

# \$67 million for Volkswagen's resigned CEO?

Volkswagen is facing up to \$18 billion (yes, billion) in fines from the EPA as a result of cheating to get its diesel-powered automobiles to pass U.S. emission standards. CEO Martin Winterkorn has now resigned, but between his pension and severance pay package he may walk away with up to \$67 million.

The Washington Post [reports](#):

He was among the highest-paid CEOs in Germany last year, receiving a total package valued at €15.9 million. Under the above calculation, that means it's possible he could receive severance pay worth more than €30 million, bringing his total exit package to roughly €60 million (or about \$67 million).

Even if you believe in the market economy and are against socialism as an operating philosophy, is it reasonable to be slightly outraged by the amount?

One can argue from the free-market side that everything is fine since that is what the market is willing to pay a CEO, that it was a contract, that the CEO had so much responsibility for one of the world's largest automakers, and so on.

But still, to the everyday worker, it seems excessive and unjust. If a middle-manager screws up, what golden parachute does he have? If a line-worker screws up, what golden parachute does he have? If either of those individuals lose his job, he is likely in a world of hurt and not far from losing a lot of other things in his life.

And if that's the case, how much stronger are the appeals of socialism?

The problem there is that while identifying the arguable injustice of the matter, the socialists often propose that equality will solve our problems. Alas, a drive for equality can cause equal levels of injustice.

Not everyone is the same. Not all jobs are the same. Some jobs require greater risk or more talent, which the allocation of wages helps sort out. That's just how life is in an imperfect world. Shall we really make everyone the same and expect good results? Hardly.

Given the hubbub around Pope Francis, perhaps it would be wise to turn to the original social justice pope, Leo XIII, who published an encyclical entitled [\*Rerum Novarum\*](#) (*Rights and Duties of Capital and Labor*) in 1891 to address the challenges of the modern working world:

“In any case we clearly see, and on this there is general agreement, that some opportune remedy must be found quickly for the misery and wretchedness pressing so unjustly on the majority of the working class: for the ancient workingmen's guilds were abolished in the last century, and no other protective organization took their place. Public institutions and the laws set aside the ancient religion. Hence, by degrees it has come to pass that working men have been surrendered, isolated and helpless, to the hardheartedness of employers and the greed of unchecked competition. The mischief has been increased by rapacious usury, which, although more than once condemned by the Church, is nevertheless, under a different guise, but with like injustice, still practiced by covetous and grasping men. To this must be added that the hiring of labor and the conduct of trade are concentrated in the hands of comparatively few; so that a small number of very rich men have been able to lay upon the teeming masses of the laboring poor a yoke little better than that of slavery itself.

To remedy these wrongs the socialists, working on the poor man's envy of the rich, are striving to do away with private property, and contend that individual possessions should become the common property of all, to be administered by the State or by municipal bodies. They hold that by thus transferring property from private individuals to the community, the present mischievous state of things will be set to rights, inasmuch as each citizen will then get his fair share of whatever there is to enjoy. But their contentions are so clearly powerless to end the controversy that were they carried into effect the working man himself would be among the first to suffer. They are, moreover, emphatically unjust, for they would rob the lawful possessor, distort the functions of the State, and create utter confusion in the community."

Pope Leo XIII also emphasized that we will never create heaven on earth, there will always be inequality and suffering:

"It must be first of all recognized that the condition of things inherent in human affairs must be borne with, for it is impossible to reduce civil society to one dead level. Socialists may in that intent do their utmost, but all striving against nature is in vain. There naturally exist among mankind manifold differences of the most important kind; people differ in capacity, skill, health, strength; and unequal fortune is a necessary result of unequal condition. Such inequality is far from being disadvantageous either to individuals or to the community. Social and public life can only be maintained by means of various kinds of capacity for business and the playing of many parts; and each man, as a rule, chooses the part which suits his own peculiar domestic condition. As regards bodily labor, even had man never fallen from the state of innocence, he would not have remained wholly idle; but that which would then have been his free choice and his delight became afterwards compulsory, and the

painful expiation for his disobedience. "Cursed be the earth in thy work; in thy labor thou shalt eat of it all the days of thy life."(5)

In like manner, the other pains and hardships of life will have no end or cessation on earth; for the consequences of sin are bitter and hard to bear, and they must accompany man so long as life lasts. To suffer and to endure, therefore, is the lot of humanity; let them strive as they may, no strength and no artifice will ever succeed in banishing from human life the ills and troubles which beset it. If any there are who pretend differently – who hold out to a hard-pressed people the boon of freedom from pain and trouble, an undisturbed repose, and constant enjoyment – they delude the people and impose upon them, and their lying promises will only one day bring forth evils worse than the present. Nothing is more useful than to look upon the world as it really is, and at the same time to seek elsewhere, as we have said, for the solace to its troubles."

