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THE GEOGRAPHIC DISTRIBUTION OF FEAR AND LOSS

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ABSTRACT

On April 2nd 2025, after markets closed, the United States announced steep “Liberation Day” tariffs against most of its trading partners, many of which announced retaliatory tariffs. Market uncertainty spiked, consistent with the magnitudes and scope of the tariffs being unexpected. The prospect of a global trade war sent US stock markets down over ten percent until the US “paused” its tariffs on April 9th 2025, whereupon markets recovered. Portfolios of the stocks of firms headquartered in “redder” (more Republicans per Democrat) counties lost more value during this window.

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1. Introduction

US stock markets dropped sharply on April 3rd 2025, the first trading day after the US president decreed steep and sweeping tariffs against almost all of its trading partners. US markets continued falling as the trading partners announced retaliatory tariffs in what looked to be the first global trade war since the Great Depression. Five days later, with US markets down over ten percent, the US paused most of its tariffs and other countries paused most their retaliatory tariffs. On the sixth day, April 9th, markets recovered by 9.5% and, after some gyrations, rose over subsequent months as other news eclipsed tariffs. We call the April 3rd to April 8th 2025 period the *Liberation window*, the term from President Donald Trump's April 2nd 2025 proclamation that the tariffs announcements were a "Liberation Day" and a

*"declaration of economic independence [that would mean] Jobs and factories will come roaring back into our country, and you see it happening already."*¹

Vector autoregressions show measures of investor fear and uncertainty spiked on April 3, 2025, consistent with the magnitudes of the tariffs and the formula the US used for determining each tariff having defied expectations. The large and immediate drop in stock prices renders heterogeneity in stock price reactions to the Liberation Day tariffs an indicator of revisions in investor expectations and confidence.

The stock market reaction, though closely tied to sentiment indicators, accords with empirical evidence linking higher tariffs to reduced output, productivity, employment, and equality (Furceri et al. 2018). Economic theory and history link higher trade barriers to lower productivity and output because lobbying for idiosyncratically advantageous tariffs with large negative externalities sets off a race to the bottom (Helpman 2025), towards what Magee et al. (1989) call a "black hole tariff" equilibrium. Studies of lobbying for trade barriers support this view (Lenway et al. 1996; Morck et al. 2001).

The policy motivation for the tariffs is import substitution (Prebisch 1950; Singer 1950) to reindustrialize US regions that had lost low-skill manufacturing jobs to automation and supply chain outsourcing. The Republican 2024 campaign had promised that,

*"by protecting American workers from unfair foreign competition and unleashing American Energy, Republicans will restore American manufacturing, creating jobs, wealth, and investment."*²

These sorts of messages appeal to more conservative, more nationalistic and less educated US voters

¹ Buchwald, Elizabeth. 2025. [Trump just massively escalated his trade war. Here's what he announced](#). CNN. Wed April 2, 2025 19:28EDT.

² [2024 Republican Party Platform](#), c. 5 section 6,

(Autor et al. 2013; Autor et al. 2016). Republican- or Democrat-leaning US regions are termed “red” or “blue”, respectively, the colors reflecting the colors of parties’ campaign ads (not Communist red or Tory blue as elsewhere).³ However, import substitution is empirically associated with slow growth and corruption (Irwin 2021).

If the broad market decline in the Liberation Day window concealed a geographic redistribution of economic growth prospects and investor confidence from blue to red regions, as the broader market fell, stocks in redder regions might have risen – or at least fallen less. To explore this, we assemble portfolios of the stocks of firms headquartered in each of the 509 counties with one or more corporate head offices. We assess each county’s political leanings using a “redness” measure – its Republic voters per Democrat voter in the 2024 US presidential election. We also record the education level, number of corporate head offices, population and geographic location of each county.

Regressions show portfolio value losses to be larger for redder, more educated, and more populated counties. Portfolio losses are larger for counties located deeper in the US interior (farther from salt water), but proximity to Mexico or Canada has little explanatory power.

The effects are economically significant. The trade war episodes each triggered decline of some 10% in US stock market valuations, the destruction of some \$6 trillion in investor wealth – about 20% of 2024 US GDP. This wealth destruction was worse for the portfolios of firms headquartered in counties that have redder politics and more educated workers.

These are not tests of actual economic dislocation, but of declines in investor expectations increases in investors’ fear. Thus, the prospect of high trade barriers has a less negative impact on investor confidence in firms located in more blue-collar counties, despite having a more negative impact in politically redder states with a given level of education.

Section 2 provides background information regarding the trade war episodes, including evidence that both were largely unexpected by markets. Section 3 examines national portfolios sorted on political and worker skill levels in the counties in which firms’ head offices are located. Section 4 presents regression results and Section 5 concludes. **Table 1** presents summary statistics for all variables used and describes

³ The Republican and Democratic parties have switched places on the left-right political spectrum several times in the past. In the 19th and early 20th centuries, the Democrats defended slavery and racial segregations from Republican reformers. In the 1930s, Democrats radically expanded government against Republicans objections. In the 1960s, the Democrats enacted social reforms the Republicans opposed. In the 21st century, Mr. Trump refashioned the Republicans as defenders of rural and working class voters as the Democrats increasingly championed educated urban voters’ social justice, environmental and economic priorities.

the construction of each.

[Table 1]

2. Market Portfolio Reactions

Our primary focus is the April 3rd 2025 Liberation Day tariffs against almost all other countries, which the US “paused” on April 9th 2025 after US markets had fallen over 10%. We call this the *Liberation Day Trade War* window. We also explore earlier interval we call the *First Trade War of 2025* window. This began on January 20th 2025 with US abrogation of the USMCA (NAFTA successor) treaty and imposition of steep tariffs against Canada and Mexico and, after US stock market had fallen by over 10%, ended on February 13th with tentatively resumed US adherence to the treaty. Tariffs against China and Europe also took effect during this window. **Appendix Table 1** provides a detailed chronology of these policy shifts.

Figure 1 Panel A graphs stock market reactions to each policy change during the first 100 days of Mr. Trump’s second residency. Although this chronology includes number instances of Mr. Trump mentioning tariffs, the two intervals we identify as trade war windows were actual tariff announcements by the US and other countries. These episodes are distinctive in corresponding to abrupt collapses in market valuations and abrupt spikes in investor uncertainty.

[Figure 1]

2.1 The trade wars defied expectations

Markets, and even many of Mr. Trump’s own advisors, reportedly viewed his tariff threats as bluster or negotiation tactics. At his second inauguration on Monday, January 20, 2025, Mr. Trump pledged to “tariff and tax foreign countries to enrich our citizens”⁴ That day he said he would impose 25% tariffs against Canada by February 1, declaring that country to be a major conduit for illegal fentanyl flowing into the US. Markets did not react, perhaps because less than 20 kg. of fentanyl had been seized entering the US from Canada in 2024⁵ and because of reports that his key advisors were seeking “off ramps” to avoid tariffs.⁶

The first sign that Mr. Trump’s willingness to block trade with an ally for non-economic reasons reportedly surprised even some of his own top staff. On January 26, 2025, designating illegal immigrants as an emergency permitting him to rule by decree, Mr. Trump announced on social media a 25 percent tariff

⁴ [Inaugural Address. The White House, January 20, 2025.](#)

⁵ See [CNN Fact check: Canada makes up just 0.2% of US border fentanyl seizures](#)

⁶ Bade, Gavin. 2025. [Trump Aides Hunt for 11th-Hour Deal to Dial Back Canada-Mexico Tariffs.](#) Wall street Journal January 31 2025.

against Colombia, to rise to 50% a week later unless the country accepted U.S. deportees. Colombia quickly acquiesced and the tariffs vanished. The S&P500 sank 1.5% on news of this actual use of tariffs as a US foreign policy tool against an ally but then recovered.⁷

Nonetheless, subsequent rounds of steep and sweeping US tariffs against allies were substantially unexpected in that they took markets by surprise. **Figure 1** shows the S&P500 Index dropping more than ten percent during the First Trade War of 2025 window, the grey band from February 20th to March 13th 2025, recovering partially, and then dropping by over ten percent in the Liberation Day Trade War window, the grey band from April 3rd to April 8th, 2025.

Panel B of **Figure 1** shows other major US indexes dropping by similar amounts in the same intervals. **Table 2** highlights the extraordinary nature of these declines by showing them to be statistically as well as economically significant deviations from the baseline level of their fluctuations in January 2 2024 through Jan 17, 2025, the last trading day before the 2024 US presidential inauguration. Markets seemed surprised anew by each of episode. Abrupt and broad stock market declines can reflect major negative macro-economic information or spikes in investor fear (Bernardo and Welch 2004).

Measures of market uncertainty, the VIX and VVIX, plotted in **Figure 2 Panel A**, previously relatively low, rose as tariffs and counter-tariffs rolled out in the First Trade War window, dropped back after their “pause” and then abruptly spiked on news of the Liberation Day tariffs. The VIX, the standard deviation of the market return implicit in options traders’ pricings of index options, is deemed a “market fear index” (Whaley 2000, 2009). The VVIX, the standard deviation of the VIX implicit in options pricings of VIX options, which themselves are a traded asset, is deemed a “market fear of fear index” (Huang et al. 2019; Albers 2023), recalling President Franklin Roosevelt’s famous declaration in his 1933 inauguration speech that “the only thing we have to fear is fear itself.”⁸

[Figure 2]

Figure 2 Panel B shows spikes in the Baker, Bloom, and Davis (2016) policy uncertainty index and especially in their trade uncertainty index in the trade war windows. Their relatively low levels before, between, and after the trade war windows validates the premise that the trade wars were substantially unexpected. **Figure 2 Panel C** shows the CNN Fear and Greed Index dropping sharply during both trade war windows, particularly around Liberation Day, reflecting an abrupt and extreme change in investor sentiment,

⁷ See [Trump Slaps Colombia With 25% Tariffs, Sanctions in Migrant Dispute](#), Bloomberg Jan 26 2025

⁸ See Roosevelt (1933). Roosevelt inherited the damage from the stock market crash of 1929, the aggressive Smoot-Hawley trade war started under his predecessor, Herbert Hoover, collapsing economic activity, and widespread financial institution distress and failures (Kindleberger 1973).

consistent with the tariffs having been substantially unanticipated.

