THE ECONOMIC CLUB

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Executive Conversation

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TERESA CARLSON: Welcome, everybody. It's so great to have you all here for The Economic Club. And we're really delighted to have Garry Tan, which is a little unusual here in Washington, D.C. We're used to these amazing business leaders and political leaders, but we don't often get kind of the startup community, the small tech leaders. So, it's really fun to have Garry here. I'll push my start here, Garry, so we get going. And so, you're here in Washington, D.C. How many trips have you made to Washington?

GARRY TAN: This is probably my third, period.

MS. CARLSON: OK. OK. OK.

MR. TAN: So, I'm not on the circuit yet. [Laughs.]

MS. CARLSON: Well, you can see people are really excited to have you here. So maybe we can change that, right? Wouldn't we like Garry to come back more often? It'd be great, huh? [Applause.] Be great.

Garry, how important is Washington, D.C. to Silicon Valley?

MR. TAN: I guess what we've learned over time is extremely important. You know, one of the more surprising things is that we'll, you know, walk the halls of power, Luther[1] – actually, my first time really walking, you know, the Senate and the House was with Luther a few years ago. And the wild thing to realize was, you know, every senator or congressperson I talked to would say: How come, you know, you startup founders, like, you don't – why don't you come through? Like, what's going on? Like, we see lots of other people who talk about tech, but, you know, no little tech. And that's sort of what I realized was we actually do need to show up.

Because what we really – at Y Combinator, what we really desperately care about actually is open markets and the ability for a few people with an idea to come out and say, you know, what? I understand technology. I have a special insight about a customer. And I can actually go and create something of great value. And it'll look really small initially, but, you know, at the end of the day it might end up touching a billion people. And, you know, what I really deeply believe, and I'm concerned about and a lot of ways – and I'm sure a lot of you are concerned about it, too – that there is a concentration of power in technology, and technology has even more of a control over our day-to-day lives.

Personally, I think that the capacity for technology to solve real problems is very, very great. And we're in the middle of sort of a new revolution. And that's great. And then the thing I really care about is how do we actually make sure that that turns into prosperity for everyone? And I think the path towards that is actually open markets and fair competition, because I don't want seven companies worth a trillion dollars with, you know, half of the S&P. Like, I would like to see thousands of companies. Like we have two full tables of founders from D.C. right here. [Cheers, applause.]

MS. CARLSON: Woo! Love it. I love it.

[1] Luther Lowe is the head of public policy for Y Combinator.

MR. TAN: And wouldn't it be great that we have homegrown unicorns at that table? That would be what prosperity and the American dream looks like to me.

MS. CARLSON: Yeah, for sure. And I think you are a big contributor to that. And you know, it's interesting, because obviously in Silicon Valley everybody knows who you are. And if you're a part of any startup ecosystem around the world – I heard about Y Combinator when I was in Singapore. I heard about Y Combinator when I was in Korea. I heard about it, Bahrain and the Middle East. But if you came to Washington, D.C., it's not a household name. So, you've been around since 2005, is that right? So now 17-18 years you've been around. You've done a lot. You've accomplished so much. But tell us a little bit, what is Y Combinator? Why does it exist? And kind of what's the whole premise around it?

MR. TAN: Absolutely. So, Y Combinator was – it's an accelerator or an incubator. And you might have heard of many other ones, but this is the one that seems to be throwing off actually dozens of billion-dollar companies every single year. It did not start out that way. It started off as really an experiment by the founder, Paul Graham and Jessica Livingston. They, you know, created an internet startup that turned into Yahoo Stores.

And Paul's essays really inspired, really, my generation of startup founders to know you weren't meant to have a boss if you're capable of creating technology. You know, there's sort of a third path. Like, when you're graduating from school, classically it would be, you know, go get a job or go to grad school. And then what Paul said was, what if there was a third option? Which is you should try to start a startup, and you should try to get revenue and have a standalone business that could go on to become a large business.

And, you know, it's hard to believe Y Combinator's only been around for 18 years. But in that time, it's gone on to help create and be the very first investor in more than $600 billion worth of startups including Airbnb, Coinbase, DoorDash. I mean, we basically, something like –

MS. CARLSON: Stripe. Stripe.

MR. TAN: Yeah. Stripe. Stripe is huge. And so, these are – about 5 to 10 percent of our companies end up becoming worth a billion dollars or more.

MS. CARLSON: Yeah, it's unbelievable.

MR. TAN: And that's up a lot. I mean, 10-15 years ago that number was really only 1 or 2 percent. So that's the wild thing that I think we're seeing now, that, you know, Y Combinator gives relatively small amounts of money. So initially when I did Y Combinator, it was only – I think we got $15,000, because we were two founders. If you were three founders, you got $18,000 – [laughter] – for 7 percent of the company. And so, the wild thing that happened in 2009, right after my batch, was Brian Chesky from Airbnb, and his cofounders came through, and I think they got the $17,000. And at IPO, that was worth more than $2 billion, which is – wow.

MS. CARLSON: They are one of the General Catalyst companies, I'm proud to say. We just had our last LP meeting at their offices in San Francisco. So, it's amazing how they've grown, right?

MR. TAN: It's fantastic. It's incredible.

MS. CARLSON: It's unbelievable. And they came out of Y Combinator. What's the secret sauce, though? Why is it, how is it that you can select these startups so carefully and thoughtfully and know – I mean, obviously, you don't bat a thousand very time. I think David would like that I used the batting, hopefully, analogy, now that he has the Orioles. But you don't bat a thousand every time. But what's the secret sauce that you're looking for with these startups?

MR. TAN: Yeah, I guess the really interesting thing about YC that I think was a real innovation was that this is actually still one of the few places where you don't have to know anyone. You can just go to an open web form, YCombinator.com/apply, answer about 12 questions, record a one-minute video, and then it's our community and our 14 equal partners who will – you know, all of – many of whom ourselves were founders and YC founders. We read the application. We try to sort of understand who's the customer, what have you built in the past?

