

# ***The Social Radars***

## **S1: Paul Graham, Co-founder of Viaweb and Y Combinator**

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Jessica: I'm Jessica Livingston, andCarolynn Levy and I are The Social Radars. In this podcast, we talk to some of the most successful founders in Silicon Valley about how they did it. Carolynn and I have been working together to help thousands of startups at Y Combinator for almost 20 years. Come be a fly on the wall as we talk to founders and learn their true stories.

Today we're doing something I do every day, talking to Paul Graham, who, as well as being one of the founders of Viaweb and Y Combinator is also my husband. Paul has been involved with startups since 1995. Before he invented the accelerator, he invented the web app. So there's a lot of information in this episode, but it was also, I think one of the funniest. Hope you enjoy it.

So we're really excited to have Paul Graham with us here today.

Carolynn: Yay. Welcome, Paul.

Jessica: Yeah, Carolynn, as we've been doing these interviews so far, I think every single person we've interviewed has brought up Paul in reference to huge important impacts that PG has had on them and all of that. So I'm really excited to get you on. So welcome, Paul.

Carolynn: Welcome.

Paul: Thank you. Here I am.

Jessica: What I wanted to do, because I sort of have an unfair advantage seeing that I'm your wife, but Carolynn has known you for a long time too, and I sort of wanted to go back and ask you a lot of questions about early days of things, but where I wanted to get started was something I'm curious about, and I don't know if even Carolynn knows that much about it, but it goes back to what you were doing before Y Combinator, that was you started a company, your own startup, in 1995 called Viaweb, and I'd like to talk about the story of Viaweb, but I also want to specifically, and this was the first question I had down, was talk about how you invented web-based software, because I don't think you talk that much about it.

Paul: You mean what is web-based? Well, now web-based software seems very obvious. I mean, you use the browser to talk to a program that's not running on your computer, the program's running on some server somewhere. You talk to it through the browser. And in 1995, that was a novel idea. In fact, that was what

was novel about our startup. The company was called Viaweb because the software worked via the web, and the whole company was named after it.

Jessica: But when I'm telling a family member of mine that you created the first web-based software, they sort of get a kind of blank look on their face. They can't imagine a time when there wasn't web-based software, I guess, is my point.

Paul: Well, I'll tell you, at the time it was extremely counterintuitive, because browsers... I mean, it took me a long time... Even though in retrospect it was very obvious, it took me a long time to figure out that we could do something like that, because at the time, browsers were considered to be just something for consuming stuff on a server. You wouldn't use that to control software.

Carolynn: Were other people building it at the same time and you were just first, or was no one building?

Paul: It wasn't some sort of race, no. I mean, there were so few people building applications for web stuff back in those days. It's not the sort of thing where if we hadn't done it would've taken someone five years to figure out how to do it, more like six months. It just sort of happened that we were first because we were building software then, and one of the reasons we were first actually is because we did not know how to write client software. In those days, client software meant Windows software, and we did not know how to write Windows software because we did not want to know how to write Windows software. We wrote Unix software.

And so, the very first version of Viaweb, the store generator, ran on a server on Unix. I mean, that's what we used as our desktop computers. Servers, computers, it was all the same thing. And so we already had a website generator running on Unix, that was the first thing we built, and that was why we thought of making it work as a web app. We thought to ourselves, "If you could just figure out a way to control this thing on the server by clicking on links, we'd never have to write Windows software. Wouldn't that be great, we'd never have to learn how to do it."

Jessica: Didn't you have this idea in a dream or a half-awake state, or something?

Paul: Yeah, I was waking up one morning and I was half-awake and I thought, "Wait a minute. Could we control the generator?" That was what we called it, the software for making websites, "Could we control the generator by clicking on links on a web browser? Why not?" But it was so counterintuitive when I suggested this idea to Robert, we weren't even sure we could do it. He didn't say, "Oh, yeah. Obviously. Of course. Why not?" We weren't even sure it would work, we had to try and build it first, and it took us a couple days to build a version, but eventually we had a version, it sort of worked no hands. You didn't

have to type anything into the command line on the server to make it work. You could control everything, you could add an item to your store, delete stuff, publish stuff, generate pages just by clicking on links on a web browser. It was so non-obvious that that was possible that we had to build it to see if it was possible.

Carolynn: How long did it take you guys to build it?

Paul: I think it was about two days to build a version to just see if you could control software on the server through a browser by clicking on links. But this version was unusable, it was just a proof of concept. I mean, Viaweb in its time was very advanced. It was wysiwyg. You were making web pages, and as you were making them, they looked like the pages that were actually going to get generated when you were done. So I mean, to make that really good-looking wysiwyg version actually took us about three months, I think.

Jessica: So let's back up a little bit further because I dove in with Viaweb, and I want to go back to how you met Robert Morris and why you wanted to work on a startup.

Paul: I met Robert Morris when I went to Harvard for grad school. He was an undergrad, and even though he's only one year younger than me, he was actually two years behind because he got kicked out at one point for putting Harvard on the internet. Harvard was one of the first universities connected to the internet, but by the time Robert got there in the mid-80s, Harvard's internet connection had died of bit decay. It wasn't working. And so Robert basically spent one entire semester getting Harvard kind of reconnected to the internet.

Carolynn: Unbeknownst to Harvard?

Paul: Harvard was a particular computer. Harvard was the name of one deck computer sitting in the machine room. So at one point, my email address was pg@harvard.edu because I had an account on that machine. So when I say he got Harvard connected, I mean, he got that particular VAX connected to the internet, and he didn't do any work on his classes, and so he failed a lot of classes. And Harvard has this thing where they kick you out for a year if you fail, they'll rusticate you so you can learn how grim the real world is and be more grateful when you come back. So he had done that, he'd gone off and had to work for some computer company.

Carolynn: But they weren't grateful that he'd actually fixed their computer. So they were like, "Thanks, and you're still kicked out," or were they like...

Paul: Well, I think it was different people. The people in the CS department were probably grateful. But this just shows you how little the internet mattered in those days, right? I mean, it wasn't even called the internet yet, it was ARPANET

still. And so, the fact that it had died of bit decay showed that no one was using it, otherwise someone would've complained when it died. That's how little people used the internet back in those days. There's a data point about how little the internet mattered, that Harvard's internet connection died and no one noticed.

Carolynn: And this is what year?

Paul: Let's see. When he did that? Well, I showed up there in 1986. I'm not sure. We'd have to ask him. Maybe 1985, something like that.

Carolynn: Okay.

Jessica: My secret plan is to interview Robert Morris on this podcast.

Paul: The final frontier.

Jessica: The final frontier, for sure. We're never going to get him, but I'm going to try. You show up to get your PhD at Harvard in 1986.

Paul: And he's still an undergrad, and so he still had two years left of being an undergrad. So we got to hang out and program together and stuff for two years before.

Jessica: How'd you meet though? How'd you guys come across each other?

Paul: It would've been inevitable, because we were the people who were staying up late at night in Aiken lab, the computer lab. So I mean, we happened to meet at some sort of departmental tea or something like that. I had been told about Robert, I had been told stories about Robert by a guy I knew at Harvard. So he already had a reputation as the super-duper programmer, super hacker. When Robert first showed up at Harvard as an undergrad, he wanted an account on the real computer, in the computer science department in the graduate department, and they said, "Oh, no. You have to go to the science center and get some crap account on this mainframe," and so Robert sat down in front of a terminal connected to the computer in Aiken lab and brought it down, brought it back up again as a single user with him running it, created himself an account, so that was that. He didn't ask twice. So I'd heard stories about Robert's hacking ability.

Carolynn: And then of course, can you touch a little bit on the worm? Because you were with him when that happened, right?

Paul: Yeah, the worm. So the internet worm. They had just changed the name of ARPANET to the internet.

Jessica: Was he still an undergrad or is he at this point also graduated?

Paul: No, he had gone off to Cornell.

Jessica: Okay. Okay.

Paul: He was thinking about the ideas that made the worm work before he went to Cornell, I think, but he actually did it at Cornell.

Jessica: Which is your alma mater?

Paul: Yeah.

Jessica: So do you remember when that happened? And were you like, "Oh, my God."

Paul: The worm, no one would've ever known that the worm existed, except there was a bug in it. That was the problem. The worm itself was absolutely harmless, but there was a bug in the code that controlled the number of copies that would spread to a given computer, and so a computer would get a hundred copies of the worm running on it back in the day when having a hundred processes running on your computer would be enough to crash it. So the computer would crash simply from the number of copies of the worm it had on it. The worm had no harmful effects, it just copied itself too much.