Table 3 Panel A summarizes these abrupt shifts. **Panel B** shows how far they stand out against their long-run trends in vector autoregressions of each uncertainty measure on its own lags and on trade war window indicator variables, one set to 1 during the First Trade War window (February 20th to March 13th 2025) and the other set to 1 during the Liberation Day Trade War window (April 3rd to April 8th 2025), with the baseline window both coded as 0. Uncertainty increases in both windows, but by markedly more in the Liberation Day window. The magnitude of these spikes is historically rare.

[Table 3]

Several background factors support this premise. First, Mr. Trump imposed tariffs as emergency presidential decrees, rather than as acts of Congress, and often announced new measures of social media. The prior debate, negotiations, and political compromises that generally precede major public policy shifts were absent. Second, the grounds for invoking emergency presidential powers to rule by decree were incredible. The emergency invoked for the First Trade War, fentanyl abuse in the US, was essentially unrelated to Canada and many of the other countries targeted. The emergency invoked for the Liberation Day tariffs, US goods trade deficits, presents no danger. By arithmetical necessity, a net surplus in services trade and net investment inflows must offset a goods trade deficit. Moreover, the formula the US used to set each tariff was unexpected.

In both episodes, the magnitudes, breadth and declared objects of the tariffs surprised markets, which dropped with each new tariff. At the onset of First Trade War of 2025, The Economist wrote: “Donald Trump’s reciprocal tariffs are absurd. At first glance, they are a bureaucratic nightmare. On a closer look, they are even worse.” At the onset of the Liberation day Trade War, Fortune Magazine quoted Dan Ives of Wedbush Securities: “We would characterize this slate of tariffs as ‘worse than the worst case scenario’ the Street was fearing.” Mr. Ives called the tariff formula “illogical and absurd” and elaborated: “If a 9th grader in high school presented this tariff chart to a teacher in a basic economics class the teacher would laugh and say sit down and work on the assignment.”⁹

We conclude that the tariff policies announced in the two trade war windows were substantially unexpected by market participants. Both episodes triggered sharp drops in investor expectations or sentiment, or both.

The rest of Section 2 describes key events in the First Trade War of 2025 and the Liberation Day Trade

⁹ Marco Quiroz-Gutierrez Marco. 2025. Analysts unanimously denounce Trump’s liberation day tariffs: ‘Worse than the worst case.’ Fortune, April 4, 2025 6:40 AM EDT.

War. **Appendix Table 1** provides a more detailed chronology, with market reactions represented by the SP500 index return and wealth creation or destruction represented by total market capitalization change on the first trading day after each event.

2.2 First Trade War of 2025 window (February 20 to March 13, 2025)

A rapid-fire sequence of US protectionist decrees began on Feb. 20, 2025. That day, Mr. Trump announced reciprocal tariffs on US trading partners were imminent without specifying a timetable. For the first time, actual major tariffs went up. Mr. Trump decreed an escalating tariff on imported semiconductors and the S&P500 dropped 0.43%, erasing \$359 billion in shareholder wealth. On Feb. 21, the White House released two memorandums entitled “Defending American Companies from Overseas Extortion and Unfair Fines and Penalties” and “America First Investment Policy”. The first promised tariffs against countries that taxed US social media firms, the second contemplated state control over inward foreign investment. The same day, a series of economic releases linked trade policy uncertainty to economic problems. The S&P fell 1.71% and US shareholders lost almost \$1.2 trillion.

On Feb. 26, Mr. Trump announced impending 20% tariffs against the European Union and the E.U. announced retaliation plans. On Feb. 27, he announced that he saw “no progress” from Canada and Mexico worthy of deferring tariffs. The S&P fell another 1.6% and shareholders lost some one trillion dollars in total market value.

On Mar. 4, Mr. Trump hiked tariffs against China by another 10% and put the 25% tariffs against Canada and Mexico into effect. All three countries announced retaliatory tariffs. The S&P dropped 1.22% more, wiping out US\$ 770 billion in shareholder wealth. That evening, Mr. Trump told the US Congress that

“We have been ripped off for decades by nearly every country on Earth, and we will not let that happen any longer. (Applause.) Much has been said over the last three months about Mexico and Canada, but we have very large deficits with both of them. But even more importantly, they have allowed fentanyl to come into our country at levels never seen before, killing hundreds of thousands of our citizens and many very young, beautiful people — destroying families. Nobody has ever seen anything like it. They are, in effect, receiving subsidies of hundreds of billions of dollars. We pay subsidies to Canada and to Mexico of hundreds of billions of dollars. And the United States will not be doing that any longer. We’re not going to do it any longer. (Applause.)”

US stocks fell farther as Canada, China, the European Union, and Mexico announced retaliatory tariffs against the US and as the US announced higher tariffs to retaliate against the retaliation. China’s retaliatory tariffs took effect on March 10. The same day, Canada’s Ontario province put a 25% export tax on hydroelectricity flowing to the US, an import for which the US had no effective substitute. The S&P fell

another 2.7% and total shareholder wealth fell by over \$1.6 trillion. Ontario paused its export tax, but markets kept falling. On March 12, Mr. Trump announced a 25% tariff on all steel and aluminum imports, and Canada and the E.U. announced further retaliation. On March 13, Mr. Trump affirmed that the 25% tariffs on steel and aluminum would take effect immediately and threatened further tariffs against the E.U. The S&P500 fell another 1.4% and total shareholder wealth dropped another \$833 billion.

When the dust settled, Mr. Trump seemed willing to honor, temporarily at least, a March 6th 2025 US administrative proposal to exempt imports from Canada and Mexico satisfying USMCA rules of origin, excluding steel and aluminum imports. At the end of the barrage, the S&P500 total market index was down 10.69% and over \$6 trillion in shareholder wealth was gone, about 20% of 2024 US GDP (\$30 trillion).

2.3 Liberation Day Trade War

Mr. Trump's second trade war tariffed the world. On April 2, 2025, when he declared America's "Liberation Day" from foreign trade oppression, a White House communique¹⁰ explained:

"President Trump is invoking his authority under the International Emergency Economic Powers Act of 1977 (IEEPA) to address the national emergency posed by the large and persistent trade deficit that is driven by the absence of reciprocity in our trade relationships and other harmful policies like currency manipulation and exorbitant value-added taxes (VAT) perpetuated by other countries."

Mr. Trump declared US trade in goods deficits to be a national emergency and, ruling by emergency decree, levied a 25% tax on all automobile imports and a new round of tariffs he called "reciprocal." In international trade circles, the term *reciprocal tariff* describes two countries tariffing imports from each other at the same rate. "Reciprocal" acquired a new definition here.

The Liberation Day "reciprocal" formula set a tariff against each US trading partner proportional to its goods trade surplus with the US, not its tariff against the US. A goods trade deficit is one of several major entries in national income accounting. The bookkeeping principle at work is that value flowing out of a country balances value flowing into the country. The three main entries – cross border flows of good, service and investment must sum to zero. In recent years, in its trade with Canada, the United States has had a goods trade deficit because US residents buy more Canadian goods than vice versa. However, the US simultaneously had a services trade surplus (Canadians buy more services from US consultants, insurance companies, travel agencies, and the like than vice versa) and a financial flow surplus (Canadians buy more US stock and bonds than vice versa). By the rules of national income accounting, the US

¹⁰ [Fact Sheet: President Donald J. Trump Declares National Emergency to Increase our Competitive Edge, Protect our Sovereignty, and Strengthen our National and Economic Security](#). White House, April 2nd 2025.

multilateral balance of payments accounts, the sum of these entries across all its trading partners must, subject to accounting noise, be zero.

The Liberation Day “reciprocal” tariffs were not “reciprocal” in the established sense of the term. Moreover, the Liberation Day “reciprocal” tariff formula also used national income accounting figures surprisingly. Consequently, the Liberation Day tariffs defied expectation, and the effects are evident in the sharp and broad market decline.

On April 3, 2025, the S&P500 fell 4.84%, wiping out \$2.94 trillion in shareholder wealth. The same day, the EU announced widespread retaliatory tariffs and Canada slapped a 25% tax on US automobile imports. China announced its retaliatory tariffs on April 4, as the S&P dropped another 6% wiping out \$3.25 trillion in shareholder wealth. On April 5, 2025, Mr. Trump decreed a 10% flat tariff on nearly all countries, \$158.1 billion in shareholder wealth disappeared when markets opened on Monday April 7. On April 8, Mr. Trump decreed another 50% hike in tariffs against China. The S&P500 fell another 1.57% and nearly another trillion dollars in shareholder wealth vanished.

We deem the second trade war attack ended on April 9, when Mr. Trump announced a 90-day pause in implementing most of this round of tariffs. The S&P500 shot up by 9.5% in one day, and shareholder wealth recovered by \$4.8 trillion. Most other countries paused their retaliations. Much of the recovery in stock markets reversed on April 10, when Mr. Trump announced total tariffs of 145% against China, provoking another round of retaliation. The S&P dropped 3.46% and \$1.94 trillion in recently recovered shareholder wealth evaporated. Nonetheless, the wider trade war was on pause. The US waived tariffs on a range of high tech imports on April 11, and Mr. Trump’s attention largely turned to other issues.

When markets closed on April 8, the S&P total market index had fallen 12.43% in the six days from Liberation Day to its April 8, 2025, pause and US shareholders were over \$7 trillion poorer, a loss equal to about one quarter of 2024 US GDP.

