

BAY WATCHED

How San Francisco's new entrepreneurial culture is changing the country

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The way to meet up with Johnny Hwin, one of the best-connected kids in San Francisco, is to stand at the garage door of a small repair shop in the iffy section of the Mission District and dial his cell phone until it stops ringing into voice mail and the call goes through. This takes a while, sometimes, because Hwin silences his phone and forgets about it. In the meantime, there's a lot going on at the corner—commuters edging by with messenger bags, shirtless men in dire straits wandering past. After half an hour, maybe a lot sooner, Hwin will call you back and tell you to *stay right where you are*, because he's just leaving his place. It's unclear from which direction he is coming, or how far, and so you might meander toward a nearby mural, called "Diversity in Progress" (it depicts a blooming tree beside a guy in a sombrero), or perhaps toward a pentagon-shaped house squatting among Victorians like the lost piece of a Lego set. At this point, Hwin will call again to say that he cannot see you. When you finally fall into his sight line, you might get a high five and a low-key welcome ("Hey, man") before being shuttled through a gate and up a dingy flight of stairs illuminated by a snarl of Christmas lights. This is an art-and-tech collective called the Sub, where Hwin has been since 2009. Today, it's part of a network of places where the new mode of American success is being borne out.

Hwin is twenty-eight, but could be younger. He has a blissed-out grin and an impish dusting of freckles. His hair is buzzed on the sides but topped with choppy bangs, a rocker coif that makes it look as if a wad of hair just landed on his head from a great height. He often wears a miniature harmonica around his neck, over a black T-shirt, to underscore his musical affinities. For several years now, he has been working as a musician, a tech entrepreneur, and an investor in other people's startups. His two-person band, Cathedrals, just released a début single and is producing an album in the coming months. At the moment, he and a friend are managing investments of up to two hundred and fifty thousand dollars in private companies.

The Sub has no doorbell or real street address, and its space had been an auto-repair facility until some plywood walls made it a place where people—certain people, anyway—might spend their days. Hwin, who moved in four years and two business ventures ago, now has space in a structure that he calls "the doll house." It is a precarious-looking loft of two stacked rooms done up with paint and fake flowers to resemble a fairy-tale cottage. The doll house is the

most comfortable of the Sub's five spaces (one guy hangs out in an old elevator shaft), but comfort is not the venue's premier selling point.

People come to the Sub to be in the swing of things, and the things in which they're swinging tend to reflect a blend of business and small-scale creative art. At least once a month, the Sub puts on an event to bring together creative and influential people. Possibly there's a concert or recording session by a musician passing through town (Hwin has co-hosted Twin Shadow and Grimes at the Sub), or maybe the residents will drop their big projection screen and run NED Night (an evening of TED-ish colloquy). The events nurture some odd intersections. For instance, the Sub's walls are decorated with works by Hwin's friends, and sometimes a Silicon Valley multimillionaire stopping by for a party will buy something for an honorable sum. Hwin calls intersections like these "pushing culture forward."

I first met Hwin one afternoon in early summer. He had just been in London as part of something called British Airways UnGrounded, a junket that introduced people like Hwin to other Hwin-like people. "Van Jones, the CNN guy, adviser to Obama," was there, he told me in the Sub's living room. "Craig Newmark, from Craigslist, was also on the plane. It's like we're all just getting drunk together, but also really talking about interesting policy initiatives." Besides the small table where we sat—possibly a piece of garden furniture—the room had a couple of mismatched couches, a throw rug, and a gigantic beanbag onto which Hwin would periodically flop. He was wearing a purple hoodie, open to reveal a T-shirt that said "ABANDONED WORLD"; the Cardigans' 1995 album "Life" was playing in the background. I asked what sort of people he brought to the Sub. "It's become this underground community hub for creators," he said. "It just happens that a lot of creators now are entrepreneurs."

Most of the time, Hwin speaks with a surfer's lexicon, imbuing words such as "man" and "dude" with a range of courtly inflections. But when he talks about business—about "dealflow" or "product-market fit"—the mellow recedes, his brow furrows, and he says things like "Building an investment company is the manifestation of all my experiences." Then he offers up a lax woodpecker chuckle ("uhuhuhuhuh") and goes back to discussing the awesome event that his roommate Alex, the d.j. and Airbnb developer, is about to spin.

Hwin grew up mostly in Hercules, California, a commuter town of pleasant tract housing and parched hills on the far-eastern cusp of the Bay. His parents were refugees from Vietnam; his mother started a few nail parlors. Johnny was born when they were in their forties. "My mom likes to say I was a gift from Jesus," he says. (His mother is a Buddhist.) He went to Stanford on a full financial-aid package and majored in psychology. That was where he became

interested in business, and also in the Bay Area tech scene. He built one of the first “viral, spammy” Facebook apps, called Quizzes, and it gained fifteen million users. He sold it, but he wasn’t proud of it, and so he used the money to found another company, Damntherradio—a Facebook-marketing platform ultimately used by Lady Gaga and other musicians looking to harness a social-media fan base. He sold that, in 2010, for a combination of stock and cash reported to be in the low seven figures. That’s when his experiment in pushing culture forward really began.

