

Paul Graham, Founder of Y Combinator, Live from Stockholm

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Interviewer: I'm going to talk about two questions today that many of you have probably wondered about. The first one is about you. Should you go to Silicon Valley? The second one is about Sweden. What should Sweden do to thrive as a startup hub? Well, the first question is a lot older than startups. In fact, it's thousands of years old. Whenever there's something that people are working on, something that people are working on very intensely, there's usually one place in the world. It's the center of that thing. So for painting in 1870 it was Paris. For math in 1900 it was Göttingen. For movies in 1950 it was Hollywood. Everyone, every ambitious person working on those things at those times had the same question you have, the same question startup founders have. Should I go there? And the answer is the same now as it always is. Yes, you should. You can go there for a bit and then come back, but you should at least go. The reason is the same reason it's worthwhile to move within one country. If you were living in a small village and you were interested in startups, obviously you'd benefit from moving to the capital, right, where there'd be a lot of other people doing it or at least somebody else doing it. Well, that doesn't change when you're moving across a dotted line on a map, right? That reasoning doesn't even know the dotted line is there. What exactly do you get when you move to the big center? Um, the answer to that question is always the same too. You get the best peers and in fact the talent pool expands in two dimensions. The people are better and there's also a lot more of them. And on top of that, they tend to cluster in certain places. And so the resulting concentration of talent is, I mean, it's really intoxicating honestly, like during a YC batch every dinner feels like this in this room. It's true, isn't it? Is Gustaf here? This is what it feels like in YC. Imagine like this every week for 3 months. Um, so I mean it's actually pretty good that this feels like a YC dinner. Um, that's a high standard to meet. It's very exciting to be in the same place as a lot of people working on the same thing as you. If you're working on something that not a lot of people are working on, Gustaf mentioned this when he got to Silicon Valley. He felt like finally he'd met his people. But here's also a practical benefit that's much more important than the effect on your morale. You have a lot more serendipitous meetings that turn out to be valuable. I am still not sure why this is so, but serendipitous meetings seem to be enormously important. If you read biographies of people who've done great things, you constantly see examples of some serendipitous meeting that changes their whole life. It's such, I don't understand why actually, why are unplanned meetings, why do they seem to be so much more valuable than planned meetings? It could be because there are simply more of them. And so, of course, if there are more unplanned meetings than planned, then more of the outliers will be the unplanned kind. Or maybe, excitingly, maybe there's something especially good about unplannedness. Wouldn't that be cool? Um, maybe it's because

planned meetings are too conservative. Maybe planned meetings lop off the outliers, just like deliberately trying to find startup ideas lops off the outliers. You have to have a reason for the meeting beforehand, and that makes you too conservative. Or maybe it's because there's more selection in unplanned meetings if you think about how unplanned meetings happen. You can decide after the first few sentences whether you keep having the conversation or not, right? And so if the first few sentences like, "Oh, you're interested in that too? Oh my gosh, we need to talk, right?" Um, but there's something about serendipitous meetings like if you're working on something ambitious. There's nothing in the world that's better than serendipitous meetings with people who are working on the same stuff. And in one of the big centers for art or math or movies or startups, you just have more of them. Things also tend to move faster in the big centers because the people are better. They're more confident and thus more decisive. They also tend to egg one another on. They both encourage and compete with one another. And that means when someone who has a good idea doesn't sit on it. That's the problem with the people out in the villages, right? They have, they sort of half have these ideas. In fact, when there's some big startup 10 years later, they're like, "I thought of that," right? Um, villages all over the world, there's people who half had an idea, but they didn't do anything about it. And they're like, "How come that guy's so famous and I'm not?" Right. Um, for startup founders especially there's a special case of this moving faster that's really, really valuable in investors in Silicon Valley. Have any of you tried to raise funding from investors in Europe? Well, let me tell you, investors in Silicon Valley decide a lot faster. Um, not just because they're better and thus more confident. Um, it's also because there's much more competition. An investor who decides that it would be a good idea to invest in a startup really cannot sit on that idea 'cause the better, the more right this investor is, the more likely that opportunity is to time out, right? That's a very unusual situation where the more right you are, the less time you can wait. Um, that's why Yuri Sagalov, who we know, Yuri Sagalov is fabulous. Um, that's why he invested immediately on meeting Max because he thought, "You know, anybody else who meets this guy is going to invest in him. I better do it right now." Um, so that's a very characteristic story. That's how things work in the valley. The investors complain. Investors always complain. Valuations are too high. We're too rushed. All these startups raise money instantly. We have to decide right away. We don't have time to really meet them and get to know them. But you know what? It doesn't seem to hurt them empirically. Silicon Valley investors get better returns than European investors despite having to decide so quickly. So, they may grumble, but they're fine. Incidentally, another advantage of moving to the great center, even briefly, is that you'll get a lot more respect back home. As Jesus said, no one is a prophet in their own country and there may be no group more dedicated to upholding this principle than investors outside Silicon Valley. Um, investors outside Silicon Valley implicitly assume that any local startup is second rate. It's not a uniquely Swedish problem. It's the same everywhere. So if you leave for Silicon Valley, you make this rule operate in reverse. You automatically rise in investors' opinion. I've seen this happen over and over again. And sometimes it's really funny. You don't even have to move. As soon as you announce, as soon as you tell them that you've been accepted by Y Combinator, often they suddenly they're tripping over themselves to try and invest in you 'cause