2.4 Trade war on pause

From Mr. Trump’s Jan. 21, 2025, inauguration to the bottom of the market on April 8, the S&P total market index was down 17.6% and shareholder wealth was down by \$10.83 trillion, a wealth loss of a third of 2024 GDP. Markets recovered further in the absence of further tariffs and by Mr. Trump’s 100th day in office, the S&P total market index was only 7.7% below its value on his inauguration day and shareholder wealth was down by only a bit over \$4.7 trillion, just about 16% of 2024 GDP. At the end of the deluge, a general 10% tariff remained in effect against all trading partners except Canada and Mexico, which confronted a 25% tariff except for USMCA-compliant (fully locally produced) goods, which escaped tariffs. Higher tariffs on steel and aluminum tariffs remained in effect against all trading partners.

Mr. Trump “paused”, but did not nullify, the tariffs he decreed in both tariff war attacks. In the subsequent months, Mr. Trump arranged bilateral deals with some US trading partners, who agreed to invest more money in the US and not refrain from retaliating against a baseline tariff on its exports to the US. US tariffs against the United Kingdom receded to 10%, and those in other bilateral deals to 15%. US tariffs against China receded to 30%.

On August 1st 2025, Mr. Trump, again ruling by emergency presidential decree, re-imposed tariffs against other US trading partners, only some of which began rolling out retaliatory tariffs. US markets fell only modestly, suggesting market participants either substantially expected these measures or expected them to be paused. The legality of the tariffs in both episodes was under litigation.

2.5 Wealth destruction on a massive scale

The total wealth destruction associated with each market drops resulting from each trade war episode are massive. **Figure 3 left axis** measures wealth destruction in trillions of dollars. **Right axis** measures wealth destruction as a percent of US 2024 GDP. By either measure, the trade war windows are associated with drops in the value of the US businesses equivalent to substantial fraction of US GDP.

[Figure 3]

The stock market return measure in **Figure 3** is not unique. As noted above, **Table 2** shows that the market decreases echoed across alternative market indexes.

However, the explicit aim of US tariff policy was not to boost the stock market, but to redistribute economic opportunities and confidence geographically. Consequently, policy-makers might deem a general stock market decline an acceptable trade-off for a geographic redistribution of prosperity, or of prospects for prosperity, or at least of investor confidence.

3. Geographic Heterogeneity in Fear and Loss

To explore the geographic distribution of stock valuation revisions, whether due to depressed sentiment or reduced expectations, we calculate the returns of portfolios of stocks sorted by head office location. Head office location affects share valuations through several channels.

Prior work suggests that information about local economic expectations might enter these revision. Individual US investors (Ivković and Weisbenner 2005; Hong et al. 2008) and US investment fund managers (Coval and Moskowitz 1999, 2001) disproportionately own the stocks of firms located nearby and earn higher returns on those stocks consistent with a local information advantage (Van Nieuwerburgh and Veldkamp 2009); though Seasholes and Zhu (2010) dissent. Individual firms with a more local shareholder

bases have higher baseline risk-adjusted returns (Baik et al. 2010), consistent with undiversified geographic risk bearing. In short, local economic conditions affect local stock prices (Korniotis and Kumar 2013; Bernile et al. 2015).

However, so does local investor sentiment. Firms that are more locally owned cater more to the risk preferences of local investors (Becker et al. 2011). Geographically proximate firms' stocks commove more than is justified by fundamentals, suggesting local investor sentiment affects local firms' stock returns (Pirinsky and Wang 2006).

Geographic effects are also associated with political leanings. For example, Sheng et al. (2024) report that stocks of firms in Republican counties outperform those in Democratic counties on days of major COVID news.

To explore these issues, we associate each firm with the county in which its operational headquarters is located. We identify the operational headquarters of each US headquartered firm in the CRSP/Compustat database.¹¹ This provides a street address, ZIP code, and state for each firm's head office. We then group firms into portfolios based on their headquarters locations. We form county-level portfolios, consisting of all stocks headquartered in a given county. We focus on counties rather than states because many states contain substantial internal heterogeneity. We first group firms into broad portfolios based on head-office location characteristics to detect categorical differences in firm value revisions across geographic dimensions occurred during the trade war windows. Then we estimate regressions explaining firm and county portfolio value revisions during the trade war windows with nuanced measures of county characteristics.

3.1 Cumulative returns variables

We measure value-revisions in several ways. Our most basic data are cumulative total stock returns, with cr_s^w cumulative total return of stock s in time window w , the latter being $w = lib$ for the Liberation Day trade war window (Apr. 3 -8, 2025) or $w = 1^{st}$ for the First Trade War of 2025 window (Feb. 20, 2025 to Mar. 13, 2025). Because our geographic data are at the county-level, we also consider the cumulative returns value-weighted and equal-weighted portfolios of the listed firms headquartered in county c in time window w , denoting these $vwcr_c^w$ and $ewcr_c^w$, respectively.

The total return of the value weighted county portfolio measure total the value lost by firms in the county. The equal weighted county portfolio gives more weight to smaller firms, which can be more vulnerable to

¹¹ Compustat records a firm's current headquarters address and retroactively back-fills that address to prior fiscal years; because our sample focuses on 2025, we use the current HQ location as reported in WRDS.

all manner of shocks (Eggers 2020). However, the prospect of tariffs might conceivably less adversely affect smaller firms because, if international trade pressure kept some local firms from growing, local investors might expect tariffs to relieve that pressure. Firm-level tests can control for firm size directly.

The tariff rollouts were shocks to the entire US economy and so affected investors' confidence and expectations about the entire economy, upon which the prospects of most firms depend. This weighs against our finding differences in total returns. Like attenuation bias in general, this may strengthen such differences as do emerge from the data.

Nonetheless, firms based in different counties may have different financial or structural leverage, and therefore different degrees of mechanical comovement with the market. To address this, we assess the degree of comovement with the market of each stock and each county portfolio with the value-weighted market portfolio in a baseline window, from the first day of trading of 2024 to the last day of trading before the 2024 presidential inauguration (Jan. 17 2025). Using these data, we estimate baseline stock-level and county portfolio-level Market Model parameters. We then use these to estimate an expected change in each stock and county portfolio in each trade window given the return of the value-weighted market portfolio in that window. The cumulative abnormal return of each stock or county portfolio in window w is its observed return minus the return the Market Model predicts it would have given the movement of the value weighted market return during that window.

We denote the cumulative abnormal return of stock s in window w as car_s^w . We use two cumulative abnormal return variables for each county portfolio. The first, denoted $mcar_c^w$ is the value-weighted mean of the abnormal returns of the individual stocks in county c 's portfolio. The second, denoted car_c^w , is the abnormal return of the county portfolio as a whole, as described above. Again, $w = lib$ for the Liberation Day trade war window (Apr. 3 -8, 2025) and $w = 1^{st}$ for the First Trade War of 2025 window.

Figure 3 shows that policy uncertainty and measures of investor fear (and fear of fear itself) spiked during the two trade war windows. This means that county portfolio returns reflect some mix of the effects of heightened investor fear and negative investor expectations about firms' future prospects. This is consistent with Fama and French's (1989) explanation of shifts in market-wide returns as due to time-varying investor risk aversion. In this view, broad market crashes can be due to abrupt spikes in risk-aversion that collapse market valuations so forward looking returns are increased. Of course, broad market crashes can also be due to negative economy-level news.

Event studies (Fama et al. 1969) interpret cumulative abnormal returns as information-driven stock price revisions and Vuolteenaho (2002) provide supporting evidence. Under this interpretation, differences in county portfolio cumulative abnormal returns could reflect informed revaluations of the prospects of

firms in different counties. Gârleanu and Pedersen (2022) and Glasserman and Mamaysky (2023) formalize this dichotomy: total returns are a mix of sentiment and economy-level information, firm-specific returns are more primarily information-driven. Recent research tends to validate this approach. Excess volatility is evident in market portfolio returns, but not in firm-specific stock returns (Jung and Shiller, 2005; Choi et al., 2023). Market portfolio value changes are often transitory and soon reversed (Campbell, 1991), whereas firm-specific stock value changes are usually permanent (Vuolteenaho, 2002). New share issues, theoretically driven by mispricing (Myers and Majluf 1984) rise as the market portfolio gains value, but not as specific firms' stock returns rise relative to the market portfolio. Shiller (2001, p. 248) calls this dichotomy – that firm-specific stock price movements are driven more by information and less by sentiment than are moves in whole markets – Samuelson's dictum.

This dichotomy may hold in general, but we cannot rely on it absolutely. As noted above, local shifts in investor sentiment move the stocks of firms with local investor bases. We cannot treat neither cumulative returns nor cumulative abnormal returns as purely information driven or purely sentiment driven in the tests below. However, we can consider geographic differences in portfolio revaluations as reflecting geographical heterogeneity in investors' rational expectations and/or in their time-varying risk aversion. In other words, we can interpret both as measuring the geographical distribution of investor fear – whether of quantifiable losses or unquantifiable uncertainty – in response to the US tariff announcements and their immediate aftereffects. We can then the geographical distribution of cumulative abnormal returns as reflecting local anomalies in the geographic distribution of investor fears of loss or of uncertainty.

3.2 Geographic heterogeneity

As a first pass to exploring the geographic distribution of stock market losses (or gains) across the United States, we form county-level portfolios of US stocks based on the location of each firm's head office, as reported in Compustat. **Figure 4 Panel A** summarizes the results for the Liberation Day trade War window. Substantial variation in the depth of the stock market decline is evident, suggesting substantial variation in investor expectations and sentiment revisions in different parts of the country. **Panel B** aggregates these into state-level portfolios to simplify the map. Lesser declines are evident in the stocks of firms based in the upper Midwest and inland southern states.

We conclude that geographic variation is present. Consequently, the thesis that policies associated with the trade wars redistributed economic prospects and confidence geographically merits investigation. Our objective is to see if the general market downturn in the trade war windows obscures a redistribution in economic prospects or confidence towards more conservative and less educated parts of the United States. The subsequent sections provide high-level exploratory overview of these questions.