And then we actually get about 27,000 applications every six months. So that's what we mean by funding companies in batches. So many venture capitalists, you're taking meetings week to week to week, and you're sort of saying no, no, no, no, like, sort of evenly distributed. And then maybe a few times a year you get to say yes. So YC turns that on its head. We get 27,000 applications every six months. And then you'll –

MS. CARLSON: That's amazing. And how many do you select of that?

MR. TAN: Yeah. We'll interview a few thousand, and then we will actually accept about 200. So last batch out of 27,000 applications, we accepted 260, so less than 1 percent.

MS. CARLSON: And they get an average of how much money?

MR. TAN: Half a million dollars now, which is quite – well, it's more than $12,000, that's for sure. [Laughter.]

MS. CARLSON: So, yeah, definitely. You took it a long way, $12,000, if you think about that in today's economics. It's like – so when you're – so when you get – as you get down to the 200, kind of the process that you use, do you see them face to face? Do you just read what they send you? And then once you do that, what's the – when you say, wow, we love this founder, we think they have the secret sauce to make a billion dollar-plus company?

MR. TAN: Yeah. Let's take a case study. I mean, Brian Armstrong from Coinbase, you know, obviously now – he was founder and CEO of, you know, a decacorn company, that created – really created a market. But when we first met him, he was still an engineer at – he had not quit

his job as an antifraud engineer at Airbnb. He had just read the Satoshi Nakamoto white paper,[2] and this idea had sort of taken hold of him. And he said, this is – you know, nobody believes this yet. But I believe it. And then I want to work on software that would sort of manifest this crazy idea, that, you know, you could have a sovereign – a sovereign currency – cryptocurrency. And this was a very fringe idea at the moment, but that's sort of some of the stuff that we're looking for.

What we've learned – and this is sort of in venture capital and in technology over and over again – it's sort of the fringe thing that is a new technology that deeply technical people are obsessed with. Those are sort of the things that go on to actually touch all of society. And so we interviewed and accepted Brian into the program. And even during the batch, you know, I worked with him week on week. And it wasn't – like, we weren't sitting there sort of debating the merits of cryptocurrency or whether or not it could exist. It was that we – you know, we sort of held constant, you know, if this existed, what would happen? And then we said, that's going to be really big. And then how do we build, like, day-to-day, what's going on?

And so, the cool thing about what he was doing, we realized that it was really hard to even get bitcoin. You had to – I mean, personally I experienced that. I had heard about cryptocurrency on Hacker News, which is a website we operate. [Laughter.] And I mean –

MS. CARLSON: What year was this?

MR. TAN: Oh, this was – I heard about it in maybe 2011 or so. So, it was very, very early. So, these fringe things can basically turn into something very big. And then I think ultimately what we really liked about Brian was that he was a first-principles thinker. So, you know, let's hold fixed this belief that I believe that nobody else believes yet. And then what are the necessary things to build, whether it's software or distribution? I mean, there are some founders in the audience I was just talking about this with just, like, literally 10 minutes ago, before we came on here. Like, how do we get distribution? But also, how do we validate that the thing that we built is actually solving the problem that we're setting out to do?

MS. CARLSON: Well and, you know, creating this in America. I think it's so interesting when we think about America being the place that we grow entrepreneurs, first-principle thinkers. And you and I talked a little bit about you know, you said, within five minutes. You only spend, what was it 20 –

MR. TAN: Ten minutes. Yeah.

MS. CARLSON: Ten minutes. And you said in the first five minutes, we know. So, talk about that a little bit. What sparks, like, you go, this is the person, the idea?

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[2] Satoshi Nakamoto is the name used by the presumed pseudonymous person or persons who authored the Bitcoin white paper, "Bitcoin: A Peer-to-Peer Electronic Cash System," in 2008. The paper detailed methods of using a peer-to-peer network to generate what was described as "a system for electronic transactions without relying on trust.

MR. TAN: I guess the wild thing to think about, that I think is true – I think this was true for me – they're sort of round pegs in square holes, sometimes. [Laughs.] Just, you know, you go to school, you get a job, you go to work. And then you realize, like, a lot of society sort of runs on mimesis. That, you know, our desires and our understanding of what's going on is, you know, sort of plucked from the pages of The Wall Street Journal. And there's nothing wrong with that. That's sort of –

MS. CARLSON: Here it's got to be The Washington Post.

MR. TAN: The Washington Post, yes. [Laughter.] And, you know, or TechCrunch, or – you know, or X, or, you know, wherever. I mean, we basically derive our understanding from not necessarily first principles and/or first party, but sort of, like, the second and third-hand retellings. And what I find most interesting, like, we just got through a round of interviews even last week. And all of the people I chose to fund, they came in with some new discovery that they had discovered interacting with the technology itself, like sitting in a workbench realizing, like, hey, did you know that we can have a – you know, there's a robotics manufacturer that's making a humanoid robot now for $16,000. That's something that's brand new. And, like, oh, it's arriving on my desk on Monday. And we're going to try and be the first people to commercialize that, for instance. Like, that's an example of a first principles insight that I think is very interesting.

MS. CARLSON: Very. For – a lot of you don't know, we invest in robots. And a humanoid at that price is unbelievable, right? You think of them $250,000 or more to produce one. So that'd be incredible thinking.

Talk to me a little bit about the – two things, on diversity of the kind of founders that you bring in. I'd love to know how many are – you're a CS student from Stanford. How many are not? How many are not even graduates? And then talk to me about kind of male/female what you see.