Carolynn: What was the point of the worm? What was the worm going to do if it hadn't had the copy problem?

Paul: Just to see if it could be done. Robert was so amused at the thought of making this program that would quietly spread from computer to computer and just sort of sit there running. His dream was he would show up at some random CS department and log into their computer and check the processes running their computer, and sure enough, there's his worm just quietly sitting there everywhere.

Jessica: Okay.

Carolynn: Oh, my God. But it brought down all these computers on the whole East Coast, and he got busted.

Paul: Not just East Coast. They shut off the whole internet for two days.

Carolynn: Wow. Two days.

Jessica: And did he call you or did you just sort of know what was going on?

Paul: Yeah, he called me and told me what had happened.

Carolynn: And you're like, "Wow. Friend, that sounds bad."

Paul: I mean, it was obvious something was wrong from where I was.

Carolynn: Yeah.

Jessica: Okay. And we'll talk to him about how he's a convicted felon, hopefully if we can get him on the show, but suffice to say, you're good friends with Robert. So you're getting your PhD, you got your PhD, but then I know this about you, you went to art school before you started Viaweb, right?

Paul: Yeah.

Jessica: So tell us a little bit about the history about why you wanted to start Viaweb and sort of what was going on in your life.

Paul: Well, I used to do consulting to pay the bills while I was trying to be a starving artist, and I would do some consulting, and then I would run through the money, and then I would have this financial panic and have no money and have to try and get some more consulting, and so I just thought to myself, "You know what? I am just going to work until I have enough money that I don't have to work again. I'm just going to solve this problem once and for all, instead of doing it piecemeal." That was the idea. So Viaweb was very specifically started to make money, and as you know, those are not the founders who make the most money, and we didn't. Viaweb got acquired for 50 million, which was a fairly big deal back in those days, but nowadays, you wouldn't even notice that at Y Combinator, would you? Nervous laughter.

Jessica: Carolynn, you're laughing way too hard.

Carolynn: Well, I was going to say, I don't know how to comment on that. But I want to go back. You were living in Cambridge?

Paul: You mean when we started Viaweb? No, I was living in New York.

Carolynn: Oh, so you're doing computer consulting type of jobs for big companies. You're running out through all the money buying art supplies and food. What are you spending on-

Paul: No, no rent. Just living.

Carolynn: Just rent. Because you're in New York.

Paul: Yeah.

Carolynn: Oh, why'd you live in New York?

Paul: That's where artists were supposed to live.

Carolynn: Oh, okay.

Jessica: And actually, Viaweb started out as Arctics, I know that.

Paul: Actually, no, that's not true. Artix was a separate company that we started with The stupidest idea. This is how I learned about bad startup ideas, because this was where the idea, make something people want came from, because that's what we learned from making Artix, because Artix was something people didn't want.

Carolynn: Well, what was it?

Paul: Artix, it was basically software to put art galleries online, like some gallery online so they could sell their stuff, but that is not how galleries sell stuff. It's not like people look through all the paintings costing \$50,000 and then click on add to basket and check out with their credit card. That is not how art is bought and sold even now. We thought the Internet's obviously the future, we were right about that part, and we would go and tell these galleries, "You ought to be online," and they'd be like, "What's online?" When we demoed them Artix, it was also usually the first time they had ever seen the web. Can you imagine?

Jessica: No. What were you thinking?

Paul: We had a hard time convincing people to let us make websites for them for free.

Jessica: The good news though is that a lot of this underlying software could be translated to building online stores, which is what Viaweb did, right?

Paul: Do you remember when I was explaining how we thought of the idea of the web app? It was because we had it half-built already. We built a generator for websites that ran on the server. So the only conceptual leap we had to have is, "Oh, could we control the generator by clicking on links," which is not a huge leap. So it was the same with Artix and Viaweb. With Artix, we would make a page for a gallery, and it had all these different artists, and then you click on the artist's name and it had works by that artist, and you could click on one of those and it would have the individual work with a big picture and text describing it.

So it was exactly the same as an online store. So people were just starting to make online stores at this point. This is early 1995, and they're all made by hand, by web consultants. But we see these online stores and we're like, "Wait. Exactly like the websites we're generating for galleries and online stores are hot, and websites for galleries are very not hot." So we already know how to build this. The only thing we're missing is the shopping cart. So I basically said, "Robert, write a shopping cart."

Jessica: How did you lure Robert into this idea in the first place?

Paul: It was the summer.

Jessica: Okay.

Paul: If it hadn't been the summer, he never would've done it. But it was a combination of arm twisting, him being bored, thinking it might be an interesting idea. This whole web thing was new, it would be interesting to do some hacking related to the web, and I said, "Robert, do me a favor. Help me out with this thing."

Jessica: Did you say, "I'll cook you beans and rice the whole time?"

Paul: I did used to. I used to make him dinner every night.

Carolynn: That's a fair trade.

Paul: Yeah.

Jessica: So you lure him in, you're working with him on the summer, and by the end of the summer when he has to go back to be in school... Because he is getting his PhD at Harvard at this point, right?

Paul: Yes. After he got kicked out at Cornell, he went back to Harvard and sort of got back into the grad program there, because everybody there knew how great he was and knew he wasn't actually this wicked criminal.

Jessica: Okay. Oh, so hang on. He gets expelled from Cornell because of the internet worm of '88, and then Harvard's like, "Oh, we'll take you back. We get it."

Paul: He sort of worked his way in gradually. He started out as a research assistant and they realized he was a genius programmer, and so he became a grad student again. So yes, he was in the grad program at Harvard at that point, which I had just finished a few years before.

Jessica: Okay. And so you go back and you live in his apartment for the summer to work on this, right?

Paul: Yeah.

Jessica: And then fall comes around and is Viaweb sort of taking off?

Paul: It wasn't taking off in the sense that we had users, because we hadn't shipped it yet, we hadn't launched the company, but it was taking off in the sense that it was an amazing piece of software. For those days, for 1995, to have this thing



that where you could build this very good-looking by 1995 standards website just by clicking on a few links in the browser, it was just amazingly better than everything else. All the other website builders, it was like a rocket ship compared to a horse.

Jessica: Now, which came first, Julian, your first investor, or Trevor? Because I want to hear the stories of both.

Paul: Julian, I think.

Jessica: Okay. So tellCarolynn about Julian.

Paul: Julian Weber was the husband of a painting teacher of mine at Harvard, and he was the super nice guy. He was a business guy, but not a suit. He had been the president of the National Lampoon sort of business experience he had. So he was a business guy, but cool, and a lawyer. He could do this magical thing of incorporating us, which probably seems pedestrian to you, but it seemed astonishing to us that Julian could just file some papers and we were a company. So he gave us \$10,000 and did all our legal work, and was on the board and would tell us really basic things.

Carolynn: Wait, wait. What state were you incorporated in?

Paul: Probably New York, but I can't say for sure.

Carolynn: Okay. All right.

Paul: I mean, it was in New York. Oh, no. Maybe Delaware. I don't know. I have no idea.

Jessica: Paul doesn't pay attention to those details.

Carolynn: I know. I know.

Paul: Only you would ask a question like that.

Carolynn: Of course. Of course. That was my first thought.

Paul: Well, I have no idea.

Carolynn: What did he get in exchange for his 10k?

Paul: He got 10% of the company.

Carolynn: Oh, wow.

Paul: I know. Honestly, this was the deal that YC is based on, because I remember when we got bought in the end, we got bought for 50 million. So even after the dilution, that 10% of the company was worth a lot more than the 10,000 he paid for it, and so I thought to myself after that, "Whoa. Julian got a pretty good deal," and then half a second later I thought to myself, "But wait, we would've died without Julian many times, and so we got a good deal too. That's weird that something could be such a good deal for one side, but also a good deal for the other side," and that was how we knew that why YC's deal was that it was needed. We took a deal like that ourselves. In fact, YC was a better deal because it was slightly more than \$10,000 for slightly less than 10%, but that was how we knew that a deal like that was a viable thing, that there was a need for something like that, because we had taken it

Carolynn: Random aside, did Julian end up doing more investing in startups or were you his one and only?

