



The Libertarian Logic of Peter Thiel

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December 27, 2017

In 2004, Peter Thiel created a company, Palantir, that built on his PayPal cofounder Max Levchin's algorithms for analyzing and making judgments based on an individual's highly personal digital records. Named after magical stones in *The Lord of the Rings*, Palantir helps governments and private companies make judgments from online and offline records based on patterns recognized by algorithms. For example, the company produces software that in seconds can scan through hundreds of millions of pictures of license plates collected by the Northern California Regional Intelligence Center, pieces of information that can be interpreted with the help of other large data sets. Palantir's chief executive, Alex Karp, a law school friend recruited by Thiel, defends his company's role in sifting through this material, which was collected by the government, after all. "If we as a democratic society believe that license plates in public trigger Fourth Amendment protections, our product can make sure you can't cross that line," Karp said, adding: "In the real world where we work—which is never perfect—you have to have trade-offs."

For someone identified as a "libertarian," Thiel has been comfortable operating businesses that relied on analyzing the personal information of its customers or the general public. Just as profiling by PayPal kept it afloat by excluding potential fraudsters, well-conceived government investigations, Thiel contends, keep America safe. After revelations by Edward Snowden about the government's surveillance capabilities, Thiel was asked if he thought the National Security Agency collected too much information about United States citizens. Thiel didn't object to those practices from a libertarian perspective but, rather, said he was offended by the agency's stupidity. "The NSA has been Hoovering up all the data in the world, because it has no clue what it is doing. 'Big data' really means 'dumb data,'" he told readers of Reddit who asked him questions. "BTW, I don't agree with the libertarian description of the NSA as 'big brother.' I think Snowden revealed something that looks more like the Keystone Kops and very little like James Bond."

Similar to Andreessen, Peter Thiel lately has combined the roles of investor and public intellectual. Of Thiel's many successful investments—LinkedIn, YouTube, and Facebook come to mind—perhaps his most far-sighted has been the decision to publicly back Donald Trump for president, which required Thiel to break ranks with his Silicon Valley peers. In return for his prime-time endorsement on the final night of the Republican National Convention in Cleveland, as well as \$1.25 million in contributions to Trump's campaign through affiliated super PACs and direct contributions, Thiel was rewarded with a place of privilege when president-elect Trump met with tech leaders during the transition, and an important advisory role in the next administration. Who knows what dividends are yet to be collected?

The Trump endorsement reestablished Thiel's reputation as a uniquely polarizing Silicon Valley figure, a Trumpian character, you might say. Indeed, Thiel has become an almost toxic spokesman for the tech world, so much so that his close friends and business partners, like Zuckerberg and Hoffman, have felt obligated to defend their relationships publicly. During the presidential election, Zuckerberg was confronted by Facebook employees who objected to Thiel's continued role on the company's board of directors because of his support for Trump. In a fine example of rhetorical jujitsu, Zuckerberg referred to Facebook's commitment to diversity to answer those who were appalled by Trump's disparagement of Mexicans, Muslims, and women, among others, and the idea that a board member could be supporting his candidacy. "We care deeply about diversity," Zuckerberg wrote in defense of Thiel. "That's easy to say when it means standing up for ideas you agree with. It's a lot harder when it means standing up for the rights of people with different viewpoints to say what they care about. That's even more important."

No doubt Thiel is an odd bird with a penchant for fringe ideas. In his pursuit of limited government, he has given substantial financial support to seasteading, which encourages political experimentation through the development of floating communities in international waters, presumably outside the reach of governments. He is unusually obsessed with his own death and sickness, a condition he traces back to the disturbing day when he was three and learned from his father that all things die, starting with the cow who gave his life for the family's leather rug. Thiel supports a range of potential life-extending innovations, including cryogenics, which involves keeping a body alive by cooling it; genetic research to fight diseases; and, most resonantly, a treatment based on cycling through blood transfusions from young people in the belief that the vigor therein can be transferred to the older recipient. Thiel says he is surprised that his obsession with death is considered weird—for what it's worth, he considers those complacent about death to be psychologically troubled. "We accept that we're all going to die, and so we don't do anything, and we think we're not going to die anytime soon, so we don't really need to worry about it," he told an interviewer. "We have this sort of schizophrenic combination of acceptance and denial...it converges to doing nothing."

Yet, cut through Thiel's eccentricities and harsh language and you discover that Thiel is simply articulating the Know-It-All worldview as best he knows how. In Thiel's ideas one finds Frederick Terman's insistence that the smartest should lead, as well as his belief in using entrepreneurship and the market to introduce new technologies to the people. There is the hackers' confidence that technology will improve society, as well as their suspicion of ignorant authorities who would try to rein in or regulate the best and brightest. There is the successful entrepreneur's belief that the disruption that has made him fabulously wealthy must be good for everyone. The main difference between Thiel and his peers is that he acts forcefully and openly in support of his ideas, while they are inclined to be more cautious and circumspect.

As we noted above, Stanford may embrace the idea that its students should become entrepreneurs, but only Thiel pays students to drop out and start a business. Larry Page of Google may propose the creation of "some safe places where we can try out some new things and figure out what's the effect on society, what's the effect on people, without having to deploy it into the normal world," but only Thiel backs floating sea-based states. Those peers may privately worry that democracy isn't the ideal way to choose our leaders, but Thiel will write straightforwardly in a 2009 essay for the libertarian think tank the Cato Institute that "the vast increase in welfare beneficiaries and the extension of the franchise to women—two

constituencies that are notoriously tough for libertarians—have rendered the notion of ‘capitalist democracy’ into an oxymoron.” For these reasons, Thiel names the 1920s as “the last decade in American history during which one could be genuinely optimistic about politics,” though presumably 2016 restored his faith in the electoral process.