[Figure 4]

3.2.1 *Portfolios by geographic distribution of political leanings*

Studies of the geography of political leanings in the United States divide the country into “red” regions, which support the Republican Party, and “blue” regions, which support the Democratic Party. As a first pass, emulate this approach. We use 2024 presidential election data from The American Presidency Project¹² to form two portfolios, one of all firms headquartered in red (the Republic presidential candidate won the most votes) counties and the other of all firms headquartered in blue (the Democrat candidate won the most votes) counties. Both portfolios’ values are normalized to 100 at the market’s close on January 17, 2025, the last trading day before Mr. Trump’s second inauguration on January 20th 2025.

Figure 5 Panel A plots the cumulative returns of two portfolios. Both fall markedly in both trade war windows. The value-weighted versions of the portfolio have statistically indistinguishable ($p = 0.97$) mean excess (relative to the baseline period) returns of -3.33 and -3.34 percent per day, respectively, in the Liberation window and -0.792 and -0.751 percent per day, respectively, in the First trade War, the difference also statistically indistinguishable ($p = 0.81$). The blue and red county equal-weighted county the portfolios fall by -3.57 and -3.18 percent per day, respectively, in the Liberation window. The 39 bp per day difference is against statistically insignificant ($p = 0.20$). In the First Trade War window, the blue and red county equal-weighted county the portfolios fall by statistically indistinguishable ($p = 0.70$) -0.916 and -0.855 percent per day.

[Figure 5]

The cumulative drops are all quite large and similar across the two pairs of portfolios. The value-weighted red and blue county portfolios lose -12.42 and -12.47 percent over the four trading days in the liberation window. In the same window, their equal-weighted analogs lose -9.31 and -8.54 percent. In the First Trade War window, equal weighed red and blue county stocks fall by cumulative -10.7 and -10.3 percent while equal-weighted blue and red country stocks fall by -11.3 and -11.2 percent respectively.

This first pass overview suggests no significant difference between red and blue county-based firms. No evidence of a geographic shift in investor expectations and confidence favoring red county headquartered firms is evident in either trade war. However, a simple dichotomy, classifying firms as headquartered in red or blue counties obscures the reality that some counties are far redder than others are. We therefore require a more nuanced measure of political leanings in the immediate vicinity of firms’ headquarters.

¹² See <https://www.presidency.ucsb.edu/statistics/elections/2024> for more detailed information.

3.2.2 *Portfolios by geographical distribution of human capital*

In an analogous first pass investigation, we assign each firm to a white-collar or a blue-collar head office county portfolio if the headquarters county's fraction of residents with at least a bachelor's degree is, respectively, above or below, the median for all firms. County-level education data are from the U.S. Department of Commerce, Bureau of the Census, 2019-23 Five-year American Community Survey (ACS). As above, we normalize the portfolios' values to 100 at the market close of January 17th 2025, the last trading day before the inauguration of January 20st 2025.

Figure 5 Panel B plots the cumulative returns of the two portfolios in the first one hundred days following the inauguration. The value-weighted blue-collar and white-collar county portfolios lose -12.14 and -12.55 percent, respectively, over the four trading days in the liberation window. In the same window, their equal-weighted analogs lose -12.57 and -15.14 percent. In the First trade war window, value-weighted blue-collar county portfolios falls by -6.61 percent, only half of the -12.35 percent fall for the value-weighted white-collar headquarters county portfolio. However, the equal-weighted blue- and white-collar county portfolios fall by -12.23 and -13.08 percent respectively.

Figure 5 suggests firms headquartered in more blue-collar counties might be harmed less by higher trade barriers than are firms headquartered in white-collar counties. Again, counties education level is not dichotomous, so we revisit the issue below using continuous measures of educational levels in the immediate vicinity of corporate head offices.

3.2.3 *Portfolios by proximity to the outside world*

We form portfolios of the stocks of firms headquartered in states bordering Canada, Mexico, or neither and in salt-water coast versus inland states. **Figure 5 Panel C** shows the First Trade War cutting the value of the Mexican border state headquarters portfolios by -14.2%, substantially more than the Canadian border state headquarters portfolio, -9.8%, and the non-border state portfolio, which lost "only" 6.5%. **Panel D** shows the portfolio of firms headquartered in coastal and inland states losing 11.9% and 6.5%, respectively in the First Trade War window.

In contrast, losses across geographic portfolios are larger and less divergent in the Liberation Day Trade War window. Mexican border state headquartered stocks lost 14.7%, Canadian border state headquartered stocks lost -11.0% and non-border state headquarters firms lost roughly the same, -10.8%. The Liberation Day Trade War cut -13% from the value of the coastal state headquartered portfolio and almost as much, -10.7% from the inland state headquartered portfolio.

These patterns are consistent with more sharply reduced investor expectations or confidence concerning firms headquartered near Mexico, Canada than in non-border states and concerning firms headquartered

near coasts more than in inland-headquartered states. This is consistent with the US tariffs more adversely disrupting supply chains more integrated with firms in foreign countries. However, some states contain coastal, border and interior regions. County- and firm-level data allows more nuanced tests.

3.3 County-level political economy variables

We expect that continuous variables measuring the strength of conservative political leanings, the importance of blue-collar residents, and connections to the outside world in each county may reveal effects not evident in the simple dichotomies above. This section describes our explanatory variables of interest designed to capture these effects.

We gauge the geographic distribution of the intensity of political leanings gauges with the variable, *red politics*, denoted ρ_c . This is the number of votes county c 's residents cast for the Republican presidential candidate in 2024 per vote for the Democratic candidate. This variable takes larger values for more politically conservative counties and values nearer zero for more politically progressive counties.

Our measure of the geographic distribution of human capital gauges how important blue collar workers are in each county c . Emulating the construction of *red politics*, we define *blue collars* as the county's residents with high school educations or less per resident with a bachelor's degree or more rises, and denote this b_c .

Both *red politics* and *blue collars* take larger values where politics is more thoroughly red and where workers are more predominantly blue collar.

Our continuous measures of proximity to borders and salt-water coasts all have the same form. We denote the distance in kilometers of each county's geometric centroid¹³ from Canada, Mexico and salt water $d_{can,c}$, $d_{mex,c}$ and $d_{salt,c}$, respectively. We transform distances into nonlinear proximity measures, defined as $v_{can,c} = -\ln d_{can,c}$, $v_{mex,c} = -\ln d_{mex,c}$ or $v_{salt,c} = -\ln d_{salt,c}$. The nonlinearity of the logarithm function means $v_{mex,c}$ rises rapidly per 100 km nearer Mexico in regions of the US closer to Mexico, but rises little per 100 km nearer Mexico in regions of the US far from Mexico.

Research showing proximity to a border or the sea correlates with Americans' experiences and views regarding foreign trade, and foreigners, motivates this approach. For example, Autor et al. (2016) link Chinese exports to increased economic activity in coastal regions but to diminished economic activity in inland regions of the US. Rodrik (2018) reports support for globalization higher in more cosmopolitan coastal regions than in inland regions. Coastal regions also have both disproportionately more recent

¹³ A county's *geometric centroid* is the center of gravity of an irregular polygon approximating the county's shape.

Data are from the Esri ArcGIS geoprocessing tool. For details, see [ESRI ArcGSI Reference](#)

immigrants and deeper historical connections to global trade (Inglehart and Norris 2019). Colantone and Stanig (2018) link this to voting patterns. Cortina (2020) finds support for a Mexican border wall falls sharply as proximity to Mexico increases.

We hypothesize that, all else equal, if the tariffs were expected to redistribute economic activity and confidence toward more conservative, more blue collar and more inland regions, portfolios of the stocks of firms headquartered in those regions might rise even as the prospect of high tariffs revised overall market valuations downward. If such an effect is present at all, downward revision might be reduced for firms in those regions.

3.4 County and firm-level control variables

Other county characteristics may enter via other channels. To account for these we introduce the following control variables.

Higher population counties tend to be urban, lower population counties tend to be rural, and urban residents may be more apt to own stocks. In addition, traditional religious values, community ties, and cultural norms persist in rural areas, but fall away in urban areas, possibly because repeated interactions with others of diverse backgrounds (Brown and Mettler 2023). Urban residents may also be more apt to own stocks. We denote each county's *population* p_c and include $\ln p_c$ as a control variable in our regressions.

Some counties also have more corporate head offices than others, so their county portfolios contain more stocks. Residents of localities with more corporate head offices may be more apt to own stock or more cognizant of economic and business issues. We denote the number of listed firms headquartered in county c as n_c and control for its logarithm $\ln n_c$ in the regressions. We consider these primarily to be control variables, but also view their coefficients as potentially economically informative.

As noted above, smaller firms can be more vulnerable to economic shocks in general (Eggers 2020), so controlling for firm size may be warranted. We also include industry fixed effects in some tests. Firm size and industry are firm-level characteristics, so we use these controls in firm-level regressions.

4. Main Results

The high-level results in the section above suggest geographic variables may have traction. This section explores simple correlations and then turns to regressions to isolate specific partial correlations.

4.1 Correlation patterns

Table 4 Panel A presents alternative measures of county portfolio returns and their daily means during

the baseline period and the two trade war windows. **Panel B** summarizes the simple correlation coefficients of the continuous county characteristic variables described above with the alternative county portfolio cumulative returns during the trade war windows. As noted above, **Table 1** describes the variables and provides summary statistics.

Portfolio returns appear unrelated to political redness, less negative in more blue-collar counties, and more negative in more populous counties and in counties with more head offices. Liberation window county portfolio cumulative returns are unrelated to the county's proximity to Canada, Mexico or salt water. County portfolio returns in the First Trade War window are less negative for firms headquartered in more inland counties and, counterintuitively, more negative for firms located farther from Canada. Proximity to Mexico is insignificant.