Paul: I think we have to have been close to as one and only. No, I don't think he did any other investing. I mean, there weren't that many startups. This is 1995. There weren't that many startups, and also it wasn't established how to be an angel investor in those days. You angel invest in some startup and then the VCs come along and just wipe you out, kick you out of the car, knock you over the head with a pistol and kick you out of the car in some bad neighborhood.

Jessica: Carolynn, you're again laughing way too hard.

Paul: Because they used to do that. I remember when we started YC, we went to our lawyers and they said, "Don't do this. You'll invest in all these companies as angels, and if the companies are any good, the VCs will just wipe you out of the cap table when they do the series A."

Carolynn: That's true.

Jessica: Oh, my God.

Paul: VCs used to do shit like that. They're really mad that they can't anymore. I was talking to a prominent VC and somehow we got onto the topic of what was wrong in the world now, what was bad about the investing world or something, he said, "The worst thing is all these people who get stock in the company before the company comes to the VCs and they can't get rid of them."

Carolynn: Wow. That is some savage truth coming from that person. I'm surprised.

Jessica: Were you talking on Twitter though, or was it in person?

Paul: No, by email.

Carolynn: Oh. Oh, you have it in writing. Interesting.

Paul: I'm so discreet. See, I'm not even telling you guys, my closest friends, who it was. I'll tell you afterwards, Jessica.

Jessica: Okay. Yeah, I'll be asking about that.

Paul: I've got both by email.

Jessica: Totally different timeframe back in 1995, and especially also you were in Boston, so not out in Silicon Valley, you're in Cambridge.

Paul: Oh, nobody knew anything about startups.

Jessica: So I really want to ask about how Trevor came onto the scene because Trevor Blackwell was one of the founders of Y Combinator and he's fabulous, but God, if I had a few wishes, one of them might be to have known Trevor in 1995 and what he was like.

Paul: Trevor was a colorful character. I mean, I think this was the point where he... Trevor gets new ideas about how to run his life, and the point where we recruited him was the point where his latest new idea for how to run his life was to write everything down on a large stack of index cards.

Jessica: I know this. I know this, but I want to hear it.

Paul: He came in with a stack of index cards, and whenever he was talking to someone, he would have to shuffle through it and get the appropriate index card.

Jessica: Is there like conversation ideas? I don't get it.

Paul: No, not conversation ideas, but everything that was going on in his life. He was working on various programming projects. He had his car, his wife, his family. All the different things were collected on different index cards. You should really ask Trevor. I don't know. I mean, I wasn't fascinated by this, I was bored by it. I can remember once I went up to Robert's office to talk to him and he was talking to Trevor, and Trevor is standing there waving his hands and talking about, "Oh, you know what you should do?" And I'm standing behind Trevor making gestures to Robert because we wanted to go to lunch, and I'm like, "Get this guy out of here." So at the time, he just seemed like this hand waving nutjob.

Jessica: But Robert brought him into you. I know the story was something like-

Paul: Oh, yeah. Well, what happened was after we'd been working on Viaweb for a month, when it was getting to the end of the summer, school was starting and

Robert was like, "Okay, I'm done. We've been working on this thing for a month and it's not done." I remember him saying that, "We've been working on this thing for a whole month and it's not done," and we were still working on it three years later. So I could tell Robert was running out of patience, and I thought, "We need to recruit some more programmers," because Robert did all the system stuff. I can't write that kind of software. I just do frontend stuff. So I asked Robert, "Who is the best programmer in the graduate program?" And Robert said, "Trevor." I said, "Trevor? Trevor's actually a good programmer?" And Robert said, "Despite all appearances, he's actually really smart."

So I said, "All right, we'll recruit Trevor," and we did recruit Trevor, and Trevor pulled such a classic Trevor move on his first move. So I go to Trevor and I say, "Look, we're working on this thing, will you work on it with us?" And Trevor says, "Okay," and I wanted to test him out first before we actually officially recruited him, so I said, "Write some software for manipulating images," or something like that. I don't remember what it was. And so for two weeks I hear nothing from Trevor and I thought, "Oh, this loser, he's completely ineffectual," and then finally I go and dig him up and he says, "Here, come look at this," and he has rewritten our entire software in Smalltalk.

Carolynn: Oh, wow.

Paul: Yeah, because at that point, Trevor was a Smalltalk zealot.

Jessica: I don't know if that's good or bad. I don't know what Smalltalk is.

Paul: Well, Smalltalk is actually a pretty impressive language, but it's definitely the kind of language that its users are somewhat zealots, and you know Trevor has these fads, so this was back when his fad was being a Smalltalk zealot, and so probably partly as a way of learning to be better at Smalltalk and partly as a way of learning to understand our software, Trevor rewrote the entire thing in Smalltalk, which neither Robert nor I knew how to program in. He didn't really think about that.

Jessica: God, that is so Trevor.

Paul: Is this not a classic Trevor move?

Carolynn: He didn't do the assignment, he did something that was pointless for you guys because you could never do anything else with it.

Paul: But also very impressive.

Carolynn: But yeah, clearly spent all this time, did something kind of hard.

Paul: So I basically said, "One, you're hired. Two, we're not using any of this software. Throw it away."

Jessica: Didn't you always have to make sure you knew what Trevor was doing or just sort of keep an eye on him because he could go rogue a little bit?

Paul: Yeah, it took the combined efforts of me and Robert to sort of sit on Trevor.

Jessica: Okay, so Trevor's on the team, Robert's on team. You raised some money?

Paul: That fall, we raised money, yeah.

Jessica: Okay. And that was hard, right?

Paul: Well, nobody knew. There were no investors then. These guys that we raised, everybody was a new, right? We were new to raising money, but our investors were also new to being investors. They had never invested in any internet companies before. The internet was very hot at the time because of the browser company. Damn. I can't believe I forgot what it was called.

Jessica: Netscape.

Paul: Yeah. Holy shit, yes. Netscape. So Netscape, they probably spent a lot of money on PR. So Netscape had drawn a huge amount of attention to the internet, sort of a hot thing, and that was why these investors were interested, but they'd certainly never invested in internet startups before and we'd never had an internet startups before, so it was like two people dancing and neither of them knew how to dance.

Jessica: Well, you raised some money. Tell me what was one of the craziest stories from Viaweb? I know there were lots, but I want to hear what was one of the craziest ones.

Paul: Let's see. We had a lot of near-death experiences. We were constantly on the verge of dying. So we were at the point where we were just about to get bought by Yahoo. We went to Yahoo to do the final... Yahoo had basically decided to buy us, and they just wanted to have those final meetings where they make sure everyone's a reasonable person and we can work together and stuff like that, and so we're in this final stage after they've already decided to buy us, and at that point, we were also doing a funding round because we were out of money, classic startup stuff, and there was this big investor who had committed to be in the funding round and then was going to back out.

We heard about this while we were having the meetings in California with Yahoo to get bought, and we had to borrow conference room from Yahoo and say, "Look, dude. We're calling you from Yahoo, where they're about to buy us in a

week. Oh, don't back out because you are about to make a giant return in one week." That was the level of shit we had to deal with.

Jessica: Oh, my God.

Paul: Yeah.

Carolynn: Hey, I have another really lawyerly question, but was there a long time between sign and lose? Because why didn't you just not take that guy's money so that you... Because if you only had a week, could you not pay your utility bill? Why even bother?

Paul: We never believed that an acquisition was going to close. This was the 15th M&A deal. I'm not making that up. I think I once counted and we had 15 different acquirers claim to want to buy us.

Carolynn: Okay, so you just weren't a believer yet/ even though you were in the final meetings with Yahoo, you're like, "This thing could still fall apart. We still need the money."

Paul: It was good practice learning that maxim that deals fall through. I learned it's never a deal till the money's in the bank.

Carolynn: That's true. That's true.

Paul: To this day, I don't know what my net worth is because the guy in charge of my finances, I tell him, "Don't count the companies that aren't public. Treat them as zero." When he's calculating my net worth, Stripe counts as zero. So I don't actually know the number. All I know is the liquid number because I still never believe it until it's liquid.

Carolynn: I agree, actually.

Jessica: It makes sense. We've seen the hard way how many things go south at the last minute. So Yahoo, the deal does close. 50 million bucks, you can go back to being an artist if you want, but you moved to California because you work at Yahoo and I was just saying in one of the previous interviews, I was saying, "Carolynn, he was there for one year to the day," and I was really emphatic that you quit on the year anniversary of starting there, and I think Paul told me that it was actually maybe a year and a couple days.

Paul: And it was probably year and three days or something like that because you want to leave a margin for error with stuff like that, with things that have legal implications.