they knew once you go to the big city, that's it, right? Everybody's going to know about you. Um, this happened with Dropbox in the summer of 2007. It's a very funny story. Dropbox was from Boston and this was a Boston batch, right? Well, for the past year, a big vast Boston VC firm had been keeping a benevolent eye on them, offering them lots of encouragement and advice. Not money, just encouragement and advice, right? Well, the Boston investors were so lame. Um, we used to fly the Boston startups out to Silicon Valley for a second Demo Day after the Boston Demo Day so they could actually raise money. Um, and when Dropbox went out to Silicon Valley, they came to the attention of Sequoia. Well, when the Boston VC firm found out that Sequoia was interested, their opinion of Dropbox changed so fast that they probably gave themselves whiplash. They sent Drew, the founder, a term sheet. They faxed it to him. Anybody even remember what a fax machine is? They faxed him a term sheet with a blank valuation. "Let us invest." They went from not investing at all to "let us invest" at any cost. But it was too late. Drew went with Sequoia. Um, in 2018, they were the first YC company to go public. As it always happens though, the biggest advantage of moving to one of these centers is not what it does for you, but what it does to you. When you're a big fish in a small pond, you don't even know how big a fish you are. But when you move to a big pond, to the big pond, um, you know, this whole point is now kind of obviated because you've now met Max. But I'll tell you what I was going to say anyway. Um, when you move to a big pond, you can measure yourself up against known big fish and you can see how big a fish you are. Surprisingly often, the news is good. Surprisingly often you'll see Brian Chesky or Sam Altman, right, and think to yourself, "All right, this guy is, yeah, really impressive. But he's not a different species from me. I could do what he did if I worked that hard." Um, it's so funny. You've just had this happen right here in front of you with Max, didn't you? Because honestly, he's pretty much as big a fish as they get. Um, he's a Swedish fish. I can't believe I got to say that. I didn't plan that. You know, honestly, that is, if Max is still here, that may be your nickname from now on. I mean, that's so sticky. I've seen some nicknames happen. You're the Swedish fish. Um, so that's what happens in Silicon Valley. You go there and you see these people and you think, "Okay, I could do that." But you notice HOW HARD HE WORKS. That's what you have to do. He's an illustration both of that you can do it, but what you'd have to do in order to do it, right? Um, so I'm going to repeat this. It's the most important part. It's not just that, "Okay, I could be like that guy. I could be like that guy if I worked as hard." Um, startups are really hard. Uh, so when you see someone like that, it sets a new standard that you have to meet. You don't see people like this and think, "Oh, I'm as good as that." I mean, not unless you're insane, right? Um, what you see, what you think is, "I could be like that," but it no longer seems an impossible goal, just a hard one. And for an ambitious person, there is nothing better than a high but definite threshold. Um, I had this very metaphorical paragraph in here um that I have crossed out because it seems like it's a little too, but I'll say it anyway. Um, moving to Mount Olympus. Oh, it's, I mean it's ancient Greek metaphor here. Um, moving to Mount Olympus clears away the fog at the top of the, at the top of it. The summit is right there. Right there. Quite high actually, but it's not impossibly high, invisibly high. Um, I'm not saying it's always this way. There must be some people who see these big fish, the Swedish fish, and think, "Whoa, I could never do what they do." In fact, you know,

