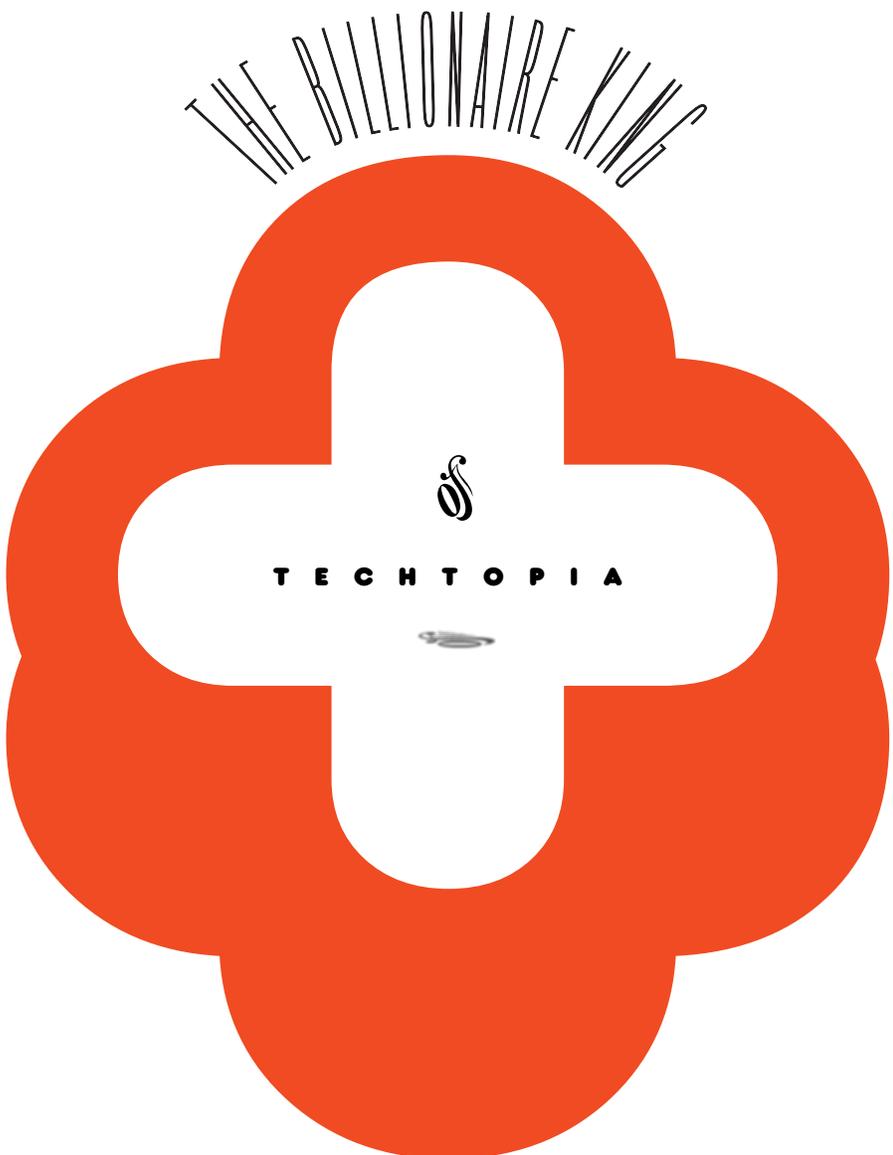

PETER THIEL ROSE TO FAME BY LAUNCHING PAYPAL AND FUNDING A LITTLE UPSTART CALLED FACEBOOK. YOU'LL FIND HIS FINGERPRINTS ON—AND HIS SEED MONEY IN—EVERYTHING FROM DNA MANIPULATION TO HOLLYWOOD MOVIES, ALONG WITH ANY SILICON VALLEY ENTERPRISE WORTH KNOWING ABOUT. NOW THE 43-YEAR-OLD GAY LIBERTARIAN IS EMBARKING ON HIS MOST AMBITIOUS VENTURE: A START-UP COUNTRY ON THE OPEN SEAS THAT WILL BE GOVERNED BY HIS AYN RAND-INSPIRED IDEOLOGY. WILL IT BE THIEL'S CROWNING ACHIEVEMENT OR THE BIGGEST BUST SINCE *WATERWORLD*?