Carolynn: Set aside Yahoo for a second, did you not like living in California or was it just Yahoo and living in California were so inextricably tied, you're just like, "I got to go."?

Paul: No, I actually liked some things about California. Yahoo had this office in this office park. One of the big mistakes that Yahoo made is they thought we're supposed to be a business and businesses are boring, businesses are in these office parks and have all kinds of suits walking around and job titles and shit like that, and so we're going to do all these things because we've got to be a serious business, and now startups have more confidence. They think, "We started this thing by messing around and being clever hackers and being informal. Let's keep that," but back in those days, no, they were telling Yahoo they had to be a business, and so the founders were suppressing their own instincts and making the place sort of boring and businesslike. So it was a grim place.

Jessica: Didn't you go in with the same amount of startup energy, and after the first week you're like, "Oh, no one else is working like this. It's frustrating."?

Paul: Yeah, basically. I mean, my whole habit had been working till 3:00 in the morning for the past three years, so for a while I kept doing what I'd been doing and we just tried to write software and stay up late and just do what we wanted and ignore all the rules. Gradually it sort of wore us down.

Carolynn: Well, aside from that though, were you ever like, "Oh, my God. So many resources. I'm not worried about the power being cut off. I have food." Was there anything good about being in a place where you weren't resource-constrained?

Paul: Well, no, because we had the resources we needed. I mean, it was good not to have to worry about fundraising, but it's not like, "Oh, at Yahoo I had this great big PR department," or something like that. You know what I mean? Yeah. So no, the resources didn't make any difference. It was great that I didn't have to worry... I was rich. We started the startup to get rich, and here it is, three years later and I'm rich. I can look at the bank and there it is.

Carolynn: But you weren't painting?

Paul: No, I wasn't, because I was working on-

Carolynn: Because you're working until 3:00 in the morning.

Jessica: Also, I wanted to point out at Yahoo, you met Geoff Ralston, who was recently the president and CEO of Y Combinator. You met Tim Brady, who was the COO of Yahoo, and then became later on a partner at Y Combinator. So a lot of lovely people.

Paul: Tim Brady was my boss.

Jessica: Well, I thought lovely Zod was your boss.

Paul: I had two bosses.

Jessica: Tim and Zod were your bosses? Aw. Was Tim such an awesome boss? Did you just love him?

Paul: Tim was a super nice guy. I mean, he is still a super nice guy. He's just a nice guy. Tim is like solid gold.

Carolynn: Agree.

Jessica: I'm not surprised, knowing you, you couldn't last for that long in a big company. So you left and then tell us what you did for the next couple years before you met me.

Paul: Well, remember, this has sort of reproduced what happened in my life. Remember way back in the beginning of this interview, I said I was just going to work until I had enough money and I didn't have to work again. I mean, you've probably practically forgotten that at this stage. Well, so did I. After three years of working on this startup and then one more year at Yahoo, I'm like, "Wait a minute. I started this startup so I could get rich because there was something I wanted to do. What was it again? Oh, that's right. Painting. Painting. What's painting?" So I thought to myself, "Well, I did this to paint. I did this to have enough money to work on what I wanted. So I've got enough money, let's quit and go work on painting instead," and nobody believed that was what I was doing when I went to Zod, because at this point, Yahoo options were worth so much. This stock had gone up something like 10x since the point where they'd bought us.

So all these options that they had given us when we went to work there, they bought us, but also gave us some additional options, they were worth a huge amount of money. No one could imagine anybody would leave that amount of money on the table. And so, I can remember this conversation I had with Zod, and he said, "So what are you going to do?" And I said, "I'm going to paint," and he said, "You're going to paint?" That tone of voice, I didn't even realize. So he asked me all these questions about what I was going to paint, and I thought, "Wow. What a nice guy Zod is. He's got so much interest in what I'm doing, he really cares about me," and I realized years later I realized it was because he thought I was making it up and that nobody would leave. He thought I was going to go start some other internet company and maybe drag a bunch of Yahoo people with me, but I actually was going to paint.



Jessica: Oh, my God. Yeah, you'd never lie. You would never lie about something. I don't think I've ever known you to do that.

Paul: Back in those days, it seemed to Zed an insane decision, I think.

Carolynn: Yeah, but probably to anyone seemed a little insane. That's funny that he thought you were going to compete. So he's digging into your crazy painting story. That's hilarious.

Jessica: So you started painting, but then didn't you move back? You decided to move back to Cambridge and paint?

Paul: Not immediately, no. I tried to paint in California. I thought, "All right, I finally have..." All I wanted was basically enough money to live on and a quiet place to work. That's basically what I've always wanted in life, and I finally had it. I had money to live on and a place to work, I could buy all the art supplies I wanted, and I thought, "All right, I'm going to start painting," and now... I always tell founders, "When you are done, when you've sold a company and you've quit the acquirer or whatever, just go and take a vacation because you don't realize it, but you are so burned out. Just go and do nothing for six months. Travel around the world, sit on the beach, go to Rome, whatever. Just don't do any work."

And I thought to myself, "I have already wasted four years of my career. I need to get to work," so literally the next day, the next day after I quit Yahoo, I started painting. I took an hour off or something like that, and then started painting, and I didn't know anybody. I had hardly any friends there, because I had just-

Carolynn: What city are you in at this point, like Santa Clara? What city are you in? Where are you living?

Paul: Up in the Santa Cruz mountains by myself.

Carolynn: Oh, yes. Yeah. So you didn't move to San Francisco or anything, you're just like, "I'm going to live the Unabomber in the Santa Cruz Mountains."

Paul: Well, it was pretty. Yeah, so I just started painting and I didn't have anyone to talk to about painting or practically anything. I was just this weird isolated guy in the mountains.

Carolynn: Real good question. What happened to Robert and Trevor?

Paul: Trevor came with me.

Carolynn: That's what I thought.

Paul: But he didn't quit.

Carolynn: So he's still at Yahoo?

Paul: Because his wife is like, "No, you're not leaving and leaving them behind those options, buddy," and Robert never even want... Robert was still in grad school. Trevor had finished. Actually, Trevor went from a grad student with no money to a rich PhD in one weekend because the deal closed about the same time as he graduated. Can you imagine?

Carolynn: Oh, wow. That's crazy, but-

Paul: But Robert was still in grad school.

Carolynn: Okay.

Paul: Plus there was no way, even if he wasn't, that he would ever have gone out to work for Yahoo. Can you imagine?

Jessica: So Robert stayed in Cambridge, Carolynn, and this is important for Y Combinator's history, which we will get to in a minute. Trevor has moved to join Yahoo and is living in Mountain View or Los Altos or something like that with his family.

Carolynn: Okay.

Jessica: Then Paul, you tell us why you moved back to Cambridge.

Paul: I didn't move back to Cambridge. I moved back to New York, because here's an example of why rent control is a bad idea. I had a rent-controlled apartment, or for real experts, a rent-stabilized apartment, but nobody knows the distinction between those two. But I had this apartment in New York where I was living when we started Viaweb. I still had it with all my stuff in it, because it was so cheap, it was easier to just leave it there and use it as a crash pad in New York for anyone who needed it than actually move.

So all this time, I had this mummified version of my old life as a starving artist sitting in New York behind this multiply locked door, and so after a while of being in the Santa Cruz Mountains, six months or so, I drove back to New York and walked into my old life, and it was so weird because my old life, I'd been super poor. I used to make like \$20,000 a year, and now I'm like this multimillionaire, but in the same apartment. I could take taxis, I could eat in restaurants and stuff. It was pretty astounding to be in New York and to be transported back. It's like you're poor, you leave, four years later, you're teleported back into your old life, but now you're rich. It was some kind of weird novel, and it was kind of exciting for a while.

Carolynn: You were doing painting in New York at this time, you picked back up the art? Okay.

Paul: Yeah, but I still didn't really know many people. And I was looking for where to live, because my rent-controlled apartment was a really good deal, but it wasn't exactly luxurious. It was kind of grubby-like. That's the other problem with rent-controlled apartments. The landlord has no incentive to make the apartment nice if they can't rent it at market rates. So it was the kind of apartment where the paint on the walls was an inch thick, so many different coats of paint. I was going to actually buy an apartment, and I was looking for what neighborhood to live in, and I kept thinking, "Where's the Cambridge of New York? Where's the Cambridge of New York?" And then I would go back and visit Cambridge and I'm like, "Oh, this is the Cambridge of New York." So I went back to Cambridge.