honestly, I was half thinking that, calling up all these law firms. Um, but for some reason, this doesn't happen nearly as often as it should statistically. Part of the reason for that, I think, is that when the big fish come and speak at a YC batch, they're not trying to frighten you with their formidableness. Um, they're there to encourage you. They try to seem a little accessible. As Max gets a little more practice, he'll get better at seeming accessible. At the moment, he's just raw terrifying. Um, but in a sense, this is not as misleading as it sounds because it's evidence of another of the great advantages of Silicon Valley. In Silicon Valley, people help you for no reason. In fact, if I said that sentence to people in Silicon Valley, it [unclear].

Paul Graham: Would sound kind of strange. It would sound as strange as if I said to people in Sweden, "In Sweden, the streets are really clean for no reason." You think you have to have a reason to have clean streets, right? Well, in Silicon Valley, people would be similarly surprised. You have to have a reason to help people. Um, but in most of the rest of the world, it seems like you do. I don't usually invest in non-YC companies, but I've invested in a couple of companies started by people in England that I know, and one of them just moved to Silicon Valley. Um, and I asked them, "How was it different than you expected?" By the way, that's the best question you can ask about anybody who does or goes to any new thing, not what was it like, you know, how was it different than you expected? And they said the most surprising thing was how helpful everyone was. I mean, they were joking about it. How like every conversation they have seemed to end with like, "What can I do to help you?" Um, wasn't it like that in England? I asked. And they just laughed. No, apparently not. Um, and that's surprising because people in England are surprising because people in England are much more polite than people in America. I mean, even before Trump, this was true. Um, so clearly this is something different from ordinary politeness. There's a pay it forward culture in Silicon Valley that's different from anywhere else I've been in the world, maybe anywhere else in the world at all. And I can understand exactly how it evolved. Silicon Valley is the place where people go from being nobodies to billionaires faster than anywhere else in the world. And so someone who had a taste for being really nice to nobodies, you know, the kind of person who sees the nobody walking along on the street and just wants to pet it on the head as opposed to like kicking it out of the way, right? Someone like that is going to end up with really powerful friends, maybe rich, too. Probably rich. Um, but if this helping nobody's was ever calculated, it's not anymore. The custom is 60 years old now. Now, it just seems to people in Silicon Valley, that's how everybody acts. That's the way you behave. You just help everybody all the time. Ron Conway is probably the most imperfect example of this phenomenon. All he does all day long is help people. He doesn't even keep track of whether they're his own portfolio companies. He doesn't even remember most of the favors he does for people. And this allows him to operate on a much larger scale. It's like being honest. You don't have to keep track of all the lies you've told so you don't contradict them. You just like do favors left and right and don't even keep track of whether you're ahead or behind. When you have multiple people doing this as you do in the valley, there's no longer a conservation law for favors. There's just more favors. Um, so like Ron and I have been doing one another favors for the last 20 years. By this point, I don't know