By JONATHAN MILES

Photograph by TOM SCHIERLITZ



PROP BY VICTORIA PETRO CONROY. INSET IMAGES: CORBIS.



WHEN PETER THIEL VENTURES OUTSIDE FOR A RUN, typically in the early-early morning, when the fog drifts low and slow into the San Francisco Bay, he's often drawn to what the poet Lawrence Ferlinghetti called "the end of land and land of beginning." That means the San Francisco waterfront—especially the one-and-a-half-mile stretch of pathway hugging the marshy shoreline from Crissy Field to the base of the Golden Gate Bridge. Aesthetically, the appeal is obvious—a postcard view of the bridge and the bay, the lapping tidal rhythm, that sort of thing—but for Thiel, a 43-year-old investor and entrepreneur whose knack for anticipating the next big thing has yielded him a \$1.5 billion fortune and an iconic, even delphic status in Silicon Valley, there's a symbolic angle as well. This waterline is precisely where the Western frontier ended, where unlimited opportunity finally hit its limit. It's also where, if Thiel is betting correctly, the next—and most audacious—frontier begins.

Thiel spends a lot of time thinking about frontiers. "Way more than is healthy," he admits. Not just financial frontiers, though that's his day job: He cofounded PayPal, the online money-transfer service, and, most famously, was the angel investor whose half-million-dollar loan catapulted Facebook out of Harvard's dormitories and into the lives of its 750 million users. (In *The Social Network*, Thiel was portrayed as the crisp venture capitalist whose investment, and dark questioning, widen the rift between Facebook's cofounders.) He manages a hedge fund, Clarium Capital, and is a founding partner in a venture-capital firm called the Founders Fund, both of them housed in an airy brick building on the campuslike grounds of the Presidio, not far from Thiel's jogging path. Yet his frontier obsession extends much further than spreadsheets, further than even technology. Political frontiers, social frontiers, scien-

tific frontiers: All these and more crowd Thiel's head as he navigates the shoreline.

"We're at this pretty important point in society," he says during a brisk walk toward the Golden Gate Bridge, "where we can either find a way to rediscover a frontier, or we're going to be forced to change in a way that's really tough." Thiel is a medium-size man with a compact and blocky frame, close-trimmed reddish-brown hair, and eyes the limpid-blue color of Windex; he has a small, nasal voice and tends to exert himself as he speaks, frequently circling back to amend or reconfigure or soften what he's saying. Discussing the concept of frontiers, however, animates him to an almost uninteruptible degree; concepts, more than anything else, seem to do that.

"One of the things that's endlessly dazzling and mesmerizing is this question about the future—what the world is going to be like in 20 years, and what can or should we do to make it better than the default track that it's on," he says, gesturing with his hands while maintaining a fixed stare on the pathway. "But it's a question you can never quite master. I played a lot of chess when I was growing up, and it's similar to some elements of chess, where you can see some moves but you can't see to the end of the game. Even a computer the size of the universe couldn't actually analyze it. There's, like, 10 to the 117th power possible games and something like 10 to the 80th atoms in the observable universe, so it's off by something like 37 orders of magnitude. And chess is something much simpler than reality—it's 32 pieces on an eight-by-eight board. Figuring out the complete future of a chess game is a problem more complicated than anything that can be solved in our universe, so figuring out this planet or just our society in the next 10 or 15 years is just not a solvable problem."