Yet, despite the apparent acceptance of imperfection in the world and the impossibility of making everyone equal, Pope Leo XIII makes a clear argument that men of wealth have a clear duty to temper their greed and to provide their workers with good wages:

"The great mistake made in regard to the matter now under consideration is to take up with the notion that class is naturally hostile to class, and that the wealthy and the working men are intended by nature to live in mutual conflict. So irrational and so false is this view that the direct contrary is the truth. Just as the symmetry of the human frame is the result of the suitable arrangement of the different parts of the body, so in a State is it ordained by nature that these two classes should dwell in

harmony and agreement, so as to maintain the balance of the body politic. Each needs the other: capital cannot do without labor, nor labor without capital. Mutual agreement results in the beauty of good order, while perpetual conflict necessarily produces confusion and savage barbarity. Now, in preventing such strife as this, and in uprooting it, the efficacy of Christian institutions is marvellous and manifold. First of all, there is no intermediary more powerful than religion (whereof the Church is the interpreter and guardian) in drawing the rich and the working class together, by reminding each of its duties to the other, and especially of the obligations of justice.

Of these duties, the following bind the proletarian and the worker: fully and faithfully to perform the work which has been freely and equitably agreed upon; never to injure the property, nor to outrage the person, of an employer; never to resort to violence in defending their own cause, nor to engage in riot or disorder; and to have nothing to do with men of evil principles, who work upon the people with artful promises of great results, and excite foolish hopes which usually end in useless regrets and grievous loss. The following duties bind the wealthy owner and the employer: not to look upon their work people as their bondsmen, but to respect in every man his dignity as a person ennobled by Christian character. They are reminded that, according to natural reason and Christian philosophy, working for gain is creditable, not shameful, to a man, since it enables him to earn an honorable livelihood; but to misuse men as though they were things in the pursuit of gain, or to value them solely for their physical powers – that is truly shameful and inhuman. Again justice demands that, in dealing with the working man, religion and the good of his soul must be kept in mind. Hence, the employer is bound to see that the worker has time for his religious duties; that he be not exposed

to corrupting influences and dangerous occasions; and that he be not led away to neglect his home and family, or to squander his earnings. Furthermore, the employer must never tax his work people beyond their strength, or employ them in work unsuited to their sex and age. His great and principal duty is to give every one what is just. Doubtless, before deciding whether wages are fair, many things have to be considered; but wealthy owners and all masters of labor should be mindful of this – that to exercise pressure upon the indigent and the destitute for the sake of gain, and to gather one's profit out of the need of another, is condemned by all laws, human and divine. To defraud any one of wages that are his due is a great crime which cries to the avenging anger of Heaven."

Is there one solution to this challenge? Leo XIII argued no. At times it is necessary for the State to intervene, but that is not necessarily the go-to-institutions to resolve all labor problems. Consider:

"Let the working man and the employer make free agreements, and in particular let them agree freely as to the wages; nevertheless, there underlies a dictate of natural justice more imperious and ancient than any bargain between man and man, namely, that wages ought not to be insufficient to support a frugal and well-behaved wage-earner. If through necessity or fear of a worse evil the workman accept harder conditions because an employer or contractor will afford him no better, he is made the victim of force and injustice. In these and similar questions, however – such as, for example, the hours of labor in different trades, the sanitary precautions to be observed in factories and workshops, etc. – in order to supersede undue interference on the part of the State, especially as circumstances, times, and localities differ so widely, it is advisable that recourse be had to societies or boards such as we shall mention presently, or

to some other mode of safeguarding the interests of the wage-earners; the State being appealed to, should circumstances require, for its sanction and protection.

If a workman's wages be sufficient to enable him comfortably to support himself, his wife, and his children, he will find it easy, if he be a sensible man, to practice thrift, and he will not fail, by cutting down expenses, to put by some little savings and thus secure a modest source of income. Nature itself would urge him to this. We have seen that this great labor question cannot be solved save by assuming as a principle that private ownership must be held sacred and inviolable. The law, therefore, should favor ownership, and its policy should be to induce as many as possible of the people to become owners."

While pointing out the problems, Leo XIII actually was nuanced in his solutions and often urged local societies to find the best arrangement based on a clear moral hierarchy.

And that is probably the key to what we are confronted with today. Those who recognize the power of the market economy and the importance of both ownership and competition need to be willing to also recognize economic injustices and moral wrongs.

The moral framework that underpins the West has always taught that greed is wrong and is distinct from being rewarded for hard work. We need to find a way to make the moral arguments while also providing just solutions. We do not have to choose only between socialism and modern capitalism.