This all made sense in broad strokes, but at some point I realized that I still didn’t understand entirely what he did with his time, so I asked him whether he could walk me through his day. He chose to interpret the question literally: he swapped his hoodie for a heavier bomber-type jacket, and we ambled north. Hwin told me that he had found a happy medium between two worlds. Certain of his friends “spend all week doing due diligence, and other businessy things”; others “are, literally, starving artists in Oakland.” He’s set up his life to make neither sacrifice.

It was a clear, honey-colored afternoon, and the light on Market Street fell through the fronds of palm trees planted around the time of the city’s last big boom. Hwin had a room at the Veterans Community Media Center where he worked on his music, and we went inside. “This used to be a hippie community center, which is why you can see remnants of Buddhas and stuff in the corner,” he said. On one wall, he had hung a poster of the Smashing Pumpkins. Hwin strummed a guitar for a while, and then banged on some drums. Eventually, he proposed that we continue our walk through his day.

We took a car. The thing that Hwin was keen for me to understand about his life that week was that it wasn’t really his. For the past several days, he’d been doing a “life swap” with Stephan Jenkins, the lead singer of the alternative-rock band Third Eye Blind. Jenkins has a large and lovely house in Pacific Heights, but his charmed life in San Francisco’s old-money district wasn’t helping him write fresh and edgy music. So Hwin would occupy Jenkins’s Pac Heights studio for a while, and Jenkins would inhabit Hwin’s small, dormlike room in the Sub. (“It’s at the intersection of the gentrification on Valencia and the gritty, hard, dug-in city life,” Jenkins said. “People are walking around with knives.”) Hwin asked me whether I wanted to maybe head over there—it was a pretty sweet place, and Jenkins had hella guitars and shit—and I said sure, and so he called us a Lyft, the app-based car service that’s overtaking San Francisco’s weak cab system. When the car didn’t show up right away, Hwin wondered whether we should try to hail a taxi after all, but finally it appeared, a little white sedan with the furry pink mustache on the dashboard, and we got in and introduced ourselves, because Lyft drivers aren’t professional drivers, just people doing it in their spare

time. Hwin asked the driver whether she had an auxiliary feed into her stereo. She did. He gave her his phone, and an electronic ballad started throbbing from the car's front speakers.

"Who's this?" the driver asked.

"My band, unreleased," Hwin said. "Turn it up!"

The driver nodded appreciatively, and Hwin started singing along with his vocals. The windows were open, and the wind was in my face. We looped around Octavia and continued up Franklin, to the center of the life of a collective kid who, for reasons I still didn't understand, seemed to have mastered everything about the new Bay Area and how it worked.

San Francisco has traditionally been a Dungeness crab of a city, shedding its carapace from time to time and burrowing down until a new shell sets. It has not been an industry town in the sense of New York, which media and finance have shaped for well over a century. It is not like Washington, D.C., or Los Angeles, whose dreams are dominated by one Hydra-headed business. San Francisco has never been dominated by anything, but it's always ended up preëminent in something. Gold, for instance. Free love. Microchips. People do not move to San Francisco as much as swarm to it. Those irked by change rarely stay long. "The things that spell San Francisco to me are disappearing fast," Gavin Elster, the troubled businessman, complains to Scottie Ferguson, in "Vertigo." The Summer of Love was still a decade in the future.

Lately, the pattern has begun to break. San Francisco *is* an industry town. This industry is usually called "tech," but the term no longer signifies what it used to. Tech today means anything about computers, the Internet, digital media, social media, smartphones, electronic data, crowd-funding, or new business design. At some point, in other words, tech stopped being an industry and turned into the substrate of most things changing in urban culture. That broadening has had other effects. Like many observers, I've been dimly aware of a shift in the country's aspirational character over the past few years. It showed up in what people—mostly ambitious middle-class city people—wanted from life, and how they reached for it. Many did good works or started companies that did them. Many who'd been racing up ladders in New York or Los Angeles or Washington dropped everything and moved out to the Bay Area to work. You could enter any coffeehouse in certain neighborhoods there and hear kids talking eagerly about creative plans, a rarity in most cities thought to have inventive youth cultures. For years, I had been travelling from New York to San Francisco, and the passage had always been dutiful. (I grew up there.) Then, about a year

ago, I started to notice that landing back at Kennedy brought the warm release of a down-shifting engine, a sense of lowered stakes.

It made no sense that, of the two, San Francisco had turned into the power city. But, then, much about the country's new aspirational physics left me confused. I didn't understand, for instance, why suddenly every business wanted to be a "startup." I didn't understand how people like Hwin appeared to float above the exigencies of career. Some people maintained that Washington was now in the Valley's pocket; others said that the Valley didn't care enough about Washington. Universities were trying to go viral. Hollywood was leaning on Netflix, and on the Ellison kids. Venture capitalism was the new capitalism (though the returns were lousy). Twitter and LinkedIn had changed people's lives (but it was just a bubble). Everyone had a sense that Northern California was the source of these changes, yet few knew why. If I hoped to understand the first thing about American culture in this decade, I realized, I'd need to figure out exactly what was going on in San Francisco.