Despite the innovations of the past quarter

century, some of which have made him very, very wealthy, Thiel is unimpressed by how far we've come—technologically, politically, socially, financially, the works. The last successful American car company, he likes to note, was Jeep, founded in 1941. "And our cars aren't moving any faster," he says. The space-age future, as giddily envisioned in the fifties and sixties, has yet to arrive. Perhaps on the micro level—as in microprocessors—but not in the macro realm of big, audacious, and outlandish ideas where Thiel prefers to operate. He gets less satisfaction out of conventional investments in "cloud music" (Spotify) and Hollywood films (*Thank You for Smoking*) than he does in pursuing big ideas, which is why Thiel—along with an all-star cast of venture capitalists, including former PayPal cohorts Ken Howery and Luke Nosek, and Sean Parker, the Napster cofounder and onetime Facebook president—established the Founders Fund. Among its quixotic but potentially highly profitable investments are SpaceX, a space-transport company, and Halcyon Molecular, which aspires to use DNA sequencing to extend human life. Privately, however, Thiel is the primary backer for an idea that takes big, audacious, and outlandish to a whole other level. Two hundred miles west of the Golden Gate Bridge, past that hazy-blue horizon where the Pacific meets the sky, is where Thiel foresees his boldest venture of all. Forget start-up companies. The next frontier is start-up countries.

"BIG IDEAS START AS WEIRD IDEAS." THAT'S PATRI Friedman, a former Google engineer, the grandson of the Nobel Prize-winning economist Milton Friedman, and, as of 2008, when Thiel seeded him with the same initial investment sum he'd given Mark Zuckerberg four years earlier, the world's most prominent micro-nation entrepreneur. Friedman, a short, kinetic 35-year-old with a wife and two children, maintains

"THERE WAS THIS INCREDIBLY POWERFUL, VISIONARY ASPECT TO UP TO," THIEL SAYS OF HIS UNHINGED-MOGUL IDOL. "WE

an energetic online presence that ranges from blogging about libertarian theory to tweeted dispatches such as “Explored BDSM in SF w/ big group of friends tonight.” Four years ago, a Clarium Capital employee came across a piece Friedman had written about an idea he called “seasteading.” Friedman was soon pitching to Thiel, a staunch libertarian himself, the big, weird idea.

It goes like this: Friedman wants to establish new sovereign nations built on oil-rig-type platforms anchored in international waters—free from the regulation, laws, and moral suasion of any landlocked country. They’d be small city-states at first, although the aim is to have tens of millions of seasteading residents by 2050. Architectural plans for a prototype involve a movable, diesel-powered, 12,000-ton structure with room for 270 residents, with the idea that dozens—perhaps even hundreds—of these could be linked together. Friedman hopes to launch a flotilla of offices off the San Francisco coast next year; full-time settlement, he predicts, will follow in about seven years; and full diplomatic recognition by the United Nations, well, that’ll take some lawyers and time.

“The ultimate goal,” Friedman says, “is to open a frontier for experimenting with new ideas for government.” This translates into the founding of ideologically oriented micro-states on the high seas, a kind of floating petri dish for implementing policies that libertarians, stymied by indifference at the voting booths, have been unable to advance: no welfare, looser building codes, no minimum wage, and few restrictions on weapons.

It’s a vivid, wild-eyed dream—think *Burning Man* as reimagined by Ayn Rand’s John Galt and steered out to sea by Captain Nemo—but Friedman and Thiel, aware of the long and tragicomic history of failed libertarian utopias, believe that entrepreneurial zeal sets this

scheme apart. One potential model is something Friedman calls Appletopia: A corporation, such as Apple, “starts a country as a business. The more desirable the country, the more valuable the real estate,” Friedman says. When I ask if this wouldn’t amount to a shareholder dictatorship, he doesn’t flinch. “The way most dictatorships work now, they’re enforced on people who aren’t allowed to leave.” Appletopia, or any seasteading colony, would entail a more benevolent variety of dictatorship, similar to your cell-phone contract: You don’t like it, you leave. Citizenship as free agency, you might say. Or as Ken Howery, one of Thiel’s partners at the Founders Fund, puts it, “It’s almost like there’s a cartel of governments, and this is a way to force governments to compete in a free-market way.”