Jessica: So you moved to Cambridge and you also bought an office in Cambridge?

Paul: When I moved back to Cambridge, I had a specific plan in mind. I was going to build what is now Replit.

Carolynn: Really? Oh, that's interesting.

Paul: We had made a web app and I thought to myself, "I'll make this thing, this platform, where anybody can build a web app through their browser, a web app for making web apps. Create software using nothing more than a browser and launch it and have a whole company." It was like AWS and GitHub, and I was going to make a new programming... You can see where this is leading. It's too much work. But I went back to Cambridge and said, "Hey, Robert. I've got another great idea. Want to work on it with me?" And Robert said, "No," he absolutely refused. He's like, "I already burned four years of my life." No, actually, he only burned three working at Viaweb, and he was a postdoc at MIT and was looking forward to just doing CS research and not having to work on my shit anymore. So he refused to do it.

So I said, "All right," and I couldn't get Trevor because he was still working at Yahoo. So I thought, "All right, I'll have to do it myself," and I hired a bunch of young programmers and we rented an office in a basement in Harvard Square, and for a summer we tried to build this thing, and then at the end of it, I just thought, "This is going to have to be such a company. I don't want to run another company. That sucked. I didn't like it the first time." So at the end of it, I thought, "All right, I won't do the company thing. I'll just do the programming language part," because we were going to make a whole programming language for making web apps, which was of course going to be a dialect of Lisp.

Carolynn: Not Smalltalk?

Paul: No. Syntax, are you kidding? So at the end of it, I thought, "Nevermind this whole company thing. We'll just do the programming language part as an open-source project." The rest of it had to be a company because you had to pay for all these servers for people to run their stuff on, but if you just did the programming language part, that didn't have to be. So I thought, "All right, we'll just do it as an open-source project," and this new dialect of Lisp at the time was called Arc. So the end of the summer, I just bailed. If Robert had been willing to do it with me, I probably would've kept going because it would've worked. It would've actually worked. It would've been an enormous amount of work, but it would've worked.

Jessica: So this is where I remember meeting you. You were working on Arc and taking flying lessons to get over your fear of flying.

Paul: Yeah. You notice when I said I went back to New York, I said I drove back to New York? Didn't that sound a little odd?

Carolynn: I just figured you wanted your car, but then whoever wants a car in Downtown New York. I mean, that's... Okay,- fear of flying.

Paul: Yeah, I was afraid of flying for a long time, but I managed to fix it using a dramatic but effective method. I learned to hang glide.

Carolynn: Seriously. Oh, I thought you were going to say you became a pilot, but you just hang glide.

Paul: No, that was phase two. Phase one, I learned to hang glide, and then I took flying lessons. So in the middle of this, there was a point at which I was very comfortable hang gliding, a little bit nervous flying in a Cessna 172 with the engine just switched off by the instructor and terrified of getting on an airliner. That is how irrational my fear of flying is.

Carolynn: Yeah, no kidding. Actually, the hang gliding to me sounds like such a non-starter.

Paul: Well, it's much more dangerous.

Carolynn: Yes, exactly. That sounds way horrifying.

Jessica: I met you, Paul, when you were in the middle of the flying part, and early on in our relationship, you called me and you're like, "How you doing?" I said, "Oh, good. How are you?" And you said, "I'm great," and even then I knew what is going on. I was like, "Why are you great? I've never heard you say anything besides pretty good," and he said, "Guess where I am?" And I said, "Where?" And he said, "I'm in LaGuardia." He had taken the shuttle from Logan Airport to

LaGuardia, and that was the first time he had flown, and you'd never looked back since then, did you?

Paul: For years I hadn't flown. So I invited Jessica... This is a very romantic story. I invited Jessica to come down and meet me in New York, and at first she thought to herself, "Can I even do that? Could I just go to New York now?" I said, "Come to New York for dinner."

Jessica: This was that 4:00 in the afternoon, Carolynn. He calls me at 4:00 in the afternoon, and he's like, "Come down to New York tonight." Of course he's staying in the rent-stabilized apartment, which he still has, and I'm like, "What?" And my office, by the way, you could almost see Logan Airport. I was right in Downtown. So I was like, "Okay," and I think I just sort of knocked off early and bought a ticket and flew down to New York that night and we went out to dinner, and then I flew back the next morning.

Carolynn: Seriously, romance novel type stuff right there. Do you guys remember where you went to dinner?

Jessica: Yes, I was going to say it was the Daniel Boulud place. It was really good. It was very cool.

Carolynn: Go back to something you said. Peachy, you still have this apartment?

Paul: Not anymore.

Carolynn: Oh, I was going to say.

Jessica: He meant still as in that era of your life. In that era.

Carolynn: Holy crap, okay.

Jessica: Yeah, he still had it, and that's where we stayed in New York that night. So we're in Cambridge, Paul, and I know we've told the story about how Y Combinators got started, but I'm just going to bring us back to that timeframe. I was working at an investment bank, and it was after the bubble burst and they were laying people off, and it was just not that fun anymore, and I was interviewing at a VC firm, Carolynn, and they were just sort of taking a while to make a decision, and Paul and I would go out to dinner every night and Paul would say, "You know what you should do?" Or, "This is how the VC industry should change," and you just had all these ideas. So what happened when we were walking down Shepherd Street, Paul?

Paul: Was it Shepherd Street or was it Walker Street?

Jessica: It was Walker Street.

Paul: Well, as we were walking home from dinner

Jessica: Was Walker Street with Friendly Cat.

Paul: Yeah, so I had also been talking just that day, or maybe the day before, about Robert and Trevor about whether we could do something together because I missed working with them, and I had just given this talk to the Harvard Computer Society about how to start a startup-

Jessica: Which by the way, just came up. I need to just tell you, Paul, this came up in Steve Huffman's episode. He talked about how he met you at this. So go on to that night.

Paul: Yeah, he was there. He was in the audience.

Jessica: That's right.

Paul: And that made me think about investing because I had meant to be an angel investor, and here it was all these years later, and I still had never gotten around to it. So I had been thinking about becoming an angel investor because of that talk, and I had been talking to Robert and Trevor about, "Could we do something together?" And here was Jessica talking about I kept having all these ideas for how they ought to change venture capital when Jessica went to work at this VC fund, like they would've ever listened to her anyway. And so on the way home, I thought, "Why don't we just start our own? Nevermind. Why do you need these VCs? We'll start our own thing, and you can work for that," and I remember the spot on the sidewalk where we were talking about this, because it only took about a few steps of walking for her to agree.

Jessica: Oh, I was totally in it and I was not a startup person. I had always worked for big companies, but I knew this was going to be exciting.

Carolynn: Yeah. Yeah.

Paul: So that was how YC got started. Although, originally, we were going to call it Cambridge Seed. That was the first name for about a week.

Carolynn: That's not terrible.

Paul: No, but you know what the problem is? I knew from the beginning that everybody would copy us. Boy, did that turn out to be an accurate prediction. And so if we were called Cambridge Seed, then somebody else could say, "Well, we are the Cambridge Seed of Silicon Valley." Can you imagine that?

Carolynn: Totally different trajectory right there.

Paul: We wanted to make it clear that YC was the YC of Silicon Valley. So we decided not to call it Cambridge Seed, but ycombinator.com wasn't taken.

Jessica: But weren't we out to dinner with Robert, and you said, "Well, what do you think about Y Combinator?" And Robert thought it was cool. I thought it sounded cool, even though I didn't know what the heck a Y Combinator was.

Paul: Yeah. That night at dinner, that was when we decided to call it that.

Jessica: At the Rialto in the Charles Hotel.

Carolynn: So Trevor wasn't part of that conversation, but was he still in California at this point, or had he come back?

Paul: No, he never came back.

Carolynn: Oh, okay.

Paul: Because Cambridge wasn't really back for him anyway. He only spent a few years there. He's from Canada. It was just us three in Boston at that point.

Carolynn: And you knew the domain was available.

Paul: Yeah.

Jessica: You pulled an all-nighter writing up the website and everything. I think I remember you were up all night or something crazy.

Paul: Not quite up all night, but I was so excited I think I got up at 5:00 in the morning to work on it. We put together YC really quickly, and we launched what we called the Summer Founders program, which was initially supposed to be just a one-off thing. You know how YC has this trick of if we want to do something over and over, we say, "We're just going to try this thing this once," then secretly we're hoping it's successful and you keep doing it over and over, right? Well, this was the first one of these things, although we really think did think we were just going to do it once.