MR. TAN: Absolutely. So, I guess diversity is very important to me. I actually, before – Y Combinator gave me my start in investing, and then I left to start a venture capital firm called Initialize Capital. And it's actually the – I think the information said it was the most diverse, you know, partnership of any fund above a billion dollars. So, I'm really proud of investing very deeply into a diverse partnership. I think that that is important. At the same time, like, what I deeply believe is that, you know, we sometimes have issues with tokenization.

And so, you know, YC is actually one of the best examples of funding, you know, by volume, some of the most – the most number of women and diverse founders out of really almost any venture capital firm. You know, in terms of percentages I think we're a multiple higher. But, you know, that being said, like that's really not enough. We continue to believe that if we try to give more looks at applications and give more chances to more diverse, you know, founders and would-be founders, that's actually the path that's right. Like, we don't change the

bar. We demand absolute excellence and merit. But then, you know, Rooney Rule[3] is a really good way to do it, to actually manifest diversity the right way.

MS. CARLSON: Thank you. And I agree with you. You got to get more, and encourage I think that's going to start earlier as well. Just letting them feel like they should do it, give it a go, you know, get more in the pool of applications. What about university graduates? How does that look? How does that kind of line up? And then what I'd also love to know, of all the companies we just talked about – Stripe, Airbnb, a bunch of the unicorns that you've produced, how many of those founders were university students that finished, or never went?

MR. TAN: Oh, gosh. I guess Stripe, famously, they were dropouts.

MS. CARLSON: Yes. [Laughs.]

MR. TAN: We do have a decent number of dropouts. The average age at YC is about actually 28. And that's really sort of fluctuated with what's been going on. I think during the marketplace boom maybe three to five years ago, that was close to 30. It's definitely been coming down. And I think that's one of the things we've really noticed, you know, in an age where AI is sort of transforming everything, we like to think about startups as a little bit – kind of kind of like an idea maze.

And when a new platform, a new technology comes out, like large language models, the whole idea maze gets shaken up. So suddenly, you know, consumer AI, for instance, is a thing that – you know, consumer startups, they've really struggled for quite some time. But that's some of the stuff that we're most excited about to fund today, because when you have a humanlike intelligence, you know, how could you not create – you know, ChatGPT itself was probably one of the most fastest to success consumer products to be released in recent memory. And that's good news for founders.

MS. CARLSON: Yeah. And you and I talked about this earlier, but I asked you, hey, are you thinking about defense and intel? How are you thinking about government startups? And you tell me something actually surprising about it.

MR. TAN: Oh, absolutely. I mean, I actually designed the logo of Palantir. [Laughter.]

MS. CARLSON: Yes. We're going to talk a little about your time at Palantir. Which you're a graphic artist, too, I guess. And you're a photographer and graphic artist in your spare time?

MR. TAN: Oh, yeah. Yeah, yeah. Right when I was applying to Y Combinator in 2008, I almost was a commercial – I wanted to be a hip-hop editorial photographer.

MS. CARLSON: Love that. [Laughter.] OK. We could have a whole session on that.

MR. TAN: That's right. [Laughter.] The path not taken, I guess.

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[33] The Rooney Rule is a National Football League policy that requires league teams to interview ethnic-minority candidates for head coaching and senior football operation jobs.

MS. CARLSON: Yes. We all have those.

MR. TAN: Yeah.

MS. CARLSON: But tell me about – like, how do you think about defense and intel? Are you thinking about doing a cohort of this, a batch of companies that are in the defense and intel space, government directed?

MR. TAN: Absolutely. So, one of the things that we love about YC is that we get to be generalists. So, you know, I guess the craziest thing about being a generalist is that we do actually get to see sort of the frontier of all these different things that will become the next thing. So, whether it was Cruise Automation, self-driving cars. You know, Kyle Vogt was a person who actually came up through our community, just like Brian was at Airbnb. And, you know, at that moment, like, self-driving cars were not even – you know, it was sort of a research project inside of Google at the time. And he was – you know that founder was one of the first people to say, actually, this technology could be commercialized now. And in fact, I'm going to create something that someone would be willing to buy for $10,000, a retrofit kit for an Audi A4.

And, you know, basically, becoming very practical allowed him to more or less create the market and speed up the commercialization of these things. So, we believe that's also highly – I mean, I'm friends with the founders of Anduril, big fan of Trae and Palmer over there. My partner, Jared Friedman, just released a request for startup, actually, around exactly this. And so, you know, even the last YC batch we had a great company that is working in night vision, so literally being able to see in the dark, using commodity sensor hardware. And they're collaborating with a lot of the usual suspects now.

MS. CARLSON: There's a big need for that. And it's interesting, because in this city, I mean, if you go back to, like, 2010, you really didn't hear about startups, or gov tech, or defense tech, or intel. And it's all changed. I mean, even around the world in other countries you see that. And let's jump in to just a minute on the geopolitical front. How have you seen, you know, geopolitics around the world in the last few years obviously has changed a lot. Is that changing Y Combinator, the types of founders you're seeing come in with ideas in any way, and how you all are thinking about operating?

MR. TAN: Well, it's harder and harder, and/or impossible, to fund Russian and Chinese nationals. I mean, that's – you know, I thought Fukuyama was right. Like, I thought we had the end of history. And then here we are, in sort of a new world. So aside from that, I think, you know, we're actually really focused on getting people to move to San Francisco now. So COVID was sort of a moment when almost half of our batches were international. And now that we're sort of saying, hey, we're planting a flag. Like, we actually moved the center of gravity of YC to San Francisco because that's the place where Anthropic, which was started by YC alums, by the way, and Open AI, which was YC spin out. So, Sam Altman had my job a number of years ago. [Laughs.] So no plans on starting an AI lab. [Laughter.]