Some experts have scoffed at the legal and logistical practicalities of seasteading. Margaret Crawford, an expert on urban planning and a professor of architecture at Berkeley, calls it “a silly idea without any urban-planning implications whatsoever.” Other observers have mocked it outright, such as *Slate*’s Jacob Weisberg, who deemed it perhaps “the most elaborate effort ever devised by a group of computer nerds to get invited to an orgy.” Despite the naysayers, Thiel appears firmly committed to the idea; he has so far funneled \$1.25 million to the Seasteading Institute.

“When you start a company, true freedom is at the beginning of things,” he says and slides the thought over to the topic of nations. “The United States Constitution had things you could do at the beginning that you couldn’t do later. So the question is, can you go back to the beginning of things? How do you start over?”

FOR THIEL, AMBITION LIKE THIS—OUTSIZE, CONTRARIAN, VAGUELY SEDITIONARY—is nothing new. He was born in Frankfurt, Germany, but his father’s

career as a chemical engineer made for an itinerant childhood: He attended seven different elementary schools on two continents before the family settled in Northern California. He was a chess prodigy—at his peak he was ranked No. 7 in the U.S. Chess Federation’s Under-13 bracket—and then a math prodigy at San Mateo High School. His intensity, even then, was remarkable. “He drove a 1978 Volkswagen Rabbit,” recalls Norman Book, a high-school friend. “You’d always see him pulling out of the school lot, leaning way forward in the car. That’s because it was a four-cylinder, and he just couldn’t ever get it to go fast enough. Leaning forward like that, it was almost like he was willing it to go faster.” (Years later, Thiel scratched this particular itch with purchases of a Ferrari Spyder and a \$500,000 McLaren supercar.)

At Stanford, where he majored in philosophy, Thiel chafed at the identity politics that was in vogue on campus at the time—at the strictures of political correctness. “I think there’s something unhealthy about anything that pushes to that much conformity,” he says. He cofounded the *Stanford Review*, a zealously libertarian newspaper whose staff Thiel would later use as a talent pool for PayPal hiring. The *Review* was deliberately, even recklessly incendiary (Thiel’s fondness for this approach is evident in his past funding of the guerrilla activist James O’Keefe, of ACORN sting-video fame); provocation was a primary goal. Sometimes it went too far: During Thiel’s final year of law school, in what was characterized as a free-speech exercise, one of the *Review*’s editors, Keith Rabois, shouted, “Faggot! Hope you die of AIDS!” outside the residence of a dorm supervisor, resulting in a firestorm that prompted Rabois to leave Stanford. Thiel, who was outed as gay in 2007, devoted several pages to the incident in *The Diversity Myth*, a 1995 book he coauthored, writing that “Keith did not

HOWARD HUGHES THAT IT WOULD BE GOOD FOR US TO LOOK
DON'T NEED TO HAVE MISGIVINGS ABOUT HOW IT ALL ENDED.”

AFTER VALLEYWAG OUTED HIM WITH A POST THIEL STRUCK BACK, CALLING VALLEYWAG THE

deserve months of public condemnation and ostracism.” Thiel later brought Rabois to PayPal as an executive vice president.

The PayPal of today—a convenient means of paying for the antique cocktail shaker you scored on eBay—bears only scant resemblance to the company’s early, proto-Bitcoin vision. “Peter’s goal was very subversive and disruptive,” says Book, whom Thiel tapped to be the company’s financial-systems manager and who is now executive vice president of operations at the conservative news aggregator WorldNetDaily. “He wanted to introduce a currency that wasn’t tied to a nation-state.” Early fund-raising presentations trumpeted the company’s mission as “enabling monetary sovereignty,” according to Howery. Company T-shirts proclaimed THE NEW WORLD CURRENCY. Thiel believed “that people should be able to store their money in any currency they wanted, without fear of governments devaluing it,” Howery says. Here again was the techno-cool libertarian ideal: a way of emancipating money from government’s monopolistic clutches.