Carolynn: This is such a arbitrary question, random, but the orange. When did the orange happen?

Paul: Oh, from the beginning.

Carolynn: From the beginning? Okay. And do you just love the color orange? Why orange?

Paul: Because it's the opposite of all the colors of all the VCs. Back in those days when you looked at VC's websites, they were always like forest green or navy

blue or something like that. We wanted to appeal to founders, not LPs. Why are they forest green? Because that's the kind of thing LPs like, not because what founders like. They were all focused on LPs, and founders, they just give them a kick with the back of their heel.

Jessica: But Paul, the walls in your house in Cambridge were painted orange.

Paul: There was one wall that was painted orange.

Jessica: He likes orange.

Paul: I like orange too. It's not like I had to say, "Oh, orange would be the right color. I hate it, but we'll use it anyway." No, I like orange.

Jessica: So Paul created the logo and then we launched the site. This we just-

Paul: The logo's an inside joke. The logo's based on the Viaweb logo. The Viaweb logo is a white V in a red circle. The Y Combinator logo is a white Y on an orange square. If you ever see me with a blue triangle, watch out.

Jessica: Now, Paul, correct me if I'm wrong, but we did the website, the interview process, all of that kind of before we spoke to any lawyers about setting up Y Combinator LLC. We sort of got everything going.

Paul: This is going to kill C. Levy, but I can't even remember what order this happened in.

Carolynn: I know who your lawyer was, by the way. It was Mark Macenka.

Jessica: Mark Macenka! Oh, my God. He was awesome.

Carolynn: Yeah, I actually did a deal with... Before I ever met you guys, he and I were opposite on a merger. I maybe knew him before you guys did.

Paul: Probably.

Jessica: Now Carolynn, this is a tangent, but we met you, I think, the first winter in winter 2006, or was it the summer of 2006? Because you started representing Sam Altman's company and Scribd, and stuff like that, because you were at Wilson Sonsini.

Carolynn: That's right, and I think it was sometime in 2006. I don't remember what season. I don't remember if you guys had had two batches or one. I don't think I was even aware that was what your thing was, so I don't remember.



Jessica: Okay, but we met you pretty early on in the things. So Paul, I was literally just listening to the Steve Huffman episode and he was talking about how they came to interview and we heard the whole story about how we said, "Sorry, the sell food idea doesn't work," and then you called them up and brought them back and cooked up the idea for Reddit and stuff like that. Do you remember that weekend when we interviewed, that first weekend, do you remember?

Paul: Oh, very vividly, yeah. I remember that weekend of interviews more vividly than any of the others.

Jessica: And we sort of thought, "Wow. We've got some decent applicants here," and we chose eight startups to fund,Carolynn. Reddit was in the batch, the Twitch guys were in the batch. Sam Altman, also president and CEO of Y Combinator later on was in that batch. We were like, "This is kind of cool."

Paul: The surprising thing was that we were getting people who had already graduated from college. This was supposed to be a summer program for undergrads, where instead of going to get a job at Microsoft, because no one was getting a job at Google yet. Instead of going to get a job at Microsoft for the summer, start a startup is your summer job. What a crazy idea. And then we got all these applications from people who were graduating or had already graduated, and I remember saying, "Do you actually want to do this for undergrad?"

Carolynn: I have to stop you for a second because how did you guys think that through? If you're like, "Just do start a startup for the summer and then go back to school, and then what would happen to your investment?" What did you guys imagine what happened to your investment?

Paul: You don't understand. These were supposed to be throwaway startups. The only reason we even did this thing, we thought we were going to do normal angel investing where people come to you with deals and investing in that, right? The only reason we ever did this batch format was so that we could learn how to be in investors. This is a very hackerly approach, but we thought, "All right, how are we going to learn how to be investors? We'll just invest in a whole bunch of throwaway startups all at once and we'll figure out how to be investors," and that turned out to be the model ongoing.

Carolynn: Hang on. When did you guys start calling it a batch? Because that used to throw people a lot.

Paul: I think pretty early on.

Jessica: Pretty early on. It was the only word to describe it.

Carolynn: Yeah.

Paul: Yeah, I think when we had the second batch, we needed a name for the batches. At least by the second batch we would be calling it that, and I don't think we ever had any other word besides batch, but also, it's from programming, batch processing. Programming, you can do things synchronously or asynchronously. So we definitely understood structurally what was novel about what we were doing.

Carolynn: I always thought it was from cooking. I learned something just right now, I just assume it was cookies. I did not know it was programming,

Paul: Batch processing.

Carolynn: All right.

Jessica: So we took over Paul's office, which had just been renovated with soundproof windows, and it was fabulous, and I moved on in, and that's where we would host our Tuesday night dinners, and we had tables made with benches and the famous-

Paul: A table. There was only one table.

Jessica: But they'd connect together. They were like the-

Paul: Oh, yes. Yes, that's right. There were segments of table that we were joined together to make one big long table. Yes, right.

Jessica: So we could break them down when not using them to eat, and then we had the famous benches. Tell the story about the famous benches.

Paul: The benches. So Kate Courteau, the architect, made these benches that were these very cool-looking benches that had these two vertical sort of planks of wood as the legs, right?

Carolynn: I'm familiar.

Paul: You know about the bench?

Carolynn: Yes.

Paul: So the original version of the benches, Kate decided where to put the planks of wood based on what looked good, which was a little too much towards the middle of the bench. So if you sat on the end of a bench, you would be on the floor.

Jessica: You'd go flying off.

Paul: So we knew about this problem. We knew about this problem of people sitting on the end of the benches and falling off, and so Kate, when we were having new benches made for the West coast batches, because we had to duplicate everything, she said, "Do you want to keep the legs where they were?" And I said, "Yeah, let's. What a great idea."

Carolynn: Really?

Paul: Yeah, and so-

Jessica: He's not kidding, Carolynn. I have to say, this is the one disagreement we've ever had related to anything Y Combinator. I thought it was the stupidest thing to do.

Carolynn: Right? Let's intentionally injure our people.

Paul: No, what we really had to watch out for was investors. We used to do demo day at YC. The founders knew you shouldn't sit on the ends of the benches, but there would be times when you would see an investor walking towards a bench, and you'd have to say, "Don't sit on that."

Jessica: Okay, moving on from the benches.

Paul: YC had a sense of humor.

Jessica: We did have a sense of humor, and I don't want to tell some of the early stories of the senses of humor because we'll get in trouble, but they were very funny, and everything I agreed with, it was just the benches that I didn't love. I want to talk about, Paul, I want your opinion because it's been so long, and I have my own ideas about this, but I want to hear yours. Do you remember some of the early wins that we had with Y Combinator? Because of course, it was a huge experiment. You were basically funding the whole thing and we couldn't keep going on forever.

Paul: I funded the whole thing for seven years.

Jessica: And so what were some of the early signs that we had where we said, "Actually, this could be great," or, "This is working," or, "Yes!"

Paul: Well, halfway through the first batch we... Remember, we thought of these startups as this throwaway thing. Summer jobs are throwaway jobs, these startups would be summer throwaway startups. And really about halfway into YC, we realized that some of these startups in the first batch could actually be viable startups, and the speakers would have this reaction too, because... I mean, I can't blame them because that was the way we described YC to them, but they would come and visit YC like they were doing some sort of charity

thing, helping out people who don't know what they're doing, and they would come away always the same reactions like, "Wow. These founders are really good. These companies are really good. These are real. I didn't think they'd be real."

We realized that first, of course, since we had the most data. So I mean a couple weeks in, we realized these companies could actually be real, and so by the end of the batch for sure, we knew that this was the way we were going to do all the investing going forward. This thing we had initially done just to learn to be investors, this was the actual thing.

Carolynn: Was that your aha moment like, "We should do this in the winter too," or were you still planning only to do it the next year's summer?

Paul: I think we decided we were going to do a winter batch pretty early on during the summer batch. The big decision was to do it in California.

Jessica: That was the big decision, and that I remember, because I spent a lot of time setting up the office in Cambridge and getting all the stuff we needed. Paul would cook dinners every week, so we needed all these crock pots and rice cookers and 20 bowls and sets of... So I set all this stuff up and I was just breathing a sigh of relief, and Paul's like, "We need to go do this in California," and I'm like, "What?" I remember just being like, "No," and we had to find a place to live and all of that, and we asked Trevor like, "Hey, Trevor. Can we use one of the rooms in your robot warehouse?" He had the Pioneer Way office for Anybots, his robot company.

