Thiel Fellowship Pays 24 Talented Students $100,000 Not to Attend College

In a move meant to provoke thought about the value of higher education, Peter Thiel, a co-founder of PayPal, is giving 24 students money not to attend college for two years but to develop their ideas instead.

By Ben Wieder

The winners were announced today for a new fellowship that has sparked heated debate in academic circles for questioning the value of higher education and suggesting that some entrepreneurial students may be better off leaving college.

Peter Thiel, a co-founder of PayPal, will pay each of the 24 winners of his Thiel Fellowship $100,000 not to attend college for two years and to develop business ideas instead.

The fellows, all 20 years old or younger, will leave institutions including Harvard University, the Massachusetts Institute of Technology, and Stanford University, to work with a network of more than 100 Silicon Valley mentors and further develop their ideas in areas such as biotechnology, education, and energy.

More than 400 people applied for the fellowship, and 45 of them were flown out to San Francisco in late March to present their ideas to Thiel's foundation and the network of Silicon Valley mentors.

Mr. Thiel, who is also the first outside investor in Facebook, said he was impressed by the quality of the top candidates.
"They compare well with the set of people who are starting good companies in Silicon Valley," he said.

Does he think the group will produce the next Mark Zuckerberg?

"That's not our metric for success," he said. He stressed that he doesn't see the fellowship as an investment and isn't looking to profit from the student ideas. Rather, he's hoping the winners will learn more than they would by staying in school.

At least one student initially chosen as a Thiel fellow, however, ended up turning down the deal, opting to continue her traditional education by accepting admission at MIT.

Mr. Thiel said he had expected some applicants would decide to stay on their academic track.

He admits he probably wouldn't have applied for a program like the Thiel Fellowship when he was a student in the 1980s either.

Mr. Thiel studied philosophy at Stanford in the 1980s and later completed law school there, but he now wishes he had given more thought to the educational decisions he made and their implications.

"Instead, it was just this default activity," he said.

**Questioning the Value of College**

The fellowship seeks to help winners develop their ideas more quickly than they would at a traditional university. Its broader aim goes beyond helping the 24 winners, by raising big questions about the state of higher education.

Mr. Thiel ignited controversy when he told *TechCrunch* in April that he sees higher education as the next bubble, comparable to previously overvalued markets in technology and housing.

Both cost and demand for a college education have grown significantly in the years since Mr. Thiel was a student. He sees that rise as irrational.

Students today are taking on more debt, and recently tightened bankruptcy laws make it more difficult to shake that debt, he argues, and those factors make higher education a risky investment. "If you get this wrong, it's actually a mistake that's hard to undo for the rest of your life," he said.

Critics contend that even so, Thiel's advice to leave school and develop a business is applicable only to a tiny fraction of students and that Thiel's own success, aided by business relationships forged during his days at Stanford, argues against leaving school.

But Thiel is convinced that the social pressure for students to pursue "lower-risk trajectories" in their career choices will lead to less innovation in the future.

**Real-Life Testing Ground**

Eden W. Full, one of the fellowship winners, said the mind-set at Princeton University, where she just completed her sophomore year, is for students to get a degree and then enter banking or academe.

Ms. Full said her time at Princeton, where she studied mechanical engineering, helped her further develop her business idea, a solar tracking system that rotates solar panels to improve their efficiency. She was
able to set up prototypes of the system, which she calls the SunSaluter, in Kenya through her work with Winston O. Soboyejo, a professor of mechanical and aerospace engineering at Princeton. But she says she was considering taking time off even before she applied for the fellowship to spend more time on her project.

"Entrepreneurship and college isn't necessarily something that can be mixed," she said. "Learning about it in the classroom isn't going to tell me if something will work or not."

William K. Aulet, managing director at MIT's Entrepreneurship Center, said he thinks an academic entrepreneurship center can provide support and infrastructure that is difficult to find outside a university setting.

Mr. Aulet, who has been involved in several successful startups himself, said he would advise student entrepreneurs to develop a strong academic foundation and then get some experience at a well-managed company before starting their own venture.

While he said there are always exceptions to the rule, he thinks encouraging students to leave formal education before graduation sends the wrong message.

"To say that you're better off dropping out of school is a gross generalization," he said. "It depends on the situation."

Jim Danielson, another fellowship winner, said that Purdue University, where he recently completed his sophomore year, had a good entrepreneurship program and that his idea, an improved motor for electric cars, was supported by faculty and staff there.

But Mr. Danielson, an electrical-engineering major, said he learned more about his field on his own than in the classroom.

"I spend hours and hours researching it online," he said.

And there was an economic incentive, beyond the fellowship money, for leaving: Students at Purdue (like faculty there and at many other institutions) keep only one-third of the profits from their inventions.

"That's a huge drawback to students developing technology while you're in school," he said. "Two-thirds of what you do is going to somebody else."

Still, both Ms. Full and Mr. Danielson said they would consider returning to school when they have completed the fellowship.

The structure of the program—with an established peer group, network of mentors, and regular monitoring from the Thiel Foundation—was a major selling point to both, who will be moving to the Bay Area soon to be near other winners.

"It will sort of be like being in college," Ms. Full said. "Except instead of doing homework together, you're running a startup together."