A few unforeseen things happened along the way, of course. Chief among them were 9/11 and the fears about terrorist funding that followed in its wake. “When we were thinking about this in 1999, we were still living in a different reality,” Thiel says. “There are definitely ways in which it was a very successful company, but there are other ways in which that question—could someone change the system to give people more freedom in how they spend their money?—shifted radically.”

As a libertarian raid on the currency system, PayPal flopped. As a company, however, it thrived. After one of the rare successful post-dot-com-bubble IPOs, in 2002, eBay bought PayPal for \$1.65 billion. Thiel pocketed \$60 million on his initial \$240,000 investment. “After that sale,”

Howery recalls, “a number of us were burned out. I went and traveled around the world for a year. But Peter took, like, a week off, then went back to work for a hedge fund.”

That fund became Clarium Capital, which has proved to be the single blotch (aside from a doomed Nascar magazine in 2004) on Thiel’s résumé. After an early surge that brought Clarium’s assets to as high as \$6 billion, in 2008, the hedge fund has floundered ever since, losing 23 percent in 2010 and 25 percent in 2009; at one point, assets were down 90 percent from their peak, forcing Thiel to shutter the fund’s New York City operations and consolidate back in San Francisco. “We’ve got some things wrong,” he admitted to *BusinessWeek* earlier this year. “But over time, I think we’ve gotten more right than we’ve gotten wrong. . . . It’s not the right thing to focus on a six-month horizon. The future happens over a very long period of time.” That may be so, but as *Forbes* noted earlier this

year, “It’s as if he were so fixated on his vision of the future that he couldn’t let go, even in the face of market realities.”

Thiel’s reputation for contrarianism is well founded. Forever the chess player, he revels in trying to outthink the competition, in devising the unexpected move—the seemingly absurd but devastating maneuver that no one sees coming. “Most people think that if something’s written, if it’s shared by the majority of people, then you’ll look like a black sheep for challenging it,” says his friend Gary Kasparov, the Russian chess grandmaster. “Peter doesn’t have any problem with that.” A devoted J.R.R. Tolkien fan from an early age, Thiel is equally enamored with Kirill Eskov’s *The Last Ringbearer*, a retelling of *The Lord of the Rings* in which Sauron is a beleaguered victim and the elves are belliciously bent on world domination. “Gandalf’s the crazy person who wants to start a war,” Thiel explains, “and Mordor is this

MAN WITH A PLAN: Thiel (center) with his Founders Fund partners Ken Howery (left) and Sean Parker.



CORBIS

TITLED "PETER THIEL IS TOTALLY GAY, PEOPLE," "SILICON VALLEY EQUIVALENT OF AL QAEDA."

technological civilization based on reason and science. Outside of Mordor, it's all sort of mystical and environmental and nothing works. Anyway, it's really clever." He's willing to cite Howard Hughes as a role model, with certain caveats ("It's not worth emulating him . . . all the way to the last years in Las Vegas"): "There was this incredibly powerful visionary aspect, a sort of risk-taking, a new-frontier aspect to Hughes that it would be good for us to look up to without having misgivings about how it all ended."