Paul: If we'd had time, YC would've been in Berkeley, because back then we thought Berkeley was the place. We liked Cambridge, and Berkeley was the Cambridge.

Carolynn: You didn't think Stanford was the Cambridge of the Bay Area? That's interesting. I think Stanford thinks it's the Cambridge of the Bay Area, don't you?

Paul: Stanford might be the Harvard of the Bay Area, but Palo Alto is not the Cambridge of the Bay Area. Berkeley is the Cambridge.

Carolynn: Yeah, okay.

Jessica: So we moved with zero notice. We just had to replicate this whole thing, and frankly, there was some light renovations that had to happen for us to move in there. We had to rebuild all the tables and the benches and get all the stuff, and we did this sort of undercover light renovation, if you will, under the darkness at night.

Paul: Kate had the builders working at night. We didn't have any permits.

Jessica: It's been long enough that I'm not that worried about it, but-

Carolynn: I was just going to say, maybe enough time has passed that this isn't that controversial, but...

Paul: Almost 20 years. 17 years.

Jessica: Yeah. But it was stressful, and we literally, the first dinner, the paint was... We always joke the paint was still drying on the walls. We were like, "Don't touch the walls because the paint's still wet."

Paul: Yeah, we had to flush the painters out in order to start the first dinner.

Jessica: But we had, what, 10 startups or 12 startups in that batch, Paul?

Paul: Something like that. There were eight in the first, there were probably 10 or 11 in the second.

Jessica: Yeah, and it was really good. And we had demo day. The demo day I remember was better attended than the one in Boston.

Paul: California demo days were always so much better than Boston demo days. In fact, later we felt so bad for the Boston startups that we would fly them out to do a second demo day in California, and that was when Drew Houseton, that was when Dropbox got stolen by Californian investors. There were these Boston investors who looked upon Drew as their protege. They had been following his progress the way VCs are always going to do.

Carolynn: Did you guys invite people or did you get inbound for demo?

Jessica: I love that you think we got inbound. Oh, my God, Carolynn.

Carolynn: Well, okay, let me tell you the origin of the question. You're like, "Demo day was always better attended," but in the very early days, the first one, was it just as small? I'm trying to figure out how did it grow, unless you guys were inviting more people.

Paul: We were inviting people. That was the only way we ever got anybody there.

Carolynn: Okay. But you didn't know anybody there, so how was it bigger?

Jessica: We knew 20 people and we knew-

Paul: The first demo day in Cambridge. I mean, there was probably only one person whose actual job title was investor in the audience. The rest were all just random, rich people I could get to fill seats so the startups could feel like they

had an audience to present to. I think there were only 15 people in the audience at the first demo day.

Jessica: So Paul, what were some other early wins in the first few years that you remember, signs that you interpreted as like, "Wow. This could be good."?

Paul: Well, when Reddit got bought. When Reddit got bought by Condé Nast, that was the first exit. I mean, and in retrospect, it was comically small, but it seemed pretty significant to us at the time.

Jessica: Right. And I actually was telling Steve in the episode, I was secretly very pleased by that acquisition mostly because we got noticed by the press after that. Do you remember?

Paul: And funding rounds too. Some of these companies were going off. And I remember when Sam, who was in the first batch, raised a Series A from Sequoia, the blue chip DC firm. We couldn't believe it. We were invited at one point, maybe that winter, or maybe it was a year later, we were invited to Sequoia's annual holiday dinner or something like that, and we're like, "Sequoia invited us to their event." We were high-fiving each other. "We're big time now, baby."

Jessica: Oh, it was so big time. So big time. That room was filled with so many movers and shakers, one of whom was Dalton Caldwell doing imeem.

Carolynn: Oh, no kidding.

Jessica: Do you remember, Paul? We first met Dalton at the Sequoia thing.

Paul: That was where we first met him? Interesting.

Jessica: Yeah, I'm pretty sure. I'm pretty sure. Anyway, Paul and I are not naturally good schmoozers. You have to admit that, right, Paul? So we didn't like do a-

Paul: I'm not. You are sort of.

Jessica: Well, we didn't do a lot of schmoozing, so it was hard for us to... We met a lot of investors through our portfolio companies. The investors would invest in them and then want to come to demo day, so that's sort of how it grew.

Paul: That was how we met you, C. Levy.

Jessica: Yeah.

Carolynn: I thought you met me... Well, yeah, I was going to say it wasn't through... Yeah, it was through Sam, because I found your common stock purchase agreement

and I was like, "What is this piece of crap?" And I reached out and Sam's like, "Let me connect you to Jessica," and I was like, "Fine."

Paul: Was our common stock purchase agreement not good? This is news to me.

Carolynn: It was fine. It was very East Coast flavored and I was like, "I don't even get what's going on here." Anyway.

Paul: Well, needless to say, I never read it.

Carolynn: It got all fixed.

Jessica: That's because I handled all the legal stuff. Can you imagine me doing all legal and all finance? Carolynn, all finance. I hired lawyers and we had this accountant doing our taxes and stuff, but it was early on a lot of work.

Paul: And air conditioner delivery.

Jessica: And air conditioning delivery in the very first batch. What other crazy moments were there in the early days, Paul, that you remember? What stands out?

Paul: I don't have stuff indexed under crazy moments.

Carolynn: You don't have index cards that you can just whip out right now and start reading?

Jessica: Crazy moments at YC.

Carolynn: Let me find my index cards.

Paul: There was a constant stream of crazy moments. You remember the official tagline of YC is, "Make something people want," and the unofficial one is like, "You can't make this shit up."

Jessica: Carolynn currently maintains that file. She maintains the file you can't make this shit up.

Carolynn: Yep. Yeah.

Paul: Because every day, after there were enough startups, every day there was some freaky disaster. It's like, "What's happening today? Ah, yes. This."

Jessica: Well, let me be more specific with a couple things then, because one thing I wanted to ask you about is one of your superpowers, which is just taking an idea and expanding it like 100 times bigger for founders. Where do you think that comes from?

Paul: I don't have to do the work.

Jessica: Well, I think a lot of people... I know I'm very envious. I would love to be able to do that, and most people can't do that. Where do you think it comes from?

Paul: It might be related to writing essays because when you write an essay about something, you have to really completely understand it, and so once you understand it, then you could see where it extends to get bigger. So it's just talking to them and really, really understanding the idea, and then you could see, "Oh, you could stretch this bit out and that bit out and it becomes triangle," or something like that.

Carolynn: That's actually a good segue though, because we've talked about painting and we've obviously talked about coding. What about writing, when did that start getting super serious for you?

Paul: About 2000. So between leaving Yahoo and starting YC, in fact, YC grew out of an essay. I would give talks as a way of writing essays because if you have to give a talk, you're going to get up in front of all these people, you better have something to tell them, and so that would inspire me to write essays. And so, the talk to the undergrad, Harvard Computer Society was an essay called How to Start a Startup. You can find it online. That was the essay that YC grew out of. So a lot of people think that now, since I'm writing essays, I'm like some guy who got rich from startups and now I'm sitting around pontificating, but actually the essays preceded investing. In fact, YC grew out of one of the essays. So I just sort of went back to what I was doing.

Jessica: I remember when I read Why Nerds are Unpopular, I was like, "Wow. This guy's pretty interesting." That was when you asked me out, I found that online. That was one of his first essays, Carolynn. Have you ever read Why Nerds are Unpopular?

Carolynn: Absolutely, and I had my kids read it too, because it talks about high school, if I remember. I haven't read it in a while, and I was like, "This is..." So my kids were younger, but I was like, "This is a really interesting look at high school, which is in your future, guys. So internalize this. It's interesting," and I don't remember what they thought of it, but anyway, yes, I definitely have read that essay.

Paul: Did you read that when I was asking you out?

Jessica: Yeah, because of course I had to Google you.

Carolynn: She was doing her homework. She wasn't just going to randomly date some guy she hadn't totally dug into it.



Jessica: And I have to say, I don't think I had really much practice in dating nerds, and so it was good to read. I appreciated it though. I do think I'm your biggest fan, and I'm glad you're writing now because I love reading your essays, and your essays, in fact are the way we marketed Y Combinator early on. We didn't really do much press outreach, we certainly didn't do anything like paid advertisements or anything like that, it was your essays.