who's ahead anymore, so I have to assume it's him, right? So, anything he wants, I do, you know? Um, this will happen to you too. Weirdly enough, one of the most one of the strangest one of the most subtle ways moving to Silicon Valley will change you is it will make you more helpful to other people. Which leads to my second question. How to help Stockholm thrive as a startup hub? And here I have a surprise. The reason I chose to talk about these two questions at the same time is that they have much the same answer. So the answer to the first one remember is yes you should go you can go there for a bit and then come back but you should go um well the answer to the second question is in there in the answer to the first one it's you should go for a bit and then come back um because if you do that um as long as you do actually come back that's one of the best things you can do to help Sweden to help Stockholm thrive as a startup hub and if it sounds at all controversial to think that you could help Sweden by going to America. Think about how it was with the previous centers. Would it have helped 19th century mathematicians if they boycotted Göttingen and if they said, "Oh, no, we have to stay and develop Swedish mathematics." Um, no, of course not. And in fact, uh, they didn't. And a good thing, too, the government at the time gave them fellowships that were conditional on them leaving and going to other countries and and studying the math there. Um, if you go to Silicon Valley and then come back, you're helping Sweden in three ways. You make your own startup better. So, the average quality of startups here is increased. You're probably going to bring money back with you from Silicon Valley investors. Um, and you're importing Silicon Valley culture, which has evolved for decades to be optimal for startups and in fact is pretty compatible with Swedish culture. It's true it doesn't have the tall poppies thing. Um, which you should probably lose anyway. Um, but it does have the high trust part, right? Um, I know I know it will sound like I'm talking my own book at this point, but honestly, this is so true I have to say it. Surely the optimal way to go to Silicon Valley for a bit and then come back is to do YC. YC is deliberately designed to concentrate all the things that are distinctive about Silicon Valley. It's like a little super valley within the valley. The density of startup founders, I mean, it's ridiculous. Like, everyone around you is a startup founder. You have instant colleagues. They're even more committed to helping you than usual for the valley because that's one of YC's principles. Even the speed at which investors have to decide is increased, like honestly down to the minute. Um, and you can do it all in like four to six months. If the Swedish government designed a program to help Swedish founders experience Silicon Valley, they couldn't do better than this. And it doesn't even cost them anything because it's funded by Silicon Valley investors. If YC were Swedish government policy, it would seem a miracle of effectiveness um to get results like that at zero cost. And they don't even have to license it. They can just call our API. There's no sales process. Of course, for it to work, the startups actually have to come back. And there is some slightly bad news in this department. Um, YC now has a lot of data about this. And the startups that go back home after YC don't do as well as the ones that stay. Um, startups that go back home after YC are only about half as likely to become unicorns. But there are three reasons you shouldn't be too discouraged by that. First of all, there's a lot of selection bias in this. It's not just measuring the effect that Silicon Valley has on startups. It's measuring also the confidence in the determination of the founders, right? If you're more confident and determined, you're more

likely to move to another country to do your startup. Also, it's not measuring the effect of Silicon Valley on the company's performance, just their valuation. And everybody knows companies in the Bay Area can raise money at higher valuations. And third, even if you only do half as well, that's still pretty good. If you'd have become a billionaire in the valley, so that you only have 500 million. Well, there's no difference between those two things. In fact, in Swedish, it sounds even better. You have 5 billion kroner, right? Um, you're a billionaire in Sweden. Um, money is not everything. I mean, has an investor ever gotten up in front of an audience and said that? But it's true. Money isn't everything. Once you have kids, you'll find you care more about them than your company. Um, where do you want your kids to grow up? Eventually, that becomes the most important question. If you do well enough at transplanting Silicon Valley here, you could do more than just make Stockholm thrive as a startup hub. Here is the exciting idea. Um, you could make it the Silicon Valley of Europe. That job is still up for grabs. If you ask people, where's the Silicon Valley of Europe? It's not just like, you know, that everyone doesn't immediately say like there's a certain answer. I mean, if there were an answer, it would seem a ridiculous question to ask. Nobody asks like, "Where's the Silicon Valley of America?" Duh. Um, so that means the job is still available. Um, it may seem a bit of a stretch. You might be thinking, well, Stockholm is very nice, um, but, you know, it's not very big or centrally located. So, here's an encouraging thought. Have you ever seen Mountain View, California? Talk about not being big or centrally located. The place is still a backwater now. Imagine what it was like in 1955 when they were founding Shockley Semiconductor, right? And yet, it was the center of Silicon Valley, at least geometrically, um, until 2012 when that shifted to San Francisco. All you need is a place founders want to live and a critical mass of them. Stockholm, I can tell from being here, is the kind of place founders want to live. And who knows how close you are to having a critical mass. That's the thing about critical masses. You don't know till you hit it and then pow. Um, so you might already be closer than you think. Thank you everybody.