One summer morning, I had breakfast with Tyler Willis, who holds down a business-development job at a social-marketing firm called Unified during the day. After hours, with his own money, he bankrolls other people's startups. "Acquaintances of mine were starting companies that I thought were great," he told me, in a café near the house where I grew up. (I first knew the place as the Tassajara Bakery, started by a Zen center; it's since turned into something calling itself La Boulange, owned by Starbucks.) "I kept going, 'Man, I really wish I could back these guys.' " When the startup at which he'd worked, a social-media marketing service called Involver, was bought last year by Oracle, he ended up with extra cash, and so he gave the dream a try. I was Willis's second meeting of the morning; he had just taken a pitch from an entrepreneur at a nearby table. Later, he said, he might head into the office, for work.

In recent years, San Francisco has become the capital of what someone described to me as "three-business-card life." People might give a lot of their time to one startup while keeping a substantial equity share, and maybe a nominal job title, in one or two others that are just getting off the ground. They might help fund-raise for one company while investing in another one. Entrepreneurialism is a high-failure business, the thinking goes, but if you keep a few pots on the burner sooner or later something will boil. Then you can live off that payoff for a while or invest it in other things. People like Willis, young and urban and professionally diffuse, tend to regard success in terms of autonomy—designing your life as you want—rather than Napoleonic domination.

"The ecosystem used to funnel lots of talented people into a few clear winners," he told me that morning. "Now it's funnelling lots of talented people

into lots of experiments.” Why be Gordon Gekko when you could make enough to have a nice place and go paleo on local greens—and then take a day or two off to cycle out to Stinson Beach? Isn’t that freedom more distinguishing than cash or a C.E.O. title, which everybody in your field has access to? San Francisco’s young entrepreneurs appear less concerned about flaunting their earnings than about showing that they can act imaginatively, with conspicuously noble ethics.

“The word ‘entrepreneur’ has undergone a redefinition,” Ben Casnocha told me over lunch one day at LinkedIn’s Mountain View campus, down the road from Google. “For a while, it was like you’re either running the laundromat or the coffee shop, or you’re trying to create the next Apple. But there’s been a whole flourishing of people who are starting different kinds of businesses—who are having pride in a *small* business that gives them autonomy.” I’ve known Casnocha since, literally, his infancy: we grew up a few blocks away from each other, in San Francisco’s Cole Valley, and our families were friendly through a babysitting co-op. (That such a co-op existed perfectly distills the area’s mood and demographics in those years.) I lost track of him until a few years ago, when we started following each other on Twitter.

Casnocha is now twenty-five, and although it is difficult to say what his job is, it is easy to see that he does it well. He writes books about the entrepreneurial life style. He sits on the board of Comcate, a company he founded as a teen-ager to help local governments streamline their complaint responses, among other things. He runs a speaking series and a salon. And he is “chief of staff” to Reid Hoffman, the co-founder and chairman of LinkedIn.

Many small businesses are what used to be called, disparagingly, “life style” enterprises—companies that master one or two small functions to improve consumers’ purchasing power or quality of life. Others are “marketplaces,” which connect buyers with sellers. (The classic pre-Internet example of a marketplace is real-estate brokerage.) Airbnb and Seamless are marketplaces that have made it big. But life-style and marketplace businesses don’t *have* to make it big, and that gives them special flexibility. Because there aren’t many material goods to be stocked or products to be developed, they can operate with just a few employees. They don’t need big campuses. “The hard-tech stuff tends to require engineers with lots of experience,” Casnocha explained. By the time he moved down to Silicon Valley, a few years ago, most ambitious twenty-somethings he knew had already started heading up to San Francisco, with hopes of doing something on their own. The future of tech influence is not suburban, as it has been for half a century. It’s the city.

In part for this reason, tech investors have become excited about early-phase funding—the venture investments that help a nascent company get off the

ground. Big bubbles happen in the late-phase market, when sizable companies suck up larger investments and try to go public with high, often overcharged, growth momentum. Very early (or “seed”) investments are less exposed to these risks. In the mid-nineteen-eighties, venture investment was about equally divided among the seed, early, and expansion phases. When the dot-com bubble burst, in 2000, seed-phase investment was, in relative terms, the lowest it had been in decades. That has started to reverse, as early-phase investment grows cheaper and more attractive, and a new eagerness shows in a flurry of early-phase deals. Last year, about half of all venture deals were in the seed and early stages—the highest proportion since 1985. A record number of late-phase companies, meanwhile, are lingering in venture portfolios, instead of going public or being acquired. Investment now stays private and low to the ground: by the time a startup goes public, much of the tech community has put its money in and reaped its benefits. This has enabled San Francisco entrepreneurship to operate by its own rules.