But, you know, San Francisco really is the center of this new revolution. And we're asking every single one of our companies that gets the half a million dollars to move there,

because literally the new systems – like, you know, you have systems that have just reached – just barely, you know, Claude-3 arguably is at 103 IQ. GPT-4, for all of its greatness, some of the benchmarks peg it around 85. And so, the really crazy thing to think about is over the next few years, these are sort of the – this is actually the moment where the reasoning and capability of some of these models will exceed average population IQ. And that's actually the moment that you would expect, you know, new types of copilots and knowledge work to be mega accelerated. So there's sort of, like, not a better time, even in the last, like, three or four technology booms, to be working on technology than right now, right at this moment. To be able to take – you know, one of the craziest ones that was one of the first exits and gen AI was a YC company called Casetext. And so, they sold to Thomson Reuters for $600 million.

MS. CARLSON: What year was that?

MR. TAN: That was, I believe, like, early last year. So, they were one – they were the one of the first companies in the world to get access to GPT-4.

MS. CARLSON: Well, and you talked about – you and I talking about AI just a little bit. And I know it's one – we'll get to what you're doing on the Hill. But one of the things we talked about with AI, I'm sure you're seeing lots of startups come in with ideas in AI, how that apply AI to an already existing idea. But talk a little bit about open source versus closed source. And, of course, Sam is – I guess he was the president not the CEO, right, when he was in there. It was a president title. Now you're the president and CEO, I'll just point out. But what –

MR. TAN: I just like titles. [Laughter.]

MS. CARLSON: Yeah, well, you know, you get to do more work. That's two jobs, remember, versus one job. But talk a little bit about your thinking on an open source LLM model versus a closed source model, that you hear a lot about today in the press.

MR. TAN: I guess the lens that we look at it from is that ultimately LLMs are a very powerful platform. You know, in some ways, like, it's a SQL – or, you know, the dawning of a SQL server, but for intelligence. And if you look at the market value that was created by all of cloud and all of SAS, you know, I think that's the size of that platform. And then, you know, from the little tech angle, we're very concerned that there might be centralization. So the same sort of platform sort of oligopoly that might happen, you know, with AI, you know, we've seen shades of this in the past. Whether it's self-preferencing from Microsoft, you know, at the Windows-level for its own products. You know, we've seen a lot of issues with closed platforms.

And ultimately, you know, earlier we were sort of talking about the two extremes. Like, you can have an open platform that creates prosperity for others. You know, we have an explosion in space tech at Y Combinator, for instance, like literally Astranis might compete with, you know, SpaceX over Starlink, but it itself is a – very much a thriving business built on top of the launch capability of SpaceX. And that's a good platform. Like that's creating space. Even if you compete, you can still make space. Like AWS is also a great example of something that, you know, puts chips in pockets, allows other people to create more value as an open platform.

And then way over on the other end you have things like Siri, where – you know, Siri is – you know, how long have large language models been around? Like, how smart has the technology been, and yet two years in we're still stuck with this sort of, like, 45 IQ thing? And that's because it's a very closed platform. And, you know, when you have those types of effects, you cannot – on our end, we're trying to fund founders. And, frankly, there are lots of founders who run headlong into that kind of buzzsaw. And the net result – you know, the good version of it is, I want a thousand companies to be worth a billion dollars or more. And I think that if we have 10,000 companies worth a billion dollars, that's a better scenario than a scenario where we have 10 companies worth a trillion dollars each.

MS. CARLSON: Right. And if you think about – it's interesting, because if you think about a lot of these startups that help government and make government – if you just think SpaceX and Intuitive Machines, two startups just went to the moon again. You think about, we have Tesla that's really very cool. We all drive a lot of Teslas. We have Palantir and Anduril, that you talked about. So, we have a lot of startups now doing amazing things, helping support kind of government efforts.

So back to the AI side for a minute, what you're probably going to see on the Hill, you know, there's this dichotomy. So, we need folks like you having this conversation, because with AI you need – let's see. You need compute. You need energy. And you need data, right? And you want those open to everybody. So, I think your voice is going to be really important there. So, on the AI front, kind of your prediction. Where are we going with this AI? What's – you know, five years from now, where are we?

Well, so assuming that there aren't, like, hyper-dominant models that sort of winner take all – like, I frankly, like, have nightmares about that scenario, because, you know, then that other scenario, where you have extreme concentration of power, that will have to come to pass. And, you know, this sort of incredible garden of consumer choice, of freedom, and/or of founders to be able to create some – you know, basically, you know, from a garage, to be able to create something that touches a billion people, you know, that goes away.

So, you know, I think, obviously, we have to be smart about this technology. You know, there likely are risks around bioterror. You know, there are risks around cyberattacks. At the same time, we actually have to have a much more measured approach. And, you know, the thing that scares me is that if we try to address a sci-fi concern that is not sort of present at hand right now, we might actually just find ourselves in this other, like, really monopolistic situation, where there's great concentration in just the – you know, just a few models. And, you know, then you're talking about, you know, rent extraction and, you know, sort of a world that I don't want to live in.

MS. CARLSON: Yeah. And they're expensive too, right? So, it takes capital and backing. And this is something I think commercial world and government world have to – have to think about.

So, if you bear with me a minute, I'm going to read a little bit about you. Just a few points, and then we're going to talk about it. He has an amazing background. So, you're – I

mean, it's fascinating and impressive. And I think you're a really great example of American entrepreneurship, what you've accomplished, and resilience.

MR. TAN: Oh, thank you so much.

MS. CARLSON: So, your parents were immigrants. You came from modest means growing up. You got your first job designing websites at the age of 14 cold calling companies in the Yellow Pages. You made your – you made $7 an hour and contributed to the down payment of your parents' first house. You studied CS at Stanford, and you joined Microsoft in 2003. We were there at the same time. We talked about that a little bit. In 2004, Peter Thiel offered you $72,000 to leave Microsoft and to join Palantir, over dinner. And kind of awkwardly in the middle of dinner, I understand, you turned him down.

