

The Economics of Dropping Out

By Olivia Moore '16

Besides their incredible success, some of the most famous names in the technology world today—Mark Zuckerberg, Bill Gates, Steve Jobs, and Richard Branson—have one thing in common: none of them finished college.

Though dropping out of school is traditionally stigmatized, the unique culture of Silicon Valley seems to inspire the opposite reaction. In an article in *The New York Times* titled “Drop Out, Start Up,” Claire Miller noted that in Silicon Valley, “being a dropout is a badge of honor” (Miller). Stanford has its own list of notable dropouts, including Aaron Swartz, a programmer who helped develop RSS and Reddit, and Sergey Brin and Larry Page, who dropped out of the computer science Ph.D. program to found Google.

The dropout culture has been institutionalized by the Thiel Fellowship, a program founded by entrepreneur [Peter Thiel](#), a Stanford alumnus, that awards students \$100,000 if they agree to drop out of college for two years and pursue a project of interest. Thiel has publicly stated his doubts about the value of a college education, and the Thiel Fellowship website emphasizes that fellows gain “guidance and business connections that can’t be replicated in any classroom” (Thiel Fellowship).

When considering whether or not to drop out, many students consider not only the costs of college that are explicit and easy to measure, but also those that are less obvious. The concept of opportunity cost becomes crucial in most decisions to drop out, as students measure the value of the other things they could be doing with the time and resources that they devote to college.

In “Microeconomics: A Contemporary Introduction,” William McEachern explains that college students must take into account the opportunity cost of the income they could have earned while working full-time instead of attending college, as well as the cost of what else could have been bought with the money that was used to pay for tuition and supplies (McEachern).

McEachern also mentions that a quality of life aspect can be factored into the opportunity cost, as some students “find college difficult, often boring, and in most ways more unpleasant than a full-time job” (McEachern). Students who drop out, therefore,

may argue that the cost of the sacrificed opportunities that are impossible to pursue while in college are greater than benefits gained by staying in school.

Opportunity cost is not the same for each student, but “depends on your alternatives” (McEachern)—which can help explain why some students find that dropping out makes economic sense, while others commit themselves to finishing college even if they find it unpleasant. A student who already has the skills and potential to create a multi-million dollar company, for example, might find college a more costly investment than a student with few practical skills who is still unsure of what he or she wants to do in life.

Lenient university policies have also encouraged the trend of students dropping out. For example, Stanford’s policy allows students to take a leave of absence for a maximum of one year at a time, with an allowed cumulative leave of absence of two years. This policy reassures students considering programs like the Thiel Fellowship that even if their startups fail, they will be able to return to school and get their degrees.

The opportunity cost of pursuing other options is therefore reduced, as students don’t have to fully forego a college education by taking a leave of absence to start a business. In some cases, students who return to school are better off for having taken a leave of absence, as they return with experience and connections in an industry, and are often more committed to their academics because they have no illusions about the millions of dollars they could be earning by starting their own company.

However, many argue that since opportunity cost is not a definite number, students can easily overestimate the value of their potential, and make hasty and uninformed decisions to drop out of college. Some students believe that by attending college, they are sacrificing the opportunity to earn millions of dollars by starting their own business, when in reality they would likely not achieve that level of success.

In his article in *The Atlantic*, Robert Zimmer, the president of the University of Chicago argues that “the against-all-odds story of the college dropout is not the story we should be selling our young people” (Zimmer). He explains that the majority of college students who drop out to start a business do not achieve the fame or fortune that seems to be promised to those courageous enough to drop out, and makes the case that a college education is much more valuable than some students think. According to Zimmer, college

“arms a person with the suite of skills necessary to capitalize on a great idea,” rather than acting as an “obstacle to entrepreneurial success” (Zimmer).

As Zimmer explains, another factor of consideration is the unique opportunities that many colleges provide to help their students succeed as entrepreneurs. Students are often offered assistance from professors or other student entrepreneurs through on-campus groups or organizations, and are also able to take advantage of their university’s network, resources, and support system to develop ideas and form connections that will remain valuable long after they graduate.

College students should carefully evaluate and seriously consider all of the costs, both explicit and implicit, of dropping out of college to start a business. While incredible success stories like Larry Page and Mark Zuckerberg make dropping out seem like an extremely attractive option, the reality is that many dropouts would be better off staying in school and getting their degrees.

Works Cited

- "About the Fellowship." Thiel Fellowship, n.d. Web. 09 Mar. 2013.
- McEachern, William A. *Microeconomics: A Contemporary Introduction*. Cincinnati, OH: South-Western College Pub., 2000. Print.
- Miller, Claire C. "Drop Out, Start Up." *The New York Times*, 19 July 2012. Web. 9 Mar. 2013.
- "Not What It Used to Be." *The Economist*, 1 Dec. 2012. Web. 9 Mar. 2013.
- Zimmer, Robert J. "The Myth of the Successful College Dropout: Why It Could Make Millions of Young Americans Poorer." *The Atlantic*. The Atlantic, 1 Mar. 2013. Web. 09 Mar. 2013.