Simple correlations are insufficient tests because, as **Table 4 Panel C** shows, many county characteristics correlate with each other. In particular, political redness correlates positively with collar blueness, and negatively with number of head offices, and population. Redder counties are also farther from salt water and closer to Mexico. Counties closer to Canada are farther from Mexico and many are also farther from salt water. To untangle these effects, we turn to regressions explaining county portfolio returns with county characteristics.

[Table 4]

4.2 Regressions structure and estimation

Our firm-level regressions have the form

$$[1] \quad R_s^w = \beta_0 + \beta_\rho \rho_{c(s)} + \beta_b b_{c(s)} + \beta_n \ln n_{c(s)} + \beta_p \ln p_{c(s)} + \varepsilon_c$$

Where s indexes the stocks of individual firms and $c(s)$ is the county in which firm s 's operational headquarters is located. The explained variable R_s^w is alternatively the stock's cumulative total return, cr_s^w , or abnormal return, car_s^w , in the trade war window w . The window is either $w = lib$ or $w = 1st$ for the Liberation Day trade war window (April 3 to 8, 2025) and First Trade War of 2025 window (Feb. 20 to Mar. 13, 2025), respectively. Estimation is by OLS with county clustering.

Our county level regressions have regressions take the analogous form

$$[2] \quad R_c^w = \beta_0 + \beta_\rho \rho_c + \beta_b b_c + \beta_n \ln n_c + \beta_p \ln p_c + \varepsilon_c$$

where R_c^w is a return measure for the portfolio of firms headquartered in county c in one of the trade war windows, $w = lib$ for $w = 1st$. In alternate specifications, the explained variable R_c^w can be the value-weighted portfolio return, $vwrc^w$; the equal weighted portfolio return, $ewrc^w$; the mean of the Market Model cumulative abnormal returns of the stocks in the county portfolio, $mcar_c^w$; or the Market Model

cumulative abnormal return, car_c^w of the portfolio of stocks headquartered in county c in the trade war window w . County-level regressions use OLS with robust standard errors.

Of primary interest in both the firm-level and county-level regressions are the coefficients of county c 's political redness, ρ_c ; blue-collar residents relative importance, b_c . All regressions control for the log of its number of head offices, $\ln n_c$; and the log of its population, $\ln p_c$.

Table 5 summarizes firm-level regressions including the measures red politics and blue collar together and then one at a time. Each attains greater explanatory power in the presence of the other. Multicollinearity is not evident as the coefficients are statistically significant. This pattern suggests deeper negative revisions to investor expectations or sentiment regarding firms in more white-collar counties at a given ratio of Republicans-per-Democrat. In parallel, it also suggests deeper negative revisions to investor expectations or sentiment in more politically red counties at a given ratio of white-to-blue collar residents. County portfolio returns and abnormal returns echo these patterns.

[Table 5]

4.3 Main regression results

Table 6 summarizes our main results. Its regressions explain alternative portfolio and stock cumulative return and abnormal return measures in turn. Firms headquartered in more populous (urban) counties or in counties that host more head offices also lose more value, though not consistently across specifications.

[Table 6]

Across all of the cumulative return measures, portfolios of firms headquartered in redder states lose more value in the Liberation Day Trade War window. Firms in more blue-collar counties lose less, but this is evident only in regressions explaining portfolio total returns and absent in the firm-level regressions and portfolio abnormal return. This is consistent with firms in more blue-collar counties being less levered, financially or operationally, and losing less value in tandem with the market. The across-the-board significance of the red politics measure suggests that firms in redder counties lose more value and more than merely in proportion to the drop in the market as a whole.

During the Liberation Day trade war window, firms headquartered in redder counties lose more value, all else equal. The value-weighted portfolio of firms headquartered in a county at the 99th percentile (5.0 Republics per Democrat) in political redness loses 4.8% more than that of firms headquartered in a county at the first percentile (0.19 Republicans per Democrat). The value-weighted portfolio of firms headquartered in a county at the 75th percentile (1.8 Republics per Democrat) in political redness loses 1.05% more than that of firms headquartered in a county in the 25th percentile (0.473 Republicans per

Democrat). The corresponding equal-weighted portfolios of the redder counties lose 3.8% and 0.84% more.

Firms headquartered in more blue-collar counties lose less. The value-weighted portfolio of firms in a county at the 75th percentile of blue-collar preponderance (1.55 residents with high school or less per resident with a bachelor's degree or more) loses 1.12% less than that for a county portfolio at the 25th percentile (0.70 residents with high school or less per resident with a bachelor's degree or more). The gap is larger in the First Trade War of 2025 window – the more blue-collar county portfolio loses 1.68% less.

While these differences might track rational investors' revisions to the values of these portfolios' future disbursements, they are contemporaneous with abrupt spikes in investor uncertainty. We therefore draw the more qualified conclusions.

We conclude that neither trade war bolstered investor sentiment and expectations regarding firms based in more conservative or blue-collar counties. Although smaller negative revision to sentiment and expectations regarding firms in more blue-collar counties are detectable, we actually find larger drops investor sentiment and expectations about firms headquartered in more Republican-leaning counties.

4.4 Additional regression results

4.4.1 Proximity to borders and maritime coasts

The prospect of a trade war may affect firms nearer an international border or maritime coast to a greater extent. Proximity is minus one times the logarithm of the distance of the county's geometric centroid¹⁴ to Canada, Mexico, or a salt-water coast, respectively. This means proximity decreases substantially at short distance inward from a border or coast, but decreases more gradually at greater distances inward. We denote proximity to Canada $v_{can,c}$, to Mexico $v_{mex,c}$, and to a maritime coast $v_{salt,c}$.

These firm- or county-level regressions are of the form

$$[3] \quad r_{s\ OR\ c} = \beta_0 + \beta_\rho \rho_c + \beta_b b_c + \beta_n \ln n_c + \beta_p \ln p_c + v_{can,c} + v_{mex,c} + v_{salt,c} + \varepsilon_c$$

All other variables are as in [1] or [2]. Again, estimation is by OLS with robust standard errors in county-level regressions and clustering by county in firm-level regressions.

[Table 7]

Table 7 shows that the negative coefficients on the red politics variable are largely unaffected by the inclusion of the border and coast proximity variables in regressions explaining the Liberation Day trade

¹⁴ A county's *geometric centroid* is the center of gravity of an irregular polygon approximating the county's shape. Data are from the Esri ArcGIS geo-processing tool.

War window returns measures. In contrast, regressions explaining the First Trade War window reveal a robust blue-collar effect: firms in more blue-collar counties experience smaller value declines across all measures.

The coefficients on the measures of proximity to Canada, Mexico or a maritime coast are not consistently significant and do not even attract consistent signs. Regressions including one proximity measure at a time (not shown) likewise fail to tell a consistent story.

4.4.2 Firm size and industry effects

Smaller firms can be vulnerable to all manner of disruptions that larger firms can more readily adapt to. A check of simple correlations affirms a size effect. We measure *firm size* as the log of firm *s*'s market value on Jan. 17, 2025, the last trading day before the 2025 inauguration, and denote this $\ln mv_s$.

In the First Trade War window, cr_s^{1st} has a significantly positively ($p \cong 0.00$) correlation of +0.185 with $\ln mv_s$. Firm size also has a significantly positive ($p \cong 0.00$) correlation of +0.0517 with cumulative abnormal return, car_s^{1st} , in that window. These correlations accord with the general theme in the literature of smaller firms disruptions of all kinds shaking smaller firms more severely.

The Liberation Day Trade War is different. In that window, the correlation of a firm's cumulative stock return cr_s^{lib} with firm size is a significantly ($p \cong 0.00$) negative -0.0696 . That is, larger firms lose more than smaller firms in the Liberation Day Trade War window. A firm's cumulative abnormal return in the Liberation Day window correlates insignificantly with its size.

Firm-size quintile returns (see **Appendix Figure 1**) affirm a monotonic relationship between larger firm size and less negative returns in the First Trade War window. In contrast, medium-sized firms lose insignificantly more than either very small or very large firms in the Liberation Day window.

To allow for nonlinearity in the relationship between trade war window returns and firm size, we append both firm size and its square to [3].

[Table 8]

Table 8 appends size, size squared, and (in alternate sets of regressions) industry fixed-effects. Greater political redness remains significantly associated with more negative firm-level cumulative abnormal returns in the Liberation Day window, though total returns fall short of statistical significance. Firms headquartered in more blue-collar counties again have smaller value declines in the First Trade War window.

Smaller firms have more negative trade war window returns. In all regressions, except those explaining county portfolio total cumulative returns, larger firms have less negative returns, but this attenuates for

very large firms. The sign of the relationship does not flip. For example, in the Liberation Day trade war window, the significant coefficients on firms size are 2.4 ± 0.2 and those on size squared are -0.06 ± 0.04 . Combining these implies an inflection point at $\ln mv_s \cong 400$, which exceeds the size of our largest firms.

Columns 3–4 and 7–8 of Table 8 show that Industry fixed effects increase the regression R^2 substantially and are collectively significant. Including industry fixed-effects reduces the magnitudes of the coefficients on political redness and blue-collar preponderance. This suggests that firms in certain industries might be more apt to be based in more politically conservative or more blue-collar counties, and our main results might, in part at least, be driven by that industry effects.

[Table 9]

Table 9 explores this issue using value- and equal-weighted cumulative returns, mean cumulative abnormal returns of stocks in the industry, the cumulative abnormal return of Fama-French 17 industry portfolios. We augment these with industry links to red politics (Republican per Democrat) and blue-collar workers (residents with high school or less per resident with a bachelor's degree or more education). These are firm-value-weighted averages of these ratios in the head office counties of all firms in the industry. Panel A summarizes means of these variables. Panel B shows correlations of industry-level red politics and blue-collar workers with the alternative industry portfolio return measures in each of the two trade war windows.

In the Liberation Day Trade War window, industries linked more strongly to red politics and blue-collar workers have more negative abnormal returns. This means these portfolios lose more than the losses expected to accompany the observed broad market declines in this window. This holds whether cumulative abnormal returns are averages of the cumulative abnormal returns of firms in the industry or are cumulative abnormal returns of the industry portfolio as a whole.