“Traditionally, it was the man in the gray flannel suit,” Roy Bahat, who currently heads the Bloomberg Beta startup-investment fund, told me. “We inflict pain on you, and we give you something in exchange. We call it ‘compensation.’ ” Now money comes through channels more akin to fellowships than punch cards. Partly, this is a function of tech’s tight networking and famous tolerance for failure. If your company goes belly up, as most do, you can simply start another or, in desperate times, join a friend’s: debt and other demons hold less power in the house of funded startups. The working calendar has changed as a result.

“It’s much more a campaign-based model, where you’re going to crush it for a few years and then be absent for a while,” Bahat said. “I can’t tell you how many times I’ve called a C.E.O., and it’s like, ‘I’m at a meditation retreat!’ or ‘I’m tied up for the next three months!’ ” The meditation lacuna is as much a mark of success as the chockablock schedule, since stepping away is something that only high-achieving people can do. Once, when Bahat reported on LinkedIn that he was leaving a job by changing his status to “Doing Nothing,” his New York friends fretted, and promised to let him know if they heard of any openings. His Bay Area friends, meanwhile, congratulated him on his exit.

“Look at the water!” Johnny Hwin said, squinting at the bay as we crested Pac Heights and drove west, toward the Presidio. It was the kind of day that kicks aside the quilt of summer fog, and every detail of a northern coast of the bay showed clearly in the late-afternoon light. We stopped in front of a white house set back slightly from the street. Hwin paid the Lyft fare on his phone, and we headed down an alley passage to a back patio. It was breezy, and it smelled of jasmine, and the movement of palm leaves overhead stippled everything with

small feathers of shade. Hwin led me behind the house, where Stephan Jenkins had set up his music studio. Part of the idea of the life swap was that Jenkins and Hwin would share what they had written in each other's homes. Jenkins had already drafted a song inspired by the Sub, Hwin told me, titled "Back to Zero."

"Welcome to the spaceship!" he said as we entered. Hwin calls most rooms spaceships, but the term seemed apt here. Jenkins's studio had the air of a man cave that had been subjected to a decorator's polish. Its walls were covered in a dark-brown acoustic fabric, with cheery, stylishly contrasting green curtains. In the middle of the room was a gigantic mixing board, with a computer at its center.

We surveyed Jenkins's large cache of guitars. "Stephan was just like, 'Yeah, man—I have the best fucking setup, bro,' " Hwin told me, running his fingers up the neck of an electric model. "It's like, Dude, you *do!* You do!" He twanged the guitar's open strings. "*Literally*, there's a room dedicated to miking these bad boys." He twanged again.

I was feeling confused once more, and, as Hwin started fiddling with knobs at the mixing board, I asked how he got involved in investing.

"Yeah, man, it was crazy," he said, fussing with some controls. "Basically, after first selling the company, I had some liquid capital and I wanted to just play in that space as an angel investor"—a private individual who invests in companies, as opposed to a venture-capital firm investing vast sums from a fund. "I had friends who were raising rounds for their companies. They were all awesome—like, literally, I could totally see these guys being millionaires soon. Some of them already are!" He laughed; then his eyebrows knitted, and his voice shifted to business mode. He started consulting, he said, "working for people part time for equity, sometimes for cash as well. I had domain expertise around the early stages."

Young startups hired him to help build their user bases. "It just turns out that a lot of the companies I was helping out were looking to raise money—or had already raised money," he said. So he co-launched a fund to invest in the seed phases. "When you're trying to make a name for yourself as a seed investor with a million other seed investors, the name of the game is differentiation," he said. "The Sub has been one of the biggest reasons we're able to be heard—people are like, 'Oh, have you been to an event at the Sub?' And also what we stand for, which is creative, mindful living."

This braiding of tech-business growth with life-style values and aesthetics—and, from there, the world of art—creeps many people out. Creative enclaves are

traditionally thought to arise at the quaky hands of aloof ironists; investment funds, we know, do not actually “stand for” anything except being good investment funds. Why, then, did Johnny Hwin speak so volubly about how his business interests, his life style, and his art helped one another? To him, it wasn’t a puzzle. He was into “creative, mindful living” in part because it helped his business interests. His business interests helped bring people together around underground art. In the process, influential art-and-business people were exposed to creative, mindful living. I had been searching, I realized, for something that didn’t quite add up, but, so far, it all seemed to sum quite tidily.

“There’s just so much in the tech space that’s moving to San Francisco from Mountain View,” Hwin said. He was worried that it was happening too quickly, and that “artifacts of suburban culture” would pollute the scene. “I’m not trying to look down on people from Mountain View, obviously—I mean, compassion for all human beings—but . . .”

He was trying to get his newest track to play on the studio sound system, but the wireless mouse wasn’t working, and the Mac wouldn’t respond. “Computers!” he finally sputtered, and we left.

“It looks a little more like pre-Industrial Revolution,” Naval Ravikant said in the open-floor-plan office where his startup, AngelList, is based. Around the Bay Area, Ravikant is known as a systems thinker, a guy who understands the ecosystem as an entirety. In 2007, with a partner, he launched the Venture Hacks blog, an information source for entrepreneurs. His new company is a marketplace connecting startup founders with angels and venture capitalists—an Airbnb of seed funding. He received me in a glass-enclosed conference room with couches and whiteboards along every solid wall. I sat. He stood.

