

US presidential election 2024

John Paulson brushes aside Wall Street worries about Donald Trump's tariff plan

Hedge fund manager and Republican megadonor shifts position on trade and decoupling with China



From left, John Paulson, his fiancée Alina de Almeida, Melania Trump and Donald Trump in Palm Beach, Florida, in April © Alon Skuy/Getty Images

Alex Rogers in New York YESTERDAY

Billionaire hedge fund manager John Paulson has brushed aside Wall Street worries that Donald Trump's plans to raise tariffs will harm the economy, calling for the US to "decouple" from China.

In a shift from his own earlier criticism of the Republican presidential candidate's trade policy, the Trump megadonor said "strategic tariffs" would be a valuable negotiating tool to "level" the playing field.

"We're not in the period of free trade," [Paulson](#) said in an interview with the Financial Times. "It's very one-sided."

"That's why I respect Trump because he says these things," said Paulson, a Wall Street titan who has been mentioned as a possible Treasury secretary if the Republican wins [November's presidential election](#).

"Maybe he doesn't articulate them so well all the times but when I listen and look into it, I find he's absolutely correct," he added.

Trump this month [threatened to impose tariffs](#) of 100 per cent on imports from countries that shifted away from using the dollar.

Some economists have warned increased tariffs would hit consumers, slow growth and stoke inflation.

The [Tax Foundation](#) — which favours lower taxes and a simpler code — has said Trump's formal proposals for a 60 per cent tariff on Chinese goods and 10 to 20 per cent duties on most other imports would increase costs for US businesses and shrink the economy.

Paulson's comments contrast with his [remarks in April](#), when he described tariffs as a “blunt tool” to fix trade imbalances and said “we don't want to decouple from China”.

In this week's interview, he said Beijing “has become more adversarial towards the US” and driven foreign investment out of China.

“There's certainly been a decoupling on an economic basis,” Paulson said. “I think there's a desire, a need to decouple from China.”



John Paulson: 'We're not in the period of free trade' © Spencer Platt/Getty Images

Paulson, who made his fortune shorting the housing market before it crashed in 2008, said that, while he previously subscribed to the “economic orthodoxy” that free trade benefits the globe, trade was not “implemented fairly”.

Paulson said one of his investments, Steinway Musical Instruments, had been hit by a 30 per cent tariff for selling woodwind instruments in China, while the US imposed a tariff of just 3 per on such instruments.

“I’m living this every day,” he said. “We are decimated.”

“Other companies I’m involved in — they’re planning on closing the US factories and going to Mexico or going offshore, and so it’s come to a point where it’s really affected us,” he added. “We need to stand up and protect American manufacturers.”

When asked about Trump’s pledge to carry out the largest deportation in US history, Paulson said the former president would enact his plan in stages. “I believe in immigration, but I believe in fair immigration,” he said. “I totally support deporting criminals.”

Paulson hit out at plans by Democratic presidential nominee Kamala Harris to increase corporate taxes and capital gains tax, as well as a proposed new [levy on unrealised gains](#) for those whose net worth exceeds \$100mn.

“No question, the combination of these things would result in a market crash and immediate recession,” he said.

Despite the suggestions of a possible Treasury role, Paulson said it was “not so easy” for him to take on an administration post because of his holdings.

One potential conflict of interest would involve his preferred shares in Fannie Mae and Freddie Mac, the state-backed groups that guarantee most US mortgages, which Paulson said should revert to being private companies.

As a shareholder, he would stand to gain from a sale.

“Now they are in a position to be released,” he said of the mortgage giants. “They have sufficient capital to stand on their own and become private companies and support the housing sector.”

Paulson argued a Trump presidency would unleash natural gas production, boost manufacturing and make government more efficient. The Republican nominee has said he will appoint Elon Musk to head a commission to audit the administration and make “drastic reforms” to regulation.

