth achieved through destructive means is meaningless. And so you have to ask: What is the belief system in the community about where power is to be vested, how deliberations will be conducted and decisions made, how benefits are to be distributed and what ethical standards will apply to all activities? In other terms, what are the deepest, almost sacred beliefs people share about how they will conduct themselves in pursuit of purpose? The primary principle in monetized corporations is that whoever has money and can buy shares takes everything they can get and all other parties are given as little as possible. That prostitutes the meaning of capital by restricting it to money. It ignores natural capital—that is the value of what the earth produces for us at no cost. It ignores the value of community, and that is a form of capital. It ignores intellectual capital—that is the intrinsic ability and intelligence of people. It ignores every form of capital that is not reducible to the mathematics of money. Money is just alphanumeric data—a means of measurement. It has no intrinsic value.

And what is the purpose of VISA?

You want to keep in mind that VISA is not a good model. It is fundamentally

flawed in many ways. It is no more than an archetype of the kind of organizations I believe in; merely something to study and improve upon. The best way I could articulate it at the time—remember, I was only 38 and trying to find my way in these new concepts and ideas—was “to create the world’s premiere system for the exchange of value.” That is, to enable people and organizations everywhere to exchange what they have for what they want, where and when they want, in the most efficient, effective way.

You left VISA in 1984. How come?

I left VISA in 1984 because I had proved everything I had set out to prove about the effectiveness of these concepts of organization. When VISA became so extraordinarily successful, I thought the world would beat a path to our door to explore the concepts, but it largely ignored us.

It was so different, people couldn’t quite understand it. There was no stock, so it didn’t fit the normal business model. I decided I wanted to return to nature and seclusion and try to develop these ideas further, so I bought 200 acres of ravaged land in a tiny, isolated community on the coast of California, built a house with a library of four or five thousand books, and spent ten years in manual labor restoring the land to health and beauty and studying incessantly trying to develop these ideas. I wanted to see if they were applicable to other organizations and industries, or merely unique to banking and credit cards. I had no intent to do other than just develop my own thinking along these lines, maybe one day do a little writing. But then a major foundation became aware of VISA. A vice president at that foundation was enamored of the structure and thought it could apply to schools or health care or any number of organizations and started pestering me to come out of my seclusion and see if there wasn’t some way to use these ideas to catalyze massive organizational change. At first I told him he was crazy, to go away.

Then he found out I had deliberately created an organization where management could never gain wealth or huge salaries, because of the nature of its structure, and that I had very limited resources, and so they offered a grant, a gift, the first they had ever made to an individual, to cover all my expenses if I would donate my time and just go anywhere in the

world I wanted to explore whether these concepts could be applied elsewhere.

Out of this came the Chaordic Commons. Tell us about the word “chaord.”

There was no good word I knew of to describe the organizational theories I was exploring. After casting about in various dictionaries looking for a word and unable to find one, I decided to construct a new word. Since these kind of organization harmoniously blend both chaos and order—if you like you can translate that to “cooperation” and “competition,” in the commercial world, or to “theoretical” and “experiential” learning in education—I took the first syllable of “chaos” and the first syllable of “order” and combined them and derived the word “chaord.” The adjective being “chaordic.” And it somehow caught on and is now appearing all over the world.

And what are some of the activities the institute is now involved in?

Just to name a few: We have worked with a group of people in New England who want to use chaordic strategies to organize all affected parties to restore the Northwest Atlantic Fisheries; a group of top lawyers came to us to organize lawyers pro bono, community by community, to work for social change; we just finished a project with all of geodata mapping, 81,000 different institutions in the U.S.; we’re now working with La Leche League, which is a global women’s organization that fosters breast feeding of children.

There is a deep metaphor of harmony in your ideas. You don’t think there’s just some death drive that people have? Some will to destroy?

I don’t believe that. I don’t believe that’s an essential part of human nature. For example, if you take any human being and show them a newly born creature of any kind, animal or human, what’s their reaction? Love, joy, excitement. Intense loving kindness. People are intrinsically loving and kind and want to be in harmony with nature; that is, until their institutional structures induce or drive them to other behavior.

Don’t misunderstand me. There is a place for control. If you want a perfect silicon chip, you need a total dust-free environment. If you want to do some intricate laser surgery on my eye, I don’t want a chaotic situation in the

operating room. The fact is there is a role in nature for control. Something regulates your heartbeat. But the fact that this is useful for a limited set of purposes by no means implies it is the best way to run a complex, dynamic, fast-changing totality. But that's what we've done.