PayPal only managed to become a valuable company under Thiel’s watch because eBay never could squash its tiny rival, thanks in part to the protection of the U.S. government. The decision of PayPal to complain that eBay was anti-competitive can appear hypocritical in light of Thiel’s anti-government views or even in light of the company’s decision to turn around and be acquired by eBay only months later. Yet when you get to brass tacks, Thiel’s complaint against eBay wasn’t so much about its monopoly powers, but that it was becoming a monopoly in online payments instead of PayPal. According to Thiel, a truly free market, with perfect knowledge and perfect competition, leads to failure for everyone. “Under perfect competition, in the long run no company makes an economic profit,” he writes, adding the emphasis. “The opposite of perfect competition is monopoly.” Thus, the goal of any sane startup should be to create a monopoly.

When Thiel uses the term monopoly, he hastens to add, he does not mean one based on illegal bullying or government favoritism. “By ‘monopoly,’ we mean the kind of company that’s so good at what it does that no other firm can offer a close substitute,” he writes in *Zero to One*, his business-advice book. Yet for a company involved in online payments or for a social network like Facebook, being good at what one does is directly tied to the network effect—that is, becoming and remaining the service that is so dominant you must belong. Ensuring that your business has no viable competitors is at the heart of monopolistic success in social networks, a lesson that Thiel has drilled into his protégé, Mark Zuckerberg. Under Zuckerberg’s leadership, Facebook has managed to keep growing and growing, spending billions to buy out any rival social networks, like Instagram and WhatsApp, before they could grow to challenge Facebook, with one notable exception—Snapchat. Founded by a pair of Stanford fraternity brothers in 2011, Snapchat rejected a reported multi-billion-dollar offer from Facebook in 2013 and has watched as Facebook aggressively copied its most popular features for sharing photographs.

For Thiel, monopoly businesses like Google, Facebook, and Amazon serve as a welcome replacement for government. Freed from the unrelenting competition of the market, these businesses can afford to have enlightened values, like investing in the future or treating their employees well. They can actually think about society as a whole. Google, he writes, represents “a kind of business that’s successful enough to take ethics seriously without jeopardizing its own existence. In business, money is either an important thing or it is everything.” Dominant tech businesses like Google are “creative monopolies” as well, which means that they won’t sit on their profits in the manner of so-called rent collectors but will push new ideas. “Creative monopolists give customers more choices by adding entirely new categories of abundance to the world,” he writes. “Creative monopolies aren’t just good for the rest of society; they’re powerful engines for making it better.”

Under this theory of benevolent monopolies, government regulations and laws are unnecessary. Taxes are in effect replaced by monopoly profits—everyone pays their share to Google, Facebook, Amazon, PayPal. And in contrast to the government, these profits are allocated intelligently into research and services by brilliant, incorruptible tech leaders instead of being squandered by foolish, charismatic politicians. Levchin, during an appearance on *The Charlie Rose Show*, was asked about the libertarian cast to Silicon Valley leaders. He said he personally

was OK with taxes being used to build and maintain roads, for well-functioning law enforcement and national security. For helping those less fortunate, too. But, he added, “I have relatively low trust in some of my local politicians...to spend my taxes on things that really do matter. And so this lack of inherent trust of the local or broader political establishment is probably the most defining, most common feature of Silicon Valley ‘libertarians.’”

In Thiel’s version of this anti-democratic fantasy, where tech businesses set policy priorities rather than elected officials, the public never learns the truth, that they are in essence paying “taxes” to companies while government can be belittled and whittled away. “Monopolists lie to protect themselves,” Thiel writes. “They know that bragging about their great monopoly invites being audited, scrutinized, and attacked. Since they very much want their monopoly profits to continue unmolested, they tend to do whatever they can to conceal their monopoly usually by exaggerating the power of their (nonexistent) competition.” And the transfer is complete, from democracy to technocracy, through monopolistic tech companies that are so indispensable they impose a tax on the economy and no one complains.

This surely represents a scary political future, but it bears repeating that Thiel is no marginal character in Silicon Valley. Not only are his views surprisingly mainstream, but he operates at the very heart of the tech world as an investor and a trusted advisor to a new generation of leaders, who first spread his influence in the Valley through a network of former PayPal employees. They provided each other with cash, counsel, and contacts and called themselves, a bit facetiously, “the PayPal mafia.” Their offspring include YouTube, Yelp, LinkedIn, Tesla, and, by extension, Facebook, whose first outside investment opportunity was passed from one PayPal veteran, Reid Hoffman, to another, Thiel, once Hoffman concluded that his new company, LinkedIn, could pose a conflict of interest.

In 2007, a crew of a dozen or so of these “made men” went so far as to pose for a group photo at Tosca, a San Francisco café, garbed in cliché Italian mafia outfits. That photograph, for an article in Fortune magazine, quickly joined the annals of over-the-top Silicon Valley images, right up there with the Time cover a decade earlier that featured a barefoot twenty-four-year-old Marc Andreessen sitting on a throne next to the headline, “The Golden Geeks.” Levchin is in the front, wearing a black leather jacket; Hoffman sports an open-collared silk shirt revealing a gold chain; others donned tracksuits. Front and center is Thiel in a dark, pinstriped suit, purple shirt and tie, and pinky ring.