[Figure 6]

Panel A of Figure 6 summarizes these patterns graphically. Regression lines, superimposed, are uniformly of negative slope. Graphs for equal-weighted cumulative returns and industry portfolio cumulative abnormal returns (not shown) resemble the value-weighted cumulative returns and mean cumulative returns of firms in the industry in the panel.

Panel B of table 9 shows positive but mostly statistically insignificant correlations between an industry's valuation change in the First Trade War of 2025 window and it links to political redness or blue-collar workers. Panel B of Figure 6 summarizes these patterns graphically. The positive correlation is most evident in the upper right graph, which plots industry portfolio cumulative returns against the importance

of blue-collar jobs for the industry and which corresponds to the only statistically significant correlation for the First Trade War of 2025 window in Table 9 Panel B. These industry portfolios are losing less value due to their generally lesser comovement with the market, for no such effect is evident in cumulative abnormal return measure.

The Liberation Day trade war imposed significantly larger industry-specific valuation cuts on portfolios of industries more fully based in more politically red counties or in more blue-collar counties. The First Trade War of 2025 did not.

4.5 Robustness checks

To check the robustness of our results, we conduct several additional tests beyond the baseline regression models.

We incorporate a broader set of return measures. In addition to the previously reported value-weighted return, equal-weighted return, and portfolio abnormal return, we include equal-weighted abnormal returns as an alternative dependent variable. The results for the two event windows are reported in Columns 1 and 2 of **Appendix Table 2**, respectively.

To address potential bias arising from variation in the number of firms across counties, we implement weighted least squares (WLS) regressions, using the number of corporate headquarters in each county as regression weights. This is in addition to controlling for firm count directly in the baseline regressions. Columns 3 and 6 of **Appendix Table 2** report WLS results for the two windows. Apart from minor changes in statistical significance for a few coefficients, the results remain largely consistent with the main findings.

5. Conclusions and Public Policy Implications

Avoiding tariffs and other trade barriers is associated with two economic arguments. First, introductory textbooks teach how tariffs distort prices and production, creating a deadweight loss to economic efficiency. However, sensible business executives and trade union leaders, noting how trade barriers excluding foreign competition increase their firms' profits and employment, can find the textbooks unduly abstract. This elicits the second argument: as interest groups lobby governments for idiosyncratically advantageous tariffs, the negative externalities of reduced competition (higher prices and slower innovation) accrue into what (Magee et al. 1989) call a black hole tariff economy.

The black hole tariff problem became increasingly obvious in the late 20th century, after many countries that adopted import substitution (Prebisch 1950; Singer 1950) – that is, high tariffs to encourage domestic production – had slow long-run growth, albeit sometimes after initial growth spurts. Trade liberalization

in the late 20th century was largely a campaign to reverse such policies, increasingly deemed a form of corruption, which Grossman and Helpman (1994) call “trade protection for sale.”

Of course, intensified competition harms less competitive firms and their employees with imperfectly portable skills. This too has negative social externalities, especially locally, and raises concerns that trade liberalization has gone too far. Low-cost imports from China, in particular, are associated with the elimination of good blue-collar jobs in the US.

The US unexpectedly raised tariffs sharply in two episodes in early 2025, both triggering broad stock market declines. President Trump declared that these tariffs would stimulate economic activity in blue-collar regions of the US, many of which supported his 2024 electoral victory. If so, the broad stock market declines might obscure a shift in investor expectations and confidence favoring firms in more blue-collar regions, and perhaps especially in regions of strong political support for the Republican Party.

We find no evidence of this in investors’ initial reactions to the tariffs. Rather, the stocks of firms headquartered in “redder” (more Republican voters per Democrat voter) counties actually fell more, all else equal, when the abrupt salience of the US’s Liberation Day tariffs spiked measures of investor fear and negative sentiment in the trading days from their announcement to their “pause” by the US (April 3 to 8, 2025). In contrast, the stocks of firms headquartered in more blue-collar counties fell less in a prior episode of escalating US tariffs against Canada, China, the European Union, and Mexico beginning on Feb 20 2025 and “paused” by the US on March 13, 2025. Larger drop in the values of firms headquartered in more Republican counties in the Liberation Day trade war window are in part due to the industries more concentrated in those counties having abnormal negative returns in excess of declines commensurate with the decline in the overall market. While sentiment may vary geographically and across industry investor clienteles, this suggests investors feared dire consequences for firms headquartered in more Republican-leaning counties. Public policy-makers contemplating improving investor confidence in the prospects of firms headquartered in more conservative regions of the United States may wish to avoid trade wars.

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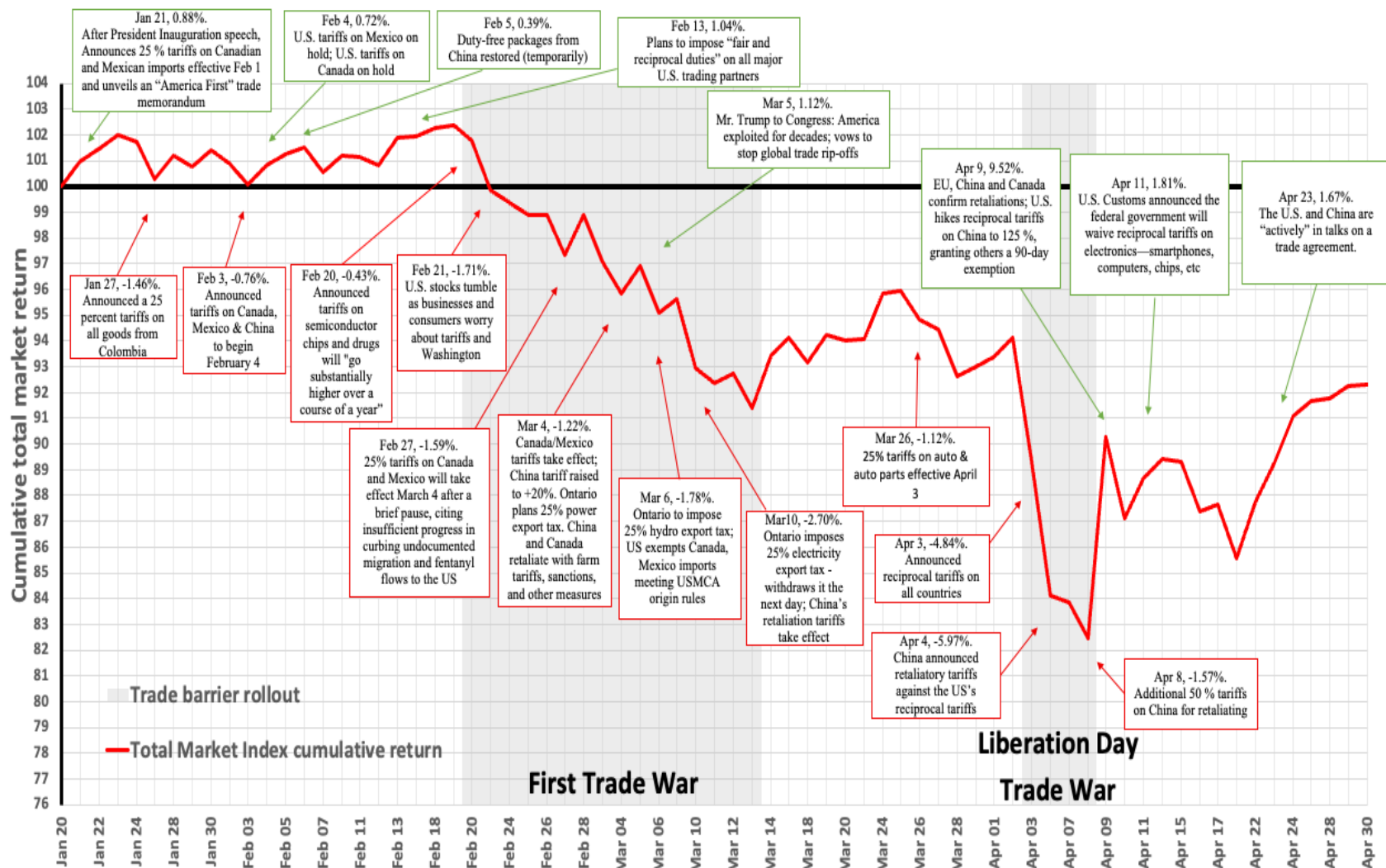
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Figure 1. Stock Market Reactions and Tariff News During the First One Hundred Days of the Presidency in 2025