MR. TAN: You know, I was 23 years old. [Laughter.] I didn't really know much about anything.

MS. CARLSON: Right. You knew more than everybody, that's right, at 23. And he offered you 1 percent of the company, which around – you and I talked about this – might be more now, but around $400 million in today's economics. [Laughter.]

MR. TAN: It happens. People – that's the crazy thing about tech. Like, if you're really, you know, technical, and you're – you just end up collecting stories like that.

MS. CARLSON: Yes. This is a good story now. [Laughter.] But you eventually did join Palantir in 2005. And you were the 10th employee. You did design and engineering. And we talked about this a bit earlier, but you actually designed the Palantir logo based on your other – you know, your other passion of designing hip-hop. And then you left Palantir to start your own company, which went into Y Combinator, I think. And it was Posterous?

MR. TAN: Posterous.

MS. CARLSON: Posterous.

MR. TAN: Like "preposterous" without the "pre." [Laughs.]

MS. CARLSON: Posterous. And I want you – in fact, you – another great story is you raised an angel round the day Lehman collapsed.

MR. TAN: Oh, it's – yeah.

MS. CARLSON: Which is kind of another unbelievable story.

MR. TAN: That was wild. [Laughter.]

MS. CARLSON: But it was a dead simple –

MR. TAN: Near death.

MS. CARLSON: – way of posting things online. I've got two more and then I want color. You went through YC, sold it to Twitter after three years for $20 million. And I'm dying to know, do you regret? Do you think you'd have gotten $200 million if you would have waited another –

MR. TAN: Oh, probably not, honestly. [Laughter.]

MS. CARLSON: And then just one last point, that you worked – companies that you've worked with are worth an aggregate $226 billion, and a combined value. And of all the YC companies, it's $600 billion. And then, lastly, you learn to code in seventh grade.

MR. TAN: Oh, yeah.

MS. CARLSON: So, now, I want you to kind of give us color around that story, because that's an unbelievable story.

MR. TAN: I wake up every morning and I think it's unbelievable as well, that I get to do what I get to do. I guess, where it really starts is actually in the Bay area, I feel – you know, I feel a really deep affinity for San Francisco because this is where, you know, Apple got started, this is where the mouse was invented. This is – you know, it's interesting, like, to see that there's a deep interaction between, you know, the counterculture attitude of, you know, the West Coast, and San Francisco in particular, and, like, sort of every other technology wave. Like, you know, there was a moment in the past where, you know, the heretical idea was that, you know, you could have a personal computer, you know, on every desk and in every home.

And I think just being in that area meant that, you know, it was in the water. And then certainly once you got to Stanford, it's, like Paul Graham likes to say, going to Stanford for founders is like growing up in New York City as a teenager. [Laughs.] Like, things just happen to you a little bit earlier. [Laughter.] Some New Yorkers in the crowd, I guess. [Laughter.] And so I guess I feel really blessed and thankful, I mean, to be in a place where, you know, we get –we can get access to – I went to public schools my whole time. Like, I really care about access to great education that's personalized.

I think that being able to be in the right rooms with the right people who, like, gave me this belief in myself that, you know, even if I look different, or if I didn't necessarily, like, sort of understand how everything went, like, I could figure it out. And I think now Y Combinator is sort of, like, that defining place. We want it to be the magnet for, you know, smart, driven, ambitious, optimistic people to come together and say, well, here are the problems that are in society. And then we hope that a great – you know, not all of them can be solved through private enterprise, that's for sure. And that's part of the reason why we're here, actually, in D.C. Like, the recognition that, like, you know, tech, and businesses alone are not going to solve the problems for society.

But a great many can. And then that's one of the things that I'm most concerned about. Like, I think that there's a wave of pessimism among our youngest people in our society, that

they don't feel like the doors are open. And we need to find a way to, you know, make sure that they understand that, you know, this is America. [Laughs.] This is the place where – [applause].

MS. CARLSON: Yeah. Yes. Go ahead. Yes. And you're a bit of a risk taker, though? I mean, you are a risk taker. I mean, you're not afraid to do things. I see in your, like, portfolio, because even though you – you know, you even at 23 you said no to Peter Thiel, you went and then two years later you were, like, OK, I've done that. And that – tell me you're thinking in your mind when you're, like, well, I've done that, I want to go do this. Was that kind of Stanford CS, that whole, like, environment was – did that play a big part of your thinking? Or just were you hungry to start something?

I guess, I've always been really attracted to, I guess, misfits. [Laughs.] And, like, I also really like fringe things. So that's why I'm, like, a little bit obsessed with social movements. And I'm – you know, in my spare time I read about cults. And, you know, the secret is, all the things that were really, really successful in my life, I wouldn't go so far as to call them cults, but I think they take on religious-like qualities. You know, at Palantir we felt like we had a really strong culture. You know, earlier, we were saying culture eats strategy for breakfast. So, if you – if you believe X, and nobody else believes that yet, that's something that can rally people in a way that is super powerful.

And so we would beat basically – I remember trying to hire the best engineers at Palantir. And we would beat basically all the other competing cults. So, except for two, really. One was Facebook. So, Facebook ended up being a far larger outcome in terms of the company. But back then, it was still a ragtag group of, you know, a few dozen people. And so, what's funny is, we're – you know, it makes sense. Like, they believed – the X that they believed was so much bigger, which – in a lot of ways. And so, we could never beat them when trying to go head-to-head. And the other one was actually, Y Combinator.

So, I remember running across one of the earliest teams to go through YC in 2006. I was at Palantir. We were trying to – you know, we were trying to hire the smartest engineers from our classmates. I think they went to Carnegie Mellon, this company called ZumoDrive. They ended up selling for tens of millions of dollars too later. But I remember they were very resistant to this idea that they should stop working on their startups, even though they only raised, like, $12,000-15,000, because it was two people. [Laughs.] And we were, like, this is crazy. Like, they gave – you know, they, you know, won't come and join us because Paul Graham gave them $15,000. We could give them $15,000. What's going on there?