“Before the Industrial Revolution came along, everyone kind of had their own little farm, their own little house, their own little job, and their own little worksmith,” he told me, clicking the cap on his whiteboard marker on and off. The effect was professorial, although Ravikant, with a black pullover hoodie, gray jeans, and brown wing-tip loafers, looked less like a scholar than a hipster monk. Then came efficiencies of scale and the advent of the factory, he went on. In an influential 1937 essay called “The Nature of the Firm,” the economist Ronald Coase argued that a firm would grow as long as its internal transaction costs were less than the external costs it would otherwise incur. But in the Bay Area today, Ravikant suggested, the external transaction costs for many things have got so low that there are fewer such economies.

“For example, in the old days, we’d get breakfast and lunch brought in every day so that the engineers can work and be productive,” he said. “I might have

had my office manager do that—essentially, I've hired someone who's spending time doing it. Now we have a zillion different little services who bring that in-house." The more assured Ravikant got, the faster he spoke; he started rattling off the options available. On the transportation front, "we have our Lyft and our Sidecar and our UberX and our InstantCab and our Flywheel. Two years ago, I couldn't find a cab in this city to save my life. Now I've sold most of my cars and I have five different car services at my beck and call."

The same systems that make outsourcing of small tasks more efficient have driven down the cost of launching a company. Once, an entrepreneur would go to a venture capitalist for an initial five-million-dollar funding round—money that was necessary for hardware costs, software costs, marketing, distribution, customer service, sales, and so on. Now there are online alternatives. "In 2005, the whole thing exploded," Ravikant told me. "Hardware? No, now you just put it on Amazon or Rackspace. Software? It's all open-source. Distribution? It's the App Store, it's Facebook. Customer service? It's Twitter—just respond to your best customers on Twitter and Get Satisfaction. Sales and marketing? It's Google AdWords, AdSense. So the cost to build and launch a product went from five million"—his marker skidded across the whiteboard—"to one million"—more arrows—"to five hundred thousand"—he made a circle—"and it's now to fifty thousand." As a result, the number of companies skyrocketed, and so did the number of angels: suddenly, you didn't need to be a venture-capital firm to afford early equity.

All this scaling down, Ravikant thinks, has encouraged new, more rewarding life styles. "I have this guy who's driven me around in Sidecar a bunch of times," he said. "He lives in Tiburon. He golfs every day at noon in Palo Alto. On his route from Tiburon to Palo Alto, he stops in San Francisco. He hits a button, turns on his Sidecar, picks his rides, does five or six, rejects two, meets new people, chats them up, and then he continues driving to Palo Alto, having picked up his golfing money for the day." Ravikant envisages a future in which everybody is a private contractor, snatching jobs out of the ether, working for one another as they please—a future much like today's San Francisco.

Another effect of scaling down is an erosion of big-money venture capital and its financial premises. "By the time the company goes public, there's no money to be made, in my eyes," Jude Gomila, an avid startup entrepreneur and investor who co-founded the mobile-gaming platform Heyzap, says. Hunter Walk, an entrepreneur who recently co-founded an early-phase venture firm called Homebrew, told me about a startup where he'd previously worked. The company had needed to figure out whether to spend its limited budget on beef jerky to keep around the office or 401k plans for the staff. "We put it to a vote: 'Do you want a 401k or jerky?'" he explained. "The vote was unanimously for jerky. The

thought was that well-fed developers could create value better than the stock market."

In July, the S.E.C. overturned a Depression-era rule that prevented startups from advertising when they raised funds, so that only tapped-in tech people had market tips. In theory, rich non-techies will now have a chance to get in on the benefits of the startup market. But the transition is unlikely to be smooth. "If you open it up to everybody, it could be crazy," Gomila said. "There *would* be other little crashes." Even before the S.E.C. ruling, Ravikant created, through AngelList, an elaborate government-approved investment scheme that he calls syndication. It consists of a crowdsourcing program in which a lead angel creates a shell that other angels bundle their smaller investments into. The bundle does the work that a large-scale venture-capital investment has traditionally done, though it is made of small money from accredited angels like Gomila and Willis and a few larger funds. A couple of days before the feature launched, Ravikant saw a panel interview with Fred Wilson, one of the country's leading venture capitalists. Wilson laid out a nearly identical scheme to explain how the industry might look twenty-five years from now. Ravikant e-mailed him at once. "I'm like, 'Fred, we're doing exactly this,' " he told me.

I looked up Wilson a few weeks later, in New York. He has short-cropped dark hair, deadpan eyes, and a polite upper-lip smile. He told me that the traditional venture-capital system was losing buoyancy. "The model that has existed for the past fifty years, with people such as ourselves being the gatekeepers of money between big institutions and entrepreneurs, is going to at least decline as a percentage of the dollars that get invested in startups," he said. Instead of raising investment cash, V.C. firms could start investing their own capital; the rest would come from crowd-funding. They'd be traffic directors instead of gatekeepers. "A lot of people, me included, went through the boom-bust era of the Internet, in the late nineties and the early part of the two-thousands," Wilson said. But he didn't expect a second collapse. "What we're seeing now is literally a shift in the way that people do business—a shift from hierarchical architectures to networked architectures."

