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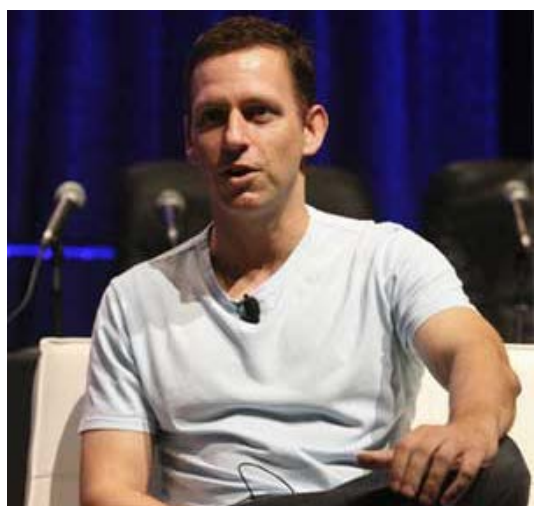
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Peter Thiel's Unsatisfying Critique of Higher Ed



Peter Thiel is one of the most outspoken critics of higher education. The co-founder of PayPal at least gets credit for putting his money where his mouth is. Thiel started a program for high school students that have an entrepreneurial dream. If these students want to skip or leave college and create their own start-up, Thiel will bankroll them to the tune of \$100,000 for two years. (Though **many of the Fellows** have gone to college before or after the fellowship.

But the Thiel Scholars program does not begin to solve the problems Thiel believes exists in higher education. In a recent *Washington Post* article entitled, "Thinking Too Highly of Higher Ed," he wants us to rethink the whole system:

Nothing forces us to funnel students into a tournament that bankrupts the losers and turns the winners into conformists.

But that's what will happen until we start questioning whether college is our only option.

He has three major criticisms:

1. That there is little if any value added on college campuses.
2. The whole system is "a zero-sum tournament," in which those at the most selective schools win and others find themselves shutout of the "meritocratic" elite.
3. Even the winners end up "on old career tracks such as management consulting and investment banking instead of doing something new."

Thiel does make the legitimate point that those students who chose to go to college would, by dint of intelligence and ambition, likely be rewarded in the job market even without college:

And if all the most ambitious kids in our society go to college just because it's the conventional thing to do, then what happens on campus might not matter, anyway. The same kids would probably enjoy a wage premium even if they spent four years in the Peace Corps instead.

But to go from noting the sample-selection problem to claiming there may be no value-added in four years of college is quite a leap on the basis of no evidence. While **college learning assessments** have sometimes revealed disappointing results, they have never concluded that little of value happens during college.

Thiel's second point is simply wrong. While there are a limited number of spots at the Ivies, there is no limit to college enrollment. Furthermore, while the **economic rewards for some students** might be higher at more selective institutions, the evidence is overwhelming that a bachelor's degree is a good investment. As a dynamic, growing economy absorbs new college graduates, the overall economic pie grows, resulting in a positive sum outcome making it possible for all graduates to "win."

Finally, Thiel is unclear about what exactly should be done. You can't beat a model with no alternative model. He makes reference to the success of Bill Gates, Steve Jobs and Mark Zuckerberg, suggesting that it resulted because they did things differently. But millions of college students can't be entrepreneurs. The vast majority of new entrants into the job market are needed to work in industries that already exist.

The current system of undergraduate education has its challenges and flaws, but it is also an essential driver of US economic success. The middle class is largely built on the educational attainment of Americans in the post WWII period. To jettison higher education would be to kill the golden goose, regardless of what Peter Thiel thinks.

*Interestingly, Thiel ends his article with a reference to the Protestant Reformation.

"A Reformation is coming, and its message will be the same as it was 500 years ago: Don't outsource your future to a big institution. You need to figure it out for yourself." I suspect that his knowledge of this important historical period and his ability to use it as an analogy to higher education today probably owes something to his Stanford education. I am not sure the typical Thiel Scholar would have this knowledge or ability.

Also, I would note that the Catholic Church is still around and vibrant 500 years after Martin Luther.

By **Michael Hemesath** | February 9th, 2015 | Categories: **Economics**, **Higher Education** | **0 Comments**

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