Thiel may never succumb to the Aviator's fate, but like Hughes, he's rigorously guarded about his personal life. After Owen Thomas, as the editor of Gawker Media's Silicon Valley satellite, Valleywag, outed him in 2007 with a post titled "Peter Thiel Is Totally Gay, People," Thiel bided his time then struck back, calling Valleywag the "Silicon Valley equivalent of Al Qaeda," an analogy that Thomas says he still doesn't understand. A friend of Thiel's, however, says Thiel remains "conflicted" about the juxtaposition of his homosexuality and his Christian religious beliefs. If that's true, Thiel appears to have made some peace with himself since being outed. He's a donor to GOProud, a gay Republican organization, and last fall he hosted its "Homocon 2010" at his apartment overlooking Union Square in New York City, where guests were ushered into the elevator by beautiful young men wearing FREEDOM IS FABULOUS T-shirts and treated to an uproarious speech by Ann Coulter.

When I ask Thiel what, beyond work, gives him pleasure, he cringes slightly and says, "You know, it ends up being, um . . . it ends up being a lot of, uh . . . a lot of time, uh . . . it's mostly, uh, pretty basic, simple social things. Hanging out with friends, having good dinner conversation . . . sort of doing outdoor-hike-type stuff.

It's not . . . it tends not to be . . . I don't really have any crazy hobbies. It's nothing that, um . . . it's nothing that, uh . . . nothing that insane or exciting." This may be true, but gossip items about Thiel's partying suggest a healthy dose of excitement. In June, the New York *Daily News* reported that firefighters were called to his apartment to rescue a group of partiers from a stuck elevator. The "full-on rager," according to the paper, featured a "not-so-hot shirtless bartender," and a source was quoted bemoaning the disappearance of the servers in "assless chaps" that had once enlivened Thiel's parties. One of the guests at the party, who prefers to remain anonymous, confirmed the majority of the account, disputing only the detail about assless chaps. "He used to have servers wearing nothing but aprons," the attendee corrected, adding, "Peter works hard, but he likes to play hard, too." (Thiel declined to comment.)

All this plays into a widespread perception that Thiel is a hive of contradictions. When I ask him about that perception, he says, "I guess I'm comfortable not fitting into any precise category, and I'm not sure the existing categories all perfectly make sense."

IF THE SEASTEADING MOVEMENT GOES FORWARD

as planned, Thiel won't be one of its early citizens. For one thing, he's not overly fond of boats, although maybe, as Friedman says, "he just needs to be on a large enough structure." Thiel characterizes his interest as "theoretical." But whether Thiel himself heads offshore or not, there's a whole lot of passion underlying that theoretical interest. Thiel put forth his views on the subject in a 2009 essay for the Cato Institute, in which he flatly declared, "I no longer believe that freedom and democracy are compatible." He went on: "The great task for libertarians is to find an escape from politics in

all its forms," with the critical question being "how to escape not via politics but beyond it. Because there are no truly free places left in our world, I suspect that the mode for escape must involve some sort of new and hitherto untried process that leads us to some undiscovered country."

Until a libertarian colony can be established in outer space—Thiel is bullish on that idea, too, though he thinks the technology needs at least a half-century to develop—seasteading will have to suffice. "[It's] not just possible, or desirable," he said in an address at the 2009 Seasteading Institute Conference, "but actually necessary."

"Peter is a pretty holistic person, in his beliefs and philosophy, and you can even see that today in some of the crazy things he's doing," says Book, who finds the seasteading concept "appealing," while cautioning, "It's all well and good until someone drops a bomb on you." Thomas, the former Valleywag editor, doesn't believe Thiel should be defined by seasteading. "He puts his money into a lot of odd things," he says. "I doubt he thinks it's *the* future, but rather *a* future. Are a lot of these ideas wacky by conventional standards? Oh, yeah. But he's saying the world is better if we try this wacky stuff."

"The things that I think I'm right about," Thiel once told *Wired*, "other people are in some sense not even wrong about, because they're not thinking about them." And that's an advantage that Thiel intends to exploit. "There are quite a lot of people who think it's not possible," he told a crowd of true believers at the Seasteading Conference. "That's a good thing. We don't need to really worry about those people very much, because since they don't think it's possible they won't take us very seriously. And they will not actually try to stop us until it's too late." ■