Paul: Well, it wasn't, but it was the essays I'd already written. When you say we use the essays to market Y Combinator, it's like, "Oh, I'll write an essay and get attention." No, that was where the deal flow came from, because most investors, if you start some investment firm and you're like, "Okay, where am I going to get a deal flow?" But YC, we had a sort of initial source of deal flow in the people who'd read those essays. So the essays were important to YC for that reason too. YC grew out of one and it was the source of the founders.

Jessica: But you also kept writing these amazing and insightful essays about startups, about venture capitalists, about startup equals growth, some of the canonical, few things that don't scale. These essays that people to this day are like, "Paul, this essay changed my life," kind of thing.

Paul: You know what though? It was not so-called content marketing writing. The reason I was writing about startups is because when you're writing essays, you always write about whatever you happen to be thinking about, and so after we started YC, I was thinking about startups all the time, in fact, more than I wanted to, and so I was writing essays about startups all the time.

Jessica: That's true. I didn't mean to say that you wrote it as a way of marketing. I didn't mean that. I just meant to tellCarolynn it was part of our organic growth.

Paul: It worked out that way. Carolynn, you know how we're always looking for a startup that grows organically out of the founder's lives?

Carolynn: Mm-hmm.

Paul: Boy, did YC grow organically out of me and Jessica's lives in so many different ways. Yeah.

Jessica: I know we have to wrap up pretty soon, but I have just two things that I want to ask you about, and I feel like maybe someday we'll do a part two for Paul Graham because we didn't scratch the Y Combinator surface that deeply, but we did not. Well, first I want to ask you about when you retired in 2014. I want you to tell the story about that because Y Combinator was on a high, so why'd you leave?

Paul: Well, because I hadn't actually meant to be an investor, remember? I was writing essays in software and then we thought, "Okay, we'll start a VC thing as well,"

and this thing that we started as well was meant to be sort of a part-time job, ended up becoming more than a full-time job, it was gradually taking over my whole life. I mean, I could see I have kept doing this until I died because YC's still going after all these years, there's no signs it's going to stop going. So at some point I'm either going to do this and nothing else for the rest of my life, or if there's anything else I want to do, I have to leave at some point.

But it was Robert, really. Robert never volunteers advice. Never. In fact, even trying to get advice out of him is like pulling teeth. He was once reviewed in some undergraduate guide to professors and grad students or something at Harvard, and they said getting him to talk is pulling teeth. That's what Robert's like. It's going to be real interesting if you ever manage to get him on an interview. You're going to have to deal with a monosyllabic answer, but you both have teenagers, so you have some practice dealing with a monosyllabic answer.

Jessica: This is true. Teenage boys specifically.

Paul: Yeah, so it'll be interesting to see who wins, irresistible force or immovable object.

Jessica: That's true. Yeah, so say what Robert said to you.

Paul: Robert would come out for interviews to California. So Robert was there visiting for interviews, and it was always fun when he would come because it wasn't just for interviews, it was like when you get to hang out with Robert. So we were walking down to the center of Palo Alto, and at one point he stopped and said, "You should make sure YC isn't the last cool thing you do," and I couldn't even understand what he meant, but it took me months to realize, but I sent him an email and I said, "When you said that, you meant I'm wasting my time, didn't you?" And he said, "Yeah, basically." He said, "You've already proved your point. It works. Why are you still doing it?" Which is not the normal model of people working on companies, right? When it works, that's when they keep doing it.

But Robert has a different view of the world. And so, I sort of thought to myself, "Huh, maybe he's right." And then my mother got sick and I used to have to fly up to visit her every weekend. So on one of these flights, I was thinking, "All right." I remember looking out the window of the plane and thinking, "Okay, I'm going to find somebody else to run YC." So we tried to recruit Sam because Sam was then becoming available. I think that was part of it.

Jessica: Yeah.

Paul: It took me a long time to recruit him though. Over a year.

Jessica: That was in the works for a while.

Paul: But the fall of 2013, he finally agreed to do it. We went to talk to you and C. Levy, it's like, "What do we have to do to do this?" And you're like, "Oh, don't worry. It won't be that hard."

Jessica: Oh, yeah. Won't be that hard.

Paul: But for a while, you were the only person who knew.

Jessica: Yeah. I have one last area that I just want to quickly touch on, because one of Carolyn and my hopes is that we're going to get the current man behind Hacker News to come on, who I will remain nameless at this time. But you started Hacker News.

Paul: Yeah.

Jessica: And does it bring back a little trauma?

Paul: Oh, that was the majority of the pain of doing YC was Hacker News. Yeah, I always tell people my advice about forums is don't start a forum. It's so grim.

Jessica: But it was so good though.

Paul: It was good for YC, it was not good for me. But more than 50% of the stress was Hacker News. I mean, if all I had to do was read applications, pick startups, and then help them, life would've been so easy.

Jessica: Well, let's see. Carolyn, is there anything you wanted to ask Paul?

Carolynn: Well, I kind of feel like we do need part two, so maybe we bring Paul Graham back some time in the future and ask more questions.

Jessica: I think I can just... Carolyn, I'll put it on the calendar and just tell him he's going to do it.

Carolynn: Okay, that sounds good. Oh, I do have one quick question.

Paul: By the way, that's how everything in my life works.

Carolynn: I have one final question, which is that right now, do you paint and write in equal or one a lot more than the other, or how do -

Paul: No, I just write.

Carolynn: And so what happened to painting?

Paul: I did try it. In fact, do you remember how when I quit Yahoo the next day I started painting? Well, when I quit Y Combinator, the next day I started painting because by that point, I couldn't go off on vacation anyway because I had little kids. So I did, and in fact, I went up the hill to that house in the Santa Cruz Mountains, the same place even.

Carolynn: You Ted Kaczynski'd it again.

Paul: Yeah, but it worked better this time because I knew some people now in California partly.

Jessica: And he'd come home to us at night after painting.

Paul: It's like going off to a job. But I painted for almost a year after I quit YC, and then I got to a point, I was in the middle of a painting and it felt like work. It felt like such a schlep. Usually I was excited to see how the thing was going to turn out, and I'm like... I don't know what it was, but I just... I mean, I might do it again. I haven't completely given up, but I do think I'm actually a lot better at writing than painting.

Jessica: I think you're a great painter.

Paul: I can tell when I go to art galleries, I look at the paintings and I think, "Wow. This guy is amazing. I don't even know how he does it," and when I look at writing even by the most famous writers, I think, "I don't know. I wouldn't have used that sentence."

Carolynn: Oh, interesting. Interesting.

Jessica: I think he's a great painter, Carolynn, but I mean, honestly, I think you're just such an amazing writer that that's what you need to be doing. All right, Paul, how about I make you a cup of tea? We'll meet up in the kitchen over a cup of tea.

Carolynn: I think you guys get to have a cocktail now, given the time. I mean, I don't, but you guys can.

Jessica: Yeah, actually we might have a glass of wine instead, but this was a lot of fun. It was really fun walking down memory lane here. Fun. So thank you for coming on. It's certainly

Paul: A lot more fun talking to you guys than talking to normal journalists.

Carolynn: Aw.

Jessica: Damning with faint praise.

Paul: Okay, it's a lot of fun talking to you.

Carolynn: No, it's a lot of fun.

Jessica: So it was a lot of fun. And yeah, we can't wait for this to run and we'll plan part two, Carolynn. Okay. Bye, Paul.

Paul: Okay.

Carolynn: Bye, Paul.

Jessica: Thank you.

Paul: Bye, C.L.

Carolynn: I mean, that was so much fun. Look what time it is. We chatted with him forever.

Jessica: I'm so sorry that I let it go down so long. I'm so sorry.

Carolynn: Oh, my God. No, I don't mean to say that as a critique. I mean, that was so much fun and we had so much to talk about that time went by really, really fast. That was great.

Jessica: It did, and I think maybe someday we'll do part two.

Carolynn: Doing a part two with him would be a lot of fun, especially because people will have heard the founders' stories more by that time, and then having Paul tell the... You do a lot of the YC side of it, but also having Paul tell the YC side of some of the founder stories will be, I think, a good loop, if that's the right word.

Jessica: Yeah, we'll come back to him after we do some more YC founder interviews, and we'll get him back and get his side of the story, because I agree that would be a good take. But awesome. Well, that was a lot of fun. Nice to see you, Carolynn, and we'll see you later. Okay. See you next week. Bye.

Carolynn: Bye.