Normally, though, venture capitalists make large investments in the hope of even larger returns: the model's rationale is that every now and then a nascent startup explodes into the next Facebook (or, at least, Dropbox). But now, it seemed, startups were motivated to stay lean and private, thriving in downtown offices rather than on giant campuses. And pressure was already visible in the venture-capital world. Mid-range V.C. firms have started withering in the past few years. Those unable to produce big enough financial returns have had trouble gathering more cash for their next startup portfolios.

Not long ago, Diane Mulcahy, who manages the private-equity portfolio at the Ewing Marion Kauffman Foundation, led a quantitative study of venture capital over the past two decades, showing that recently the average V.C. fund has barely broken even. Venture funds were growing, yet most venture capitalists didn't have skin in the game: only one per cent of the money in a V.C. firm's kitty might come from its partners. Mulcahy discovered that it was a bad deal for investors. Her foundation scaled back its V.C. investments, and so did a lot of others.

Mulcahy thinks this pressure is healthy. "Over the past decade, we've been through the tech boom and the tech bust and the recovery and the financial crisis," she told me recently. "We've been through enormous fund-raising in the industry and consolidation and contraction . . . Despite all of those changes, the V.C. business model is exactly the same. The industry of innovation has failed to innovate within itself." She grinned. "It's very ironic."

One day, I took Highway 1 from San Francisco down along the beaches and the eucalyptus forests to meet Timothy C. Draper, a fifty-something third-generation venture capitalist, at the Ritz-Carlton in Half Moon Bay. Draper's grandfather William H. Draper, Jr., co-founded California's first venture-capital firm, in 1958, in Palo Alto, and he pioneered the practice of enlisting limited-partner investors to build funds. Now Draper is trying to adapt this tried-and-true model to an atomizing startup marketplace. He wore a gray suit and a tie with lots of little people printed on it. He invited me to walk the golf links, for the exercise—usually, he said, he tries to get in ten thousand steps a day.

Draper is tall with dark, tufted eyebrows. Like many businessmen, he speaks with a diaphragm-projected voice, and, as we circled the golf course, it occurred to me that if he walked into a tree it would probably be the tree that was moved to apologize. Lately, he told me, early- and growth-phase venture firms like his, Draper Fisher Jurvetson, have been feeling burned, because fewer companies are moving to I.P.O. "We've had companies go to a hundred million in sales, which used to be a no-brainer to go public—and it turns out that's not enough, because it costs so much," he said. Instead, entrepreneurs were selling early or bailing and moving on.

Draper believes that it is partly a result of regulation in the new millennium and partly a result of the historical moment. "I'll draw you the cycle," he said, taking my notepad and pen. He scrawled a large zigzag across the page. "This is a weird shark's tooth that I kind of came up with. We'll call it the Emotional Market of Venture Capital, or the Draper Wave." He labelled all the valleys of the zigzag with the approximate years of low markets and recessions: 1957, 1968, 1974, 1983, and on. The lower teeth he labelled alternately "PE," for private

equity, and “VC,” for venture capital. Draper’s theory is that venture booms always follow private-equity crashes. “After a recession, people lose their jobs, and start thinking, Well, I can do better than they did. Why don’t I start a company? So then they start companies, and interesting things start happening, and then there’s a boom.” Eventually, though, venture capitalists get “sloppy”—they assume that anything they touch will turn to gold—and the venture market crashes. Then private-equity people streamline the system, and the cycle starts again. Right now, Draper suggested, we’re on a venture-market upswing. He circled the last zigzag on his diagram: the line rose and then abruptly ended.

I asked him what he thought the next dip would look like, and he frowned. The coast was socked in, and the Ritz golf course seemed kind of scraggly. “Well, first we need a boom,” he said. I thought about people like Johnny Hwin and Tyler Willis and Naval Ravikant and wondered whether he was looking in the right places. His idea was that the new crowd-funding fad might drive startups into the arms of venture capitalists: when your angel funding dried up and you wanted to get big, who else could you turn to? In the meantime, Draper was trying to keep one hand in seed-phase incubation, through a boarding school he founded. It is called the Draper University of Heroes.

“I think I’m guessing right on a University of Heroes,” he told me as we rounded a bend. “I think I might have another one left in me.” In Draper’s program, student entrepreneurs (heroes) learn the tenets of startup strategy, and undergo a regimen of urban- and wilderness-survival training, which Draper believes builds confidence. His hope is that the school will draw ambitious international students interested in the startup marketplace. “Like, Estonia is taking off right now!” he told me. Lately, he’d been deluged with Estonian applications.

