

The New York Times

Musk Wins \$1 Trillion Pay Package, Creating Split Screen on Wealth in America



Tesla shareholders approved a plan to grant Elon Musk shares worth nearly \$1 trillion if he meets ambitious goals, including vastly expanding the company's stock market valuation.

Elon Musk, Tesla's chief executive, had threatened to leave the company if shareholders rejected the pay plan.

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Nov. 6, 2025*

Tesla shareholders on Thursday approved a plan that could make Elon Musk the world's first trillionaire, two days after New Yorkers elected a tax-the-rich candidate as their next mayor.

These discrete moments offered strikingly different lessons about America and who deserves how much of its wealth.

At Tesla, based in the Austin, Texas, area, shareholders have largely bought into a winner-takes-all version of capitalism, agreeing by a wide margin to give Mr. Musk shares worth almost a trillion dollars if the company under his management achieves ambitious financial and operational goals over the next decade.

But halfway across the country, in the home to Wall Street, Zohran Mamdani's victory served as a reminder of the frustrations many Americans have with an economic system that has left them struggling to afford basics like food, housing and child care.

These are vastly different arenas, to be sure. But that split-screen reality speaks to a larger divide in American business and politics. On one side are billionaires like Mr. Musk and their many supporters, including President Trump, who see the financial success of a small group of executives as something to be celebrated and emulated.

On the other are progressives like Mr. Mamdani, a democratic socialist, who are calling for something more akin to the social welfare systems of Western Europe. Mr. Mamdani campaigned

on using higher taxes on businesses and the wealthy to pay for universal child care and free buses — promises that helped him win a resounding victory against two more conservative candidates.

Much like an earlier pay plan that Tesla shareholders approved in 2018, this 12-step package asks Mr. Musk, the company's chief executive, to vastly expand Tesla's stock market valuation — to \$8.5 trillion from around \$1.4 trillion — while hitting a variety of other goals. Those include selling one million robots with humanlike qualities and 10 million paid subscriptions to the company's self-driving software.

“What we're about to embark upon is not merely a new chapter of the future of Tesla, but a whole new book,” Mr. Musk said, after thanking shareholders for their support.

Tesla's stock price fell modestly in after hours trading.

Tesla's directors and some investors, including the board that oversees Florida's public pension fund, hailed the \$1 trillion pay plan as a way to motivate Mr. Musk, who is already the world's wealthiest person, to build futuristic products like cars that can drive themselves.

“Those who claim the plan is ‘too large’ ignore the scale of ambition that has historically defined Tesla's trajectory,” the Florida State Board of Administration said in a securities filing describing why it voted for Mr. Musk's pay plan. “A company that went from near bankruptcy to global leadership in E.V.s and clean energy under similar frameworks has earned the right to use incentive models that reward moonshot performance.”

Image

Zohran Mamdani, New York City's mayor-elect, campaigned on using higher taxes on businesses and the wealthy to pay for universal child care and free buses. Credit...Vincent Alban/The New York Times

The plan is structured in such a way that if Mr. Musk makes money, the company's investors do, too — a point that the fund manager Cathie Wood made this week on the social media platform X.

“I do not understand why investors are voting against Elon's pay package when they and their clients would benefit enormously if he and his incredible team meet such high goals,” Ms. Wood, who is the chief executive of Ark Invest, wrote.

But Mr. Musk's detractors, including officials who oversee public pension funds in New York and California, vigorously opposed the plan, saying it would concentrate too much wealth and corporate power in the hands of one person.

“This is not pay for performance. It is pay for unchecked power,” Thomas DiNapoli, the New York State comptroller, told reporters and investors on a recent conference call.

Even Pope Leo XIV weighed in, saying in an interview with Crux, a Catholic news website, that Mr. Musk's compensation was a symptom of the growing disparity between working people and the wealthy. The median Tesla worker earned around \$57,000 in 2024, according to a company securities filing.

Mr. Musk addressed some of those concerns obliquely, saying the company's humanoid robot, Optimus, was the singular solution for addressing poverty. The robot remains under development.

“People often talk about eliminating poverty, giving everyone amazing medical care. Well, there’s actually only one way to do that, and that’s with the Optimus robot,” Mr. Musk said. “You start getting into like, some pretty wild sci-fi sort of scenarios.”

His pay plan had been expected to pass. Roughly half a dozen similar — albeit much smaller — executive stock packages have been put to a shareholder vote at publicly traded U.S. companies in the past three years, according to the proxy solicitation firm Georgeson. All but one of them passed.

Mr. Musk was allowed under state law in Texas, Tesla’s corporate residence, to vote his own shares. The executive owns about 15 percent of Tesla’s stock. His control could grow to almost 29 percent if he fulfills the terms of the pay plan, though he might have to sell some stock to pay taxes.

Mr. Musk also probably had the support of many smaller investors who retained their stock despite slumping profits and car sales — and as Mr. Musk’s foray into politics in the last year, in support of Mr. Trump, alienated many people.

“The people who have stayed as shareholders after all this are the people who have drunk the Elon Kool-Aid,” said Randall Peterson, a professor of organizational behavior at the London Business School.

Most large investment funds did not indicate how they planned to vote. Vanguard, the largest shareholder in Tesla after Mr. Musk, did not respond to requests for comment. BlackRock and State Street Advisors, the third- and fourth-largest shareholders, declined to comment ahead of the vote.

But another of the company’s biggest investors, the manager of Norway’s sovereign wealth fund, Norges Bank Investment Management, said it would vote against the pay package.

“While we appreciate the significant value created under Mr. Musk’s visionary role, we are concerned about the total size of the award, dilution and lack of mitigation of key person risk,” the firm said, using a business term for a company’s dependence on one particular person.

Other opponents said the plan’s terms allowed the Tesla board of directors too much leeway to award Mr. Musk the shares even if he does not achieve the product goals.

Tesla’s board of directors rejected those complaints.

The compensation plan “was designed with one overarching purpose: to supercharge Tesla’s next phase of exceptional growth, innovation and value creation,” Robyn Denholm, the chair of the company’s board of directors, said in a letter to shareholders last month. “There are no layoffs, and Elon only gets additional voting rights if he delivers on bold market capitalization and operational goals.”

A Delaware judge struck down Mr. Musk’s 2018 pay package, valued at an estimated \$128 billion at recent stock prices, saying last year that the approval process was “deeply flawed.” Tesla has appealed that decision to the State Supreme Court.

If anything, it was clear on Thursday that Mr. Musk’s win would animate Democrats keen to continue using him as a political foil.

“The G.O.P.’s biggest single donor has a path to becoming a trillionaire in charge of a robot army,” said Ben Wikler, a former chairman of the Democratic Party of Wisconsin, where Mr. Musk poured tens of millions into a State Supreme Court race this spring. “If voters in New York thought the billionaire class was making their lives unaffordable, just wait until Democrats are running against the trillionaire class.”

Shareholders also supported a nonbinding proposal urging the company’s board to authorize Tesla to invest in xAI, Mr. Musk’s artificial intelligence company. The board will evaluate the next steps, the company’s general counsel said, noting that many investors abstained on that matter.