Panel A. Cumulative total market return



Panel B. Losses on Major Market Indexes in Trade War Intervals

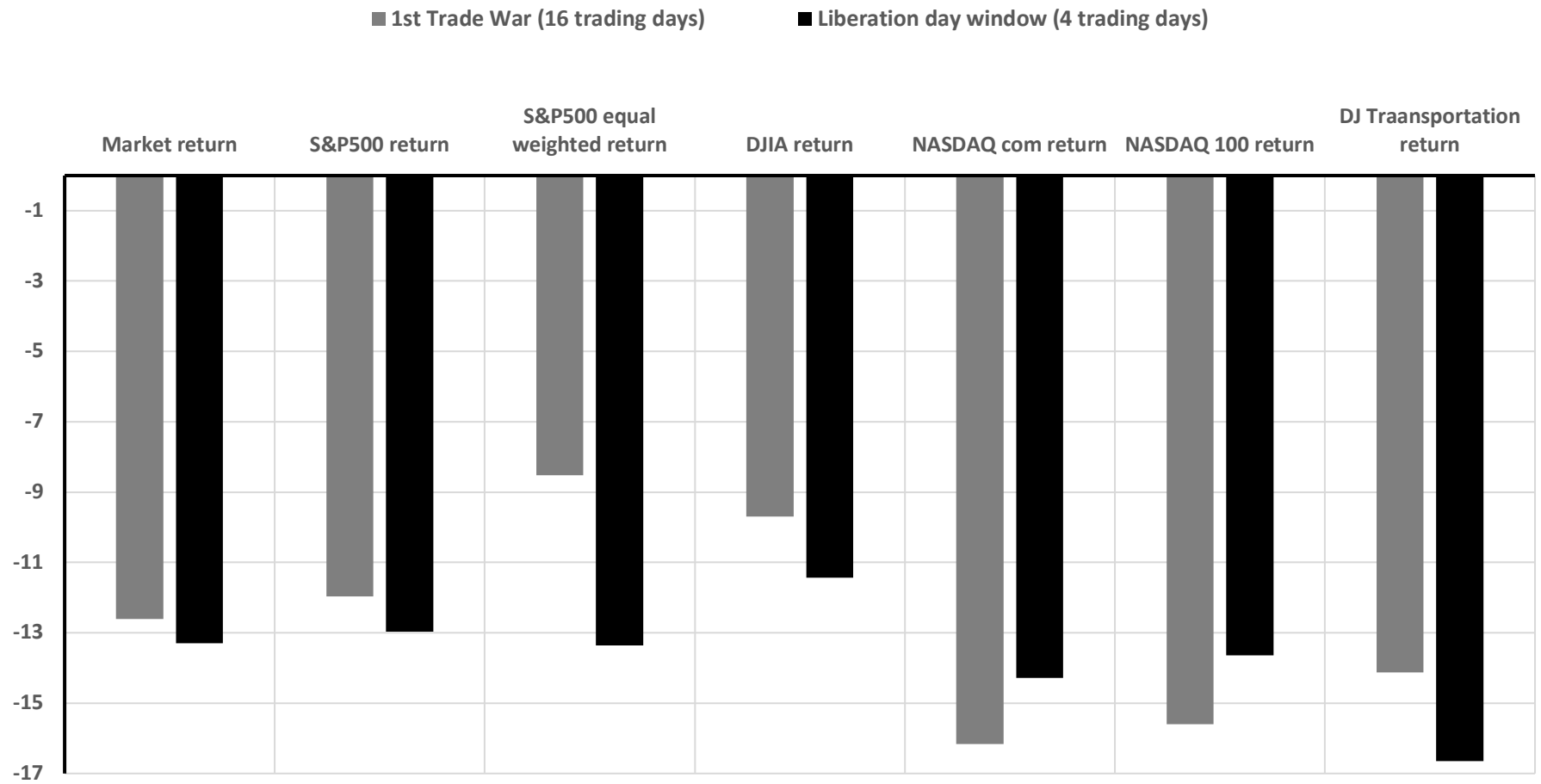
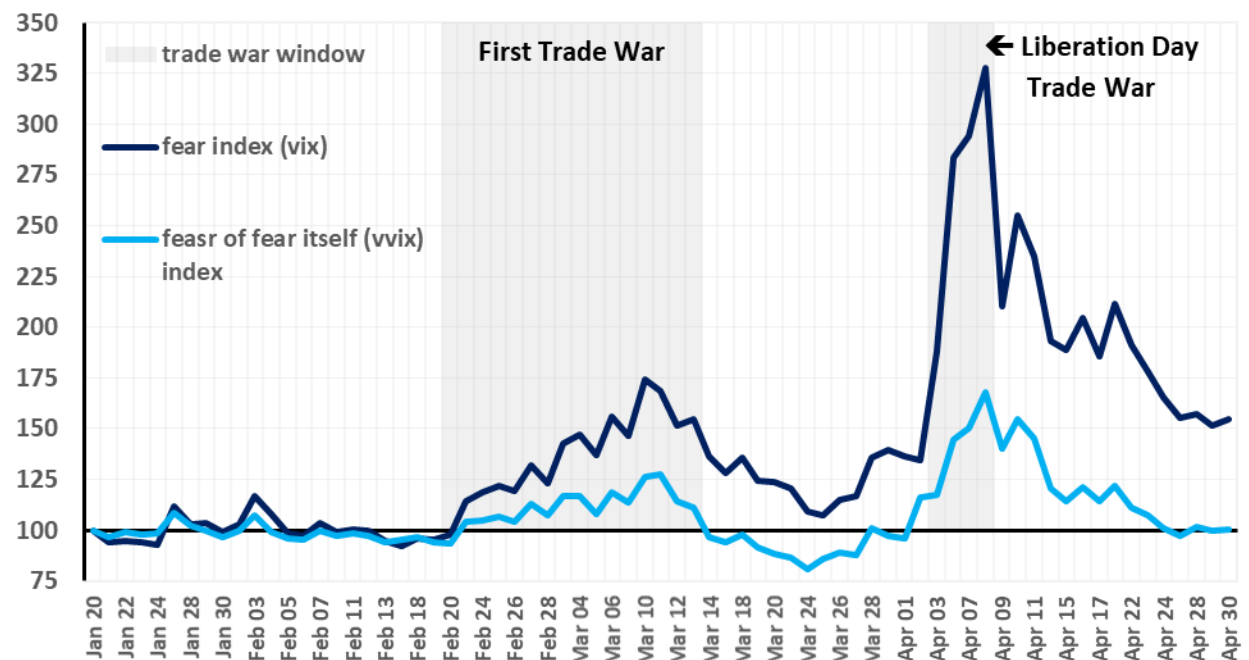


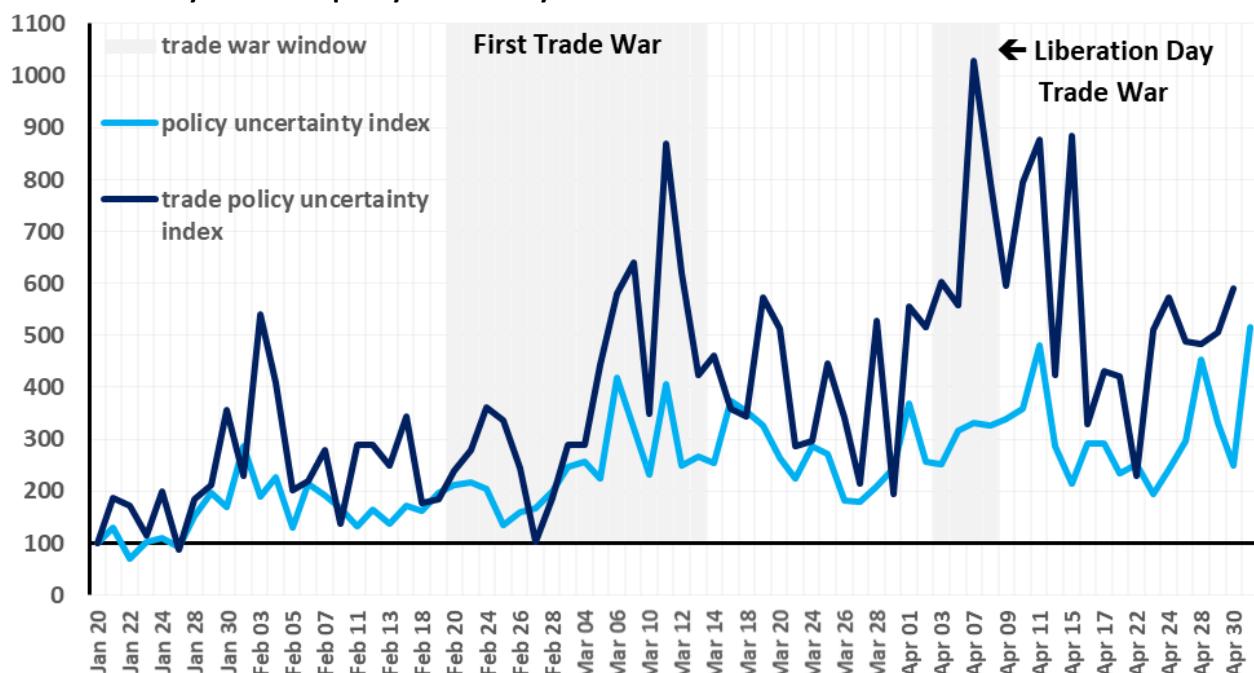
Figure 2. Measure of Investor Uncertainty and Fear

Grey shaded areas demarcate the two trade war windows: the Feb. 20 – Mar. 13 First Trade War of 2025 and Apr. 3 – Apr. 8 Liberation Day Trade War. Panel A plots the VIX, the standard deviation in the market return implicit in index options and the VVIX, the standard deviation in the value of VIX implicit in VIX options. The VIX is interpreted as a measure of market fear, the VVIX as a measure of the market's "fear of fear itself". Panel B plots the Davis et al. Policy Uncertainty and Trade Policy Uncertainty indexes. Panel C. Plots CNN Greed-Fear Index. All except the CNN Fear Index are normalized to 100 on Jan. 17, 2025, the trading day prior to the 2025 inauguration.