And then people were saying, like, ha-ha, they're chumps. Like, why would they take that money? Why would they give up so much of the company? And then I remember late that night – you know, we worked, like, you know, sort of 16-18 hour days, and so much so that we'd sleep at the office in the nap room. You could imagine how bad it smelled, but anyway. [Laughter.] Staring at the popcorn ceiling and on Page Mill Road in Palo Alto at 2:00-3:00 a.m., thinking about that interaction and thinking, well, I'm, you know, doing all the same things that that team was doing. But I'm getting – you know, like, I think I got, like, 25 basis points instead of 1 percent, or something. And it's, like, OK, well, you know, they're doing the same thing I'm

doing, but they owned 93 percent of their company. So, I don't know. Maybe I'm the chump. [Laughter.] And so that's why I quit and I applied to Y Combinator.

MS. CARLSON: Yeah. Yeah. There you go. It's, like – it's interesting because, you know, reinvention – if you look at a lot of these founders that you've been talking about, as they grew their company – Airbnb, Mark Zuckerberg – they've reinvented, right? They're not – and if you think about the founders that came out, they also are not sitting still. I mean, my old boss, Jeff Bezos, they kept reinventing. And how do you see this play into the thinking of the founders in the early stage of Y Combinator?

MR. TAN: I guess what we're looking for often is some special insight and, like, a real intense belief. Even if, like, society says, actually, you shouldn't work on that – whether it's – you know, bitcoin was such a fringe thing that literally, like, nobody took it seriously. Like, people were buying, you know, like the 40,000 bitcoin pizza or something, right? Like people so didn't value it that it was a little bit of a joke. Or, you – I remember running across the founder of Instacart, Apoorva Mehta. He was so certain that this was the moment for an asset-light version of that product to work. But, you know, when he went across Silicon Valley to pitch that idea, everyone said, well, we saw that play, and it was Webvan, and it's not going to work.

And they were wrong. I mean, basically, there was a real fundamental platform shift in being able to have an asset-light workforce deployed over smartphones. And that's exactly what Apoorva told us in those 10 minutes, that, look, Webvan happened and it didn't pencil, but this one will because I can go on Craigslist and I can hire very – you know, basically almost anyone, and they will have a smartphone. And I will be able to deploy that workforce out there.

MS. CARLSON: Yeah. It reinvented – I met him at Hemant's house the other day.

MR. TAN: Oh, amazing.

MS. CARLSON: I think he's reinventing something else again, so. [Laughs.]

MR. TAN: That's right.

MS. CARLSON: Let's talk about government for a minute. Let's start with city government. And then I want to talk about the federal government. So, you've been a really vocal – which I love – proponent of San Francisco changes that could be made with the use of innovation. And there's something, YIMBY, yes in my backyard movement, that you tweeted about a lot. Talk about your thinking and how you think cities can reinvent themselves, what they need to be doing differently both in the reinvention of just economically but also safety and security. And we have a lot of the same issues here in D.C. that you have in San Francisco too.

MR. TAN: Absolutely. I mean, all politics is local. Who said that? Was it Churchill, or someone? Anyway, I think ultimately – what I've learned locally – and this is sort of why also I'm here – that, you know, tech people in particular, we want to sort of live in our bubble in a lot of ways. Like, I want to sit in front of my code editor and I don't really want to deal with what's going on out there. But in San Francisco, you know, we have an affordability crisis. Actually, in

pretty much all the cities that refuse to build we can't have that – we can't – we can't have nice things. You know, a two-bedroom apartment is $6-or-$7,000 a month? Which is – you know, that's unlivable.

And, you know, I had an old friend who was a reporter at TechCrunch write sort of the first article about it, sort of detailing – like, for the first time connecting local politics and policies around housing to what we were seeing with rents. And why were people protesting Google buses? And so, to me, that was actually the beginning of movement called the YIMBY movement, the yes, in my backyard movement, that, you know, instead of, you know, blaming tech and saying – you know, in San Francisco, tech is a little bit of a – it's, like, a one-industry town.

And so, you know, really the alternative – and, literally, local government officials, you know, Board of Supervisors – people on the local Board of Supervisors, who have controlled those boards for years, for decades even, they openly say: Hey, it would be nice if there was less business. If there was – you know, and in my head, I'm like, they're saying they want less prosperity. And, you know, how could that be? And we shouldn't vote for these people anymore, actually. Like, we can't have that. Like, we should have policies – and, so the thing is, like, that person is advocating a policy that supports their own personal net worth, because all their net worth is in their home.

But as tech people who can create prosperity, we should be advocating a different thing, which is an ideology of abundance. There's no reason why we can't make, you know, one- and two-bedroom apartments, you know, come down to $1,000 or $2,000 a month. It's a pure market. And so, the other thing that I've learned is that very, very small amounts of money get you called – get you protested. [Laughter.]

MS. CARLSON: Definitely. I've lived that world.

MR. TAN: I mean, it's like, literally – I've put less than, you know, $300,000 total – [laughs] – which does not go very far nationally. But, you know, we actually have had really big changes happen in San Francisco. We, you know, recalled a district attorney and three school board members who were basically advocating policies that, you know, made it unsafe for my Asian American elders in San Francisco who, you know, took away quality education, the ability to take algebra in middle schools. Like in San Francisco, even right this moment, public school children cannot take algebra until ninth grade.