Draper is not alone in trying to harness seed-phase energy. In recent years, the Bay Area has grown into a hunting ground for “strategic” venture capital: firms under the aegis of big corporations. That’s because funding a startup—maybe with an eye to acquiring its technology and users—has become more efficient than traditional R. & D. One morning, I met Laura Schewel, the thirty-year-old co-founder of StreetLight Data, which is funded in part by T-Venture, the strategic firm of Deutsche Telekom. Her startup acquires and analyzes anonymous data from G.P.S. and cellular devices—information that’s useful for energy conservationists (how do we drive?), business owners (which corner is best for a grocery store?), and urban planners (where to put the parking garage?). Still, Schewel, like many highly technical entrepreneurs, had trouble getting venture capitalists excited. “We pitched, probably, forty V.C.s, maybe fifty,” she said. The strategic firms came as a revelation. “Strategics don’t need to hit the buzzwords,” she explained. Deutsche Telekom was drawn by the

company's integration with a telecom network, and its support nudged Schewel past the dreaded "Series A crunch"—a winnowing event for young startups. "This office and every piece of furniture in it we acquired from other startups in this building that have gone out of business in the last twelve months," Schewel told me. Even so, with the seed market being so friendly, many young entrepreneurs can just start again.

What's going to happen to these serial entrepreneurs when they're forty-five and have two kids—especially if they don't have a hit company? This seemed a window onto the Bay Area's future, so I asked a lot of people. No one knew. The consensus was that people like this go to work for Google. Campus giants are now seen as breadwinning fallbacks for a comfortable life as a middle manager or engineer. From time to time, a thirty-something Googler with a nest egg might depart to play the startup game again. But why, really? In the tech world, as in many others, corporate America starts to look like a safe haven when adult responsibility closes in.

For others, though, the middle ground has become its own home, albeit an unstable one. "If it is a career, it's the least secure career you could possibly find," Gregg Brockway, a serial entrepreneur in his forties, told me. "It can have costs on your personal life and your family life." He left a Wall Street firm in 1998, planning to ride the boom in the Bay Area, and put a lot of his own money into a startup that fizzled. But his next two startups, Hotwire and TripIt, hit, and at the moment he and his wife are launching Chairish, a marketplace for high-end furniture. He's concerned about young entrepreneurs. "Because it's so much easier to start companies, I worry about entrepreneurship getting trivialized," he said. "People maybe don't think big *enough*."

It's tricky, though, to filter the voice of wisdom from the voice of years. When haven't people of middle age looked askance at the profligacy of kids in their field? It's unusual for a thriving business movement to be so distinctly a young person's game—success in the boardroom often falls to the elders. And, along with the freewheeling schedule, it may help explain why much about the growing startup culture has a dreamy, arty, idealistic bent: this is the whimsy of youth carried to a place where youth and whimsy have not often thrived.

In 1966, Hendrik Hertzberg, then a young *Newsweek* reporter in the Bay Area, wrote about San Francisco's "new bohemianism":

The hippies, much more numerous than the Beats ever were, accentuate the positive. . . . Like the Beats, they are dropouts from the conventional "status games," but, unlike them, have created their own happy lifestyles to drop into.

"In a way," says Jerry Garcia, twenty-four, lead guitarist of the Grateful Dead and one of the cultural heroes of Haight-Ashbury, "we're searching for respectability—not Ford or GM respectability, but the respectability of a community supporting itself financially and spiritually."

The youth, the upward dreams, the emphasis on life style over other status markers, the disdain for industrial hierarchy, the social benefits of good deeds and warm thoughts—only proper nouns distinguish this description from a portrait of the startup culture in the Bay Area today. It is startling to realize that urban tech life is the closest heir to the spirit of the sixties, and its creative efflorescence, that the country has so far produced.

Still, there's a crucial difference. If a big impulse behind the hippie movement was metropolitan communitarianism, what's going on now drifts markedly toward privatization. In June, I met with Kyle Kirchhoff, who had recently co-founded a transportation startup called Leap Transit. San Francisco's public-transportation system, known as Muni, is a notorious mess, and Leap has tried to take some of the burden off: it launched a private shuttle, with a six-dollar fare (the Muni fare is two), to cover the same route as the overcrowded 30X Marina Express. Leap buses have leather seats and Wi-Fi. Riders use their phones to pay and track the vehicles' progress.

Kirchhoff met me at Taste Tea, a *gong fu*-style teahouse in San Francisco's Hayes Valley. (He is there so often that, when he walks in, the credit-card app Square registers his iPhone's presence and logs into his account.) I asked him how he got interested in buses. "We thought, Well, why can't we solve this problem that exists here, that's sitting right in front of us?" he told me. He wore a gray T-shirt and jeans, and sat cross-legged on some cushions on the seat of a bay window. His father worked for three decades as a salesman and manager at Hewlett-Packard, and, growing up, he dreamed of a similar path. But when he finally made it to a big company he was disillusioned. What was missing, he thought, was imagination and a free spirit. Too much of American working culture was about the profit.

