

## **The Pope and Trillion-Dollar Elon Musk**

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Is Elon Musk worth the \$1 trillion compensation package Tesla's board is offering? Pope Leo and liberals in the back pews don't think so. But what they miss is that the Tesla CEO will get richer only if workers and shareholders do too. Oh, and only if consumers like what Tesla is selling.

Tesla's board recently proposed a pay package for Mr. Musk worth up to \$1 trillion over 10 years, contingent on the company achieving ambitious milestones. It comes as Tesla's electric-vehicle sales and profits shrink amid increased competition. The GOP tax bill's rollback in subsidies for solar and electric vehicles could further squeeze Tesla's margins.

Mr. Musk says he wants to shift to manufacturing robotics and driverless robotaxis. The board's aim with the pay package is to align Mr. Musk's incentives with those of shareholders, who include Tesla's employees. Mr. Musk has boasted that Tesla pays workers in stock grants to motivate and retain them.

That's the goal of Mr. Musk's pay package too. His stock compensation won't fully vest unless he increases the market value of Tesla shares to \$8.5 trillion (currently \$1.3 trillion) and achieves \$400 billion in annual earnings. The company earned only \$16.6 billion last year. The company will also have to put one million robotaxis in operation, as well as deliver 20 million electric vehicles and one million robots.

To put these goals in perspective, Tesla has delivered about eight million electric vehicles in its 22 years. It has so far launched all of 30 robotaxis and aims to deploy 1,000 humanoid robots in its own factories by the end of this year. Who knows if other companies will buy its bots, let alone how many?

All of which is to say that Mr. Musk's \$1 trillion payday is far from guaranteed. Call it a Mars launch. Shareholders must also approve the incentive compensation this fall. If they think it's excessive, they can reject it. Shareholders can also sell their stock if they don't like the direction Mr. Musk is taking the company. That's how shareholder capitalism works.

Tesla shareholders including employees stand to benefit if Mr. Musk achieves the incentive package's milestones. Society would also profit from Tesla innovations that improve living standards. All of this has been elided by the media and Pope Leo, who seems to have taken his cues from the liberal choir.

In a recent interview with a Catholic news site, the pontiff said polarization in society is being driven in part by a "wider gap between the income levels of the working class and the money that the wealthiest receive." He pointed to "the news that Elon Musk is going to be the first trillionaire in the world" as a sign of the inequitable times.

The Pope continued: "If that is the only thing that has value anymore, then we're in big trouble." He seemed to be suggesting that society puts too much value on wealth. That's a separate debate from whether Mr. Musk's pay package is justified. But the pontiff might note that the working class ends up poorer in societies that lack incentives to create wealth.