And so, you know, how could this be? Like, in San Francisco we are bringing together the smartest, most optimistic people in the world, and their children can't learn algebra without going to a, you know, $50,000-a-year private school? What kind of justice is that? So, you know, we are getting a lot more vocal. It's ruffling a lot of feathers. On the other hand, like, I think in November, you know, we may well have a moderate Democrat, Republican – I'm sorry – moderate Democrat mayor, and a Board of Supervisors that will actually support YIMBY, and strong schools, and public safety on the streets.

MS. CARLSON: Well, it would be great to see San Francisco back the way it was, for sure. [Applause.] For all this. Thank you for that. Thank you for your advocacy. To your point, it all starts local. We all got to get involved. So, all right. Now, let's talk about federal government. You're here. Luther has a big agenda for you planned on Capitol Hill. Who are you excited about seeing for your trip?

MR. TAN: Oh, gosh. I guess the two – what's great as Luther actually – you know, he's here full time. And one of the cool things we did earlier this year for YC was a conference called RemedyFest. And then the two of the highlight names I think were, you know, Elizabeth Warren, who we're meeting later today, and then J.D. Vance. And so, you know, this is a nonpartisan – you know, nonpartisan approach. Like we want both sides of the aisle. We want to actually just get our story out there, because otherwise they're just not even going to hear about little tech. They're not going to hear about this sort of American miracle of being – you know, a few people getting together in a room, writing some code or creating some hardware that, you know, touches the lives of billions of people.

MS. CARLSON: Yeah. What does success look like for you when you leave your Hill visit this week?

MR. TAN: Well, some of it is, like, I think that, you know, we're happy to be a phone-a-friend for people who are trying to understand, you know, tech and to understand that, you know, we want a lot more of this, and we can have a lot more of this. And, you know, there's a through line between this outcome. You know, we believe X and nobody else believes X yet. You know, we believe that little tech can and should exist and, you know, done right little tech will actually go on to create some of the best companies out there. And we don't want one, or two, or five of them. We want thousands of them. And that type of prosperity is the thing that solves American problems and, you know, creates jobs, and actually makes the world a significantly better place to live. And that's what we want.

MS. CARLSON: And, really, you having that dialogue, it does all start with policymakers. You have to get the story out. So, it's really great you being here. I have two quick questions. Are you going to open up an office here? Is Luther going to have a bigger staff, bigger office here? [Laughter.]

MR. TAN: We're going to have a one-on-one later. [Laughter.]

MS. CARLSON: OK. Garry, don't kill me, but then are you going to run for public office?

MR. TAN: Oh, my wife says she'll divorce me, so probably not. [Laughter.]

MS. CARLSON: Well, I think you would be really great, even in local politics. You should still think about it. [Laughter.]

So, we have 10 minutes left. And in these executive dialogues, we usually open it up and take a few questions from the audience. So, my only rule is, ask a question. Don't just give us

something. Ask your question. OK, so who has a question for us? We have – I see Gary over here.

Q: Thank you. Thanks for your comments.

This week or next week, House Commerce Committee is going to be considering legislation which would take away the protection that any internet site creator has against liability for user-generated comments. Could you give your view on that, and whether that is good or bad for startups?

MR. TAN: Sorry, this is taking away –

Q: 1031 protection, which is – created the internet, in a sense. Is that internet site owners are not responsible for what users generate.

MR. TAN: Got it.

Q: On Yelp, on Airbnb, on Nextdoor. All these websites that exist, will all of a sudden be able to be sued by anyone with a gripe and any lawyer. And it looks like it's going to go through the House Commerce Committee. What's your view on that?

MR. TAN: I guess I'm not all the way up to speed on that one. However, anything that sort of prevents people from running these things that clearly have value to our society, we should be very careful of messing with. Yeah, that sounds like a problematic one.

MS. CARLSON: That's a sticky one.

Q: Hi. You mentioned the geopolitical challenges, but I remember reading a stat that something like half of YC batches are now international founders. I'm curious if you can speak to the kind of role that YC plays in the international ecosystem. And also, are there things that we can learn here in the U.S. startup ecosystem from what you're starting to see happening internationally?

MR. TAN: Yeah, great question. I guess the biggest thing that we saw over the past few years, going back to in-person in San Francisco, is that I think that the actual number of, like, foreign nationally based companies has gone down to about 10 percent. On the other hand, I think our numbers around immigrants and people from around the world coming to do YC, I think, that, you know, pushes north of 40 or 50 percent, which sort of mirrors that of the founders who go on to create IPO-class companies. I mean, immigrants, we get the job done. [Laughs.] So, I mean, on my end, like, one of the things that I do very much care about, that I hope to speak to people about in D.C., is how can we legalize skilled immigration? I think that that's one of the most important things we can do. [Applause.]

MS. CARLSON: I see one over here. I can't see in the back.

Q: Hi. Miriam Vogel. Nice to see you. Thank you for being here and for so much you've said that's been illuminating.

One thing I'd love to hear you talk more about is your thoughts on responsible AI. What are you seeing that's promising? How are you with your startups, where it's so hard when they're at survival stage to be thinking about liability, the long term, and what responsible AI governance means? So, I'm wondering how you teach that to them, how you're thinking about it, and what promising things you're seeing in that space.

MR. TAN: Absolutely.

MS. CARLSON: Miriam runs – tell him what you do, Miriam.

Q: I run Equal AI. So, it's what we think about all the time. [Laughs.]

MR. TAN: That's fantastic. I think that, you know, regulation is likely necessary. And I think, you know, the worst harms, we should basically – some of it is – I'm actually overall supportive of the things that are happening at NIST[4] and, you know, large parts of the EO by the Biden administration I think are probably on the right track overall. Like, I think that they've overall been pretty thoughtful about, you know, not being prescriptive.

The bad version of it, I think, is some of the bills that we're seeing out of California, out of, you know, even our very own San Francisco. There are things that I find, you know, very concerning about those. I think that's like the big discussion broadly in terms of policy right now, is what does a good version of this really look like? And I think we can look to people like, you know, Ian Hogarth in the U.K. to be thoughtful. Like they're increasingly – you know, I think they're also mindful of this idea of kind of concentration of power. But, at the same time, they're trying to figure out, like, how do we support innovation while also, you know, mitigating the worst possible harms?

And, you know, in terms of responsibility, like, you know, the great thing about, you know, having 27,000 applications is, you know, if we don't agree with the mission, or even what that product would do for society, YC just doesn't fund it. And there are lots of pretty crazy examples of, you know, things that turned out to be – you know, we did end up reading about it in the pages of The Wall Street Journal, they did apply to YC. And we go back and look at the interview notes. And it's, like, we don't think this is good for society. And, you know, thankfully, we didn't fund it.

MS. CARLSON: Right here I see a hand.

Q: Greetings. Would be interested – and actually builds on what you just shared, to Miriam's question about doing well as a company but also doing well for the world. How do you balance both the idea that obviously you want to generate revenue and create value, but in some ways to create the future we want it's also creating things that are beyond just financial value?

MR. TAN: Yeah. That sounds right. I guess, well, increasingly what we're finding is many of the top AI labs themselves are public benefit corporations. You know, the funniest thing that,

[4] The National Institute of Standards and Technology

actually, a friend of mine from my YC batch told me, I mean, when – he started a company called Vicarious, that sold to Google. Right at the beginning he said, you know, what? This is not going to be a Delaware C-Corp. This is going to be a public benefit company. Because if we actually manifest AGI, we're not going to want, you know, sort of the relentless profit motive in there.

So, I think that that's probably a positive thing on the AI side. Aside from that, like, you know, what I love about working at Y Combinator is, like, it feels much less like work and much more like play. So, some of it is, you know, we can choose. Like, we can – it turns out that working with people who are, like, much more mission-oriented rather than profit – you know, just pure profit, it actually just correlates with much more transformation, much more of an ability to create a culture that beats all strategies.

And so, you know, I think that by the numbers that's true. Like, you know, and that's an interesting way to square the circle. Like things that, you know, have a profit motive alongside a very strong mission, those are actually the things that really succeed. And the people who are, like, sort of cut corners, or like the Theranoses, like, these are things that tend not to actually fulfill the thing that we all want.

MS. CARLSON: Maybe one more question. Is there one more out there, anywhere? I think I –

Q: Thank you. Ximena Gates with BuildWithin.

And introducing you to lots of startup founders here. So, I'm not going to name them, but anyway. So quick thing. We rented a house a month ago in Hayes Valley, Cerebral Valley. And because we were here, you know, we build technology here. And we did have to walk through the Tenderloin. So, I agree that that is really, you know, it's very sad. And what you're doing is commendable. I assure you that here in the city, we don't have the same level of problems because, you know, I live here, and I go there.

And so, my question to you is that we love Y Combinator. Like, at least, you know, I think my entire education as a startup founder is watching those videos. We listen to Pat Lycon (ph) all the time. And you know, it's just – the question is: How do you scale Y Combinator so it's not just there? Because it's really far. You know, some of us have kids. We're never going to move back there. [Laughs.] We can't. So how do you scale the model? Because I think we need it throughout the U.S. and abroad.

MR. TAN: Yeah. That's a great question. What's great about YC is, like, we have a great many founders who do have families and children, and then in the summers often they will actually move the whole family out for the three to four months, and then they'll move back. But aside from that, like, often people can make it work by flying back and forth. You know, we don't give $12,000 or $15,000 anymore. So, a plane flight every week for 12 to 14 weeks is pretty doable. I guess what we're realized is, like, San Francisco is really important to us because, basically, the likelihood of a YC company becoming a unicorn actually goes up by more than 100 percent if they actually are in that community.

So I think, you know, we're sort of taking a data-driven approach. Like, what I would love to see, and I think that this is actually happening as well, some of the best companies around the world and, you know, across the country, turn out to be YC companies that take the culture from SF and then infuse it elsewhere as well. And then – but aside from that, like, what I didn't realize but now is pretty obvious to me now is YC is actually a media and events business that, like, monetizes by taking equity. So, and I think media goes everywhere. And we're going to really expand the type of events we do, both across the country and around the world.

So, you know, we are – you know, we would like technology to sort of blossom not just in the Bay area, but everywhere. And then it's sort of a balance thing. Like, you know, we want to maximize the chance of success for the founders that go through the program. At the same time, like, we know that, you know, great and super smart people are – they come up from every background, every walk of life, every part of America. And, actually, every part of the world. And so we want YC to be that sort of, like, Rome or Athens in antiquity. Like, bring us your scholars, you know, come up through with the other top 1 percent of your cohort. And then take those relationships and that know-how and germinate the abilities and the capabilities of the startup world everywhere in the world.

MS. CARLSON: Thank you all so much. We really appreciate you attending today and supporting The Washington Economic Club. And, Garry, it has been really amazing to have you. Thank you for all your insights.

And we have a little gift for you.

MR. TAN: Oh, great.

MS. CARLSON: Even though we know your heart is in San Francisco – [laughter]) – we want you to take a little –

MR. TAN: This is amazing. Thank you.

MS. CARLSON: We want you to take a little piece of Washington D.C. back.

MR. TAN: Oh, thank you so much.

MS. CARLSON: Take it in your heart, too. So, thank you again. [Applause.]

Garry Tan
President and CEO
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Garry Tan is president and CEO of Y Combinator and a group partner. He was a partner at Y Combinator from 2011 to 2015, where he built key parts of the YC experience for founders including Bookface and the Demo Day website.

Garry is the co-founder of Initialized Capital and Posterous (YC S08), a blog platform acquired by Twitter, and prior to that, he was an early designer and engineering manager at Palantir (NYSE:PLTR), where he designed the company logo.

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