Panel A. Implied "fear" and "fear of fear itself" measures from options pricing



Panel B. Policy and trade policy uncertainty indexes



Panel C. CNN Greed-Fear Index

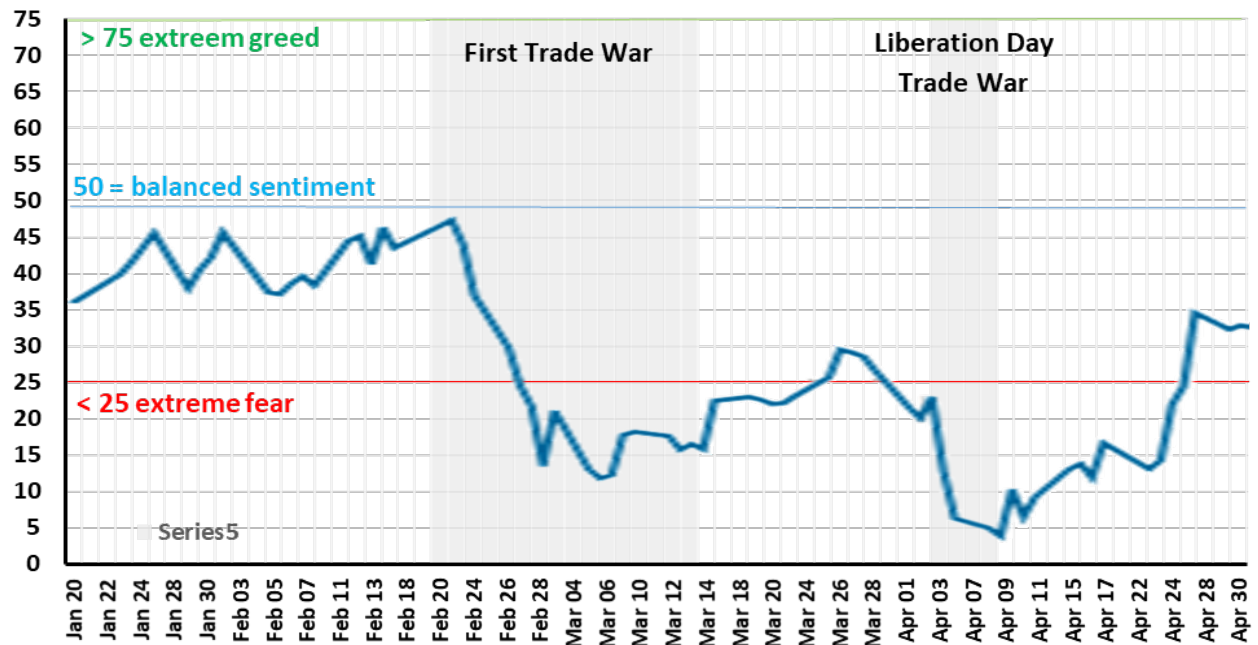


Figure 3. Stock Market Investor Wealth Changes During the First One Hundred Days of the 47th presidency of the United States (Jan. 21 – Apr. 30, 2025).

Grey shaded areas are the windows for the First Trade War of 2025 (Feb. 20 – Mar. 13, 2025) and the Liberation Day Trade War (Apr. 3 – Apr. 8, 2025). Left axis is in trillions of US\$. Right axis is as percent of 2024 US GDP.

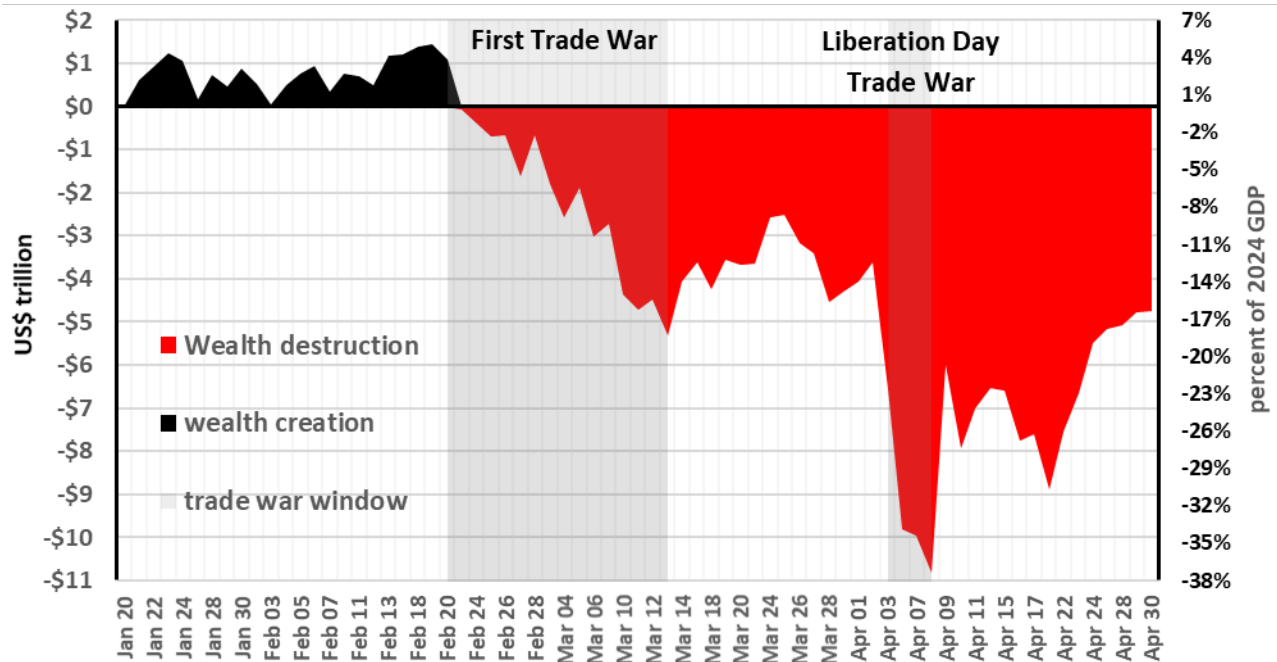
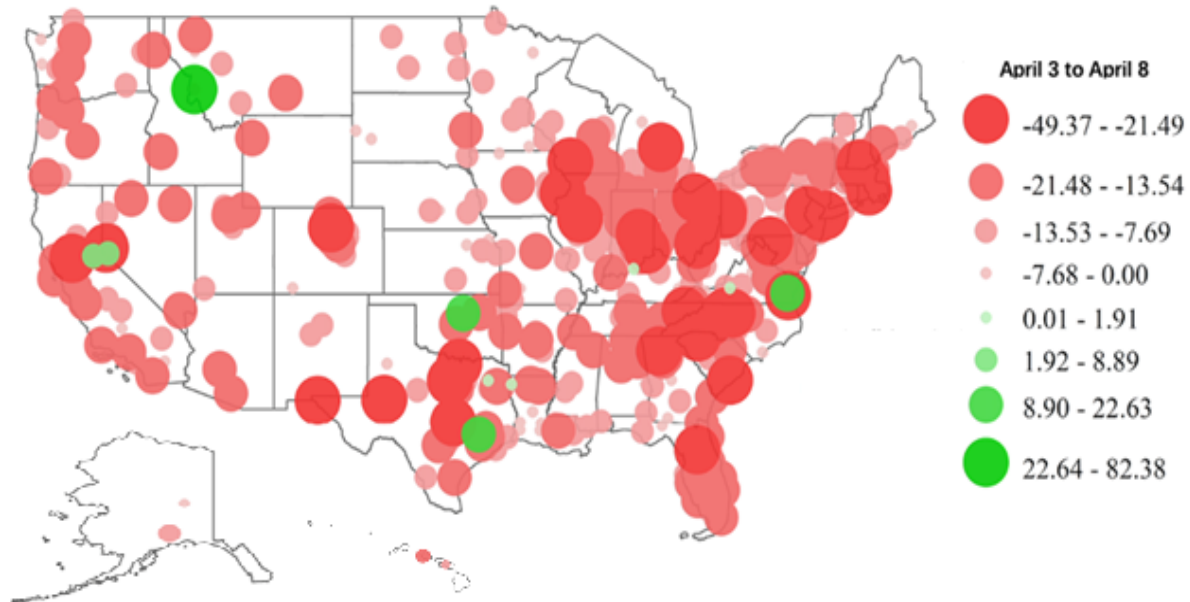


Figure 4. Geographic Portfolio Cumulative Returns During Liberation Day Trade War

Coloring indicates cumulative return of value-weighted portfolio of firms headquartered in each jurisdiction in the Liberation Day trade war window of April 3rd to 8th 2025. Redder color indicates greater loss

Panel A. County-level portfolios, value-weighted returns



Panel B. State-level portfolios, value-weighted returns

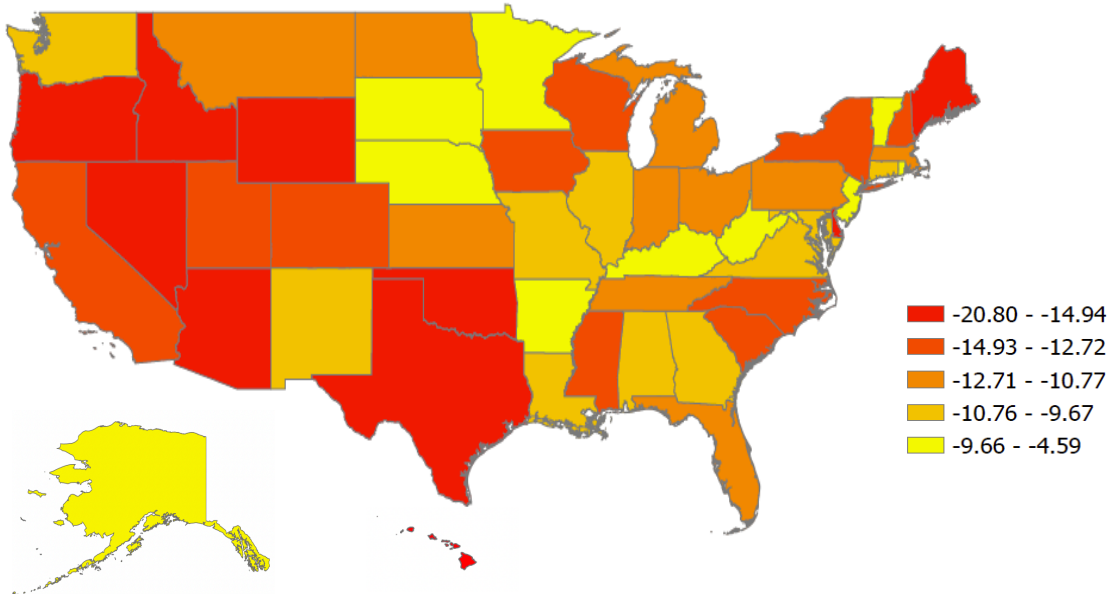