Take buses. "The ones that are made over in Europe, or Japan, they were just, like, *awesome*. They're inspired." American-made models, less so. "They didn't start with 'Hey, how can we make a really great bus?' They started with 'Hey, how can we make some money?' That kind of mentality just really turned me off working on all of that." A server came by with a tea tray and started making slow, soothing pouring motions from vessel to vessel. Flute music simpered in the background.

Leap, like Lyft, is an example of the helpful, Mr. Fix-It style of local techie culture. If a system isn't working well, your neighborhood entrepreneur will build a better one. The approach has clear benefits for transportation, but it has risks, too. Say you're a lawyer who rides the Muni bus. You hate it. It is overcrowded. It is always late. Fed up, you use your legal expertise to lobby an agency to get the route fixed. And the service gets better for all riders: the schoolkid, the homeless alcoholic, the elderly Chinese woman who speaks no English. None of them could have lobbied for a better bus on their own; your self-interested efforts have redounded to the collective benefit. Now the peeved lawyer can just take Leap. That is great for him. But it is less good for the elderly Chinese woman, who loses her civic advocate. Providing an escape valve for a system's strongest users lessens the pressure for change.

Kirchhoff saw things differently. Part of the reason the Muni bus was bad, he said, was that there was no market competition to make it better. "I think choice is a wonderful thing, and I think that competition is a good thing, too," he told me. "Not competition in the sense like 'Hey, we're trying to put you out of business' but 'Hey, we're bringing something else to the table, and we've got some different ideas about how things work.' "

If the old activism focussed on public infrastructure, the new model takes privatization as its premise. One afternoon, I visited Leila Janah, whose startup, Samasource, builds digital outsourcing networks that help poor women and youth. (Corporations will outsource computer work anyway, she says, so why not harness the enterprise to get people living wages and teach skills?) People in the Samasource program start out doing things that can be learned with no prior computer knowledge, like tagging images for Getty and Microsoft. So far, the program has lifted fifteen thousand people above the poverty line.

Janah sees her program as being distinct from the more casually mission-based commercial startups that have been fashionable in recent years—companies that chiefly sell a product but that donate goods, or a share of the profit, to noble causes on the side—so she initially tried to get grant support from charitable organizations. All of them balked. "I was kind of shocked," she told me. "The Silicon Valley community got the idea much better than most people in the poverty-alleviation world." Only after tech angels started investing did poverty and development foundations take her idea seriously. (Recently, Samasource helped inspire the Rockefeller Foundation to open a new hundred-million-dollar funding category.) "We now expect social entrepreneurs to solve problems that government used to solve," she told me.

Public-minded kids in San Francisco seem to have that expectation, which is partly why the startup market has had such growth, and why smart people from

around the country keep flying in to try their hands at the game. The result is a rising metropolitan generation that is creative, thoughtful, culturally charismatic, swollen with youthful generosity and dreams—and fundamentally invested in the sovereignty of private enterprise.

Near the end of summer, I visited the Sub again, for a dinner that Johnny Hwin had organized on behalf of his friend Tim, who wanted people to meet an acquaintance of his, Serge. Serge was a software professional who, in his spare time, led people into deeply meditative states from which they could reexperience earlier lives. Some people found that passing through past lives eased their fears of death, Serge told me that evening. He himself was checking the clock. “I hope we get started pretty soon,” he said. “I’ve had people go through three, four, five lifetimes.”

Hwin had helped book a caterer, who made a family-style paleo dinner, with some vegan options. We sat on pillows around a cornflower-blue table and served ourselves and made some introductions. At one point, an old Buddhist monk in robes came in and looked around and left; nobody, not even Hwin, knew what he was doing there.

None of the dinner guests had ever regressed into past lives, but everybody was curious, and four people offered to be subjects. We all crammed into Hwin’s doll house. There was a couch, and some crude seating, and a bed framed in red velvet curtains. The lights were off, and so we lit some candles. The subjects lay on the bed or on the floor. “Should we decide who’s going to be the one I converse with if someone does go under?” Serge asked.

“Ladies first,” somebody said.

I sat on the floor. I hadn’t done so much floor-sitting since middle school, and my mind wandered. In 1998, I was fourteen, and had begun to take long walks at night. Passing down Cole Street and Irving Street and through the weft of avenues out to the park, I used to watch the urban landscape changing: five-and-dimes would become food shops; restaurants and cafés stood where bakeries and fabric stores had been. By night, candles flickered on the tables of big-windowed wine bars. Men in bright sneakers and women in boots spilled into the fog. A swell of humming conversation, wine, perfume, and roasting garlic trailed them through the open doors. If promises were made to those of us who started to grow up then, I thought, they came from the glow and freedom of those boom-time nights.

“Let your eyes gently close,” Serge said, “excusing yourself from everything around you except the peaceful assurance of these words.” The room had

quieted, and I took another look at the surroundings in the dark. Across from the bed, Hwin had his high-school basketball jersey hanging on the wall; some medals glistened nearby. Serge paused. I shut my eyes. You could hear breathing. And for a while I just sat there, trying not to think about my past, wondering whether this was it, the kingdom of which we so wildly, and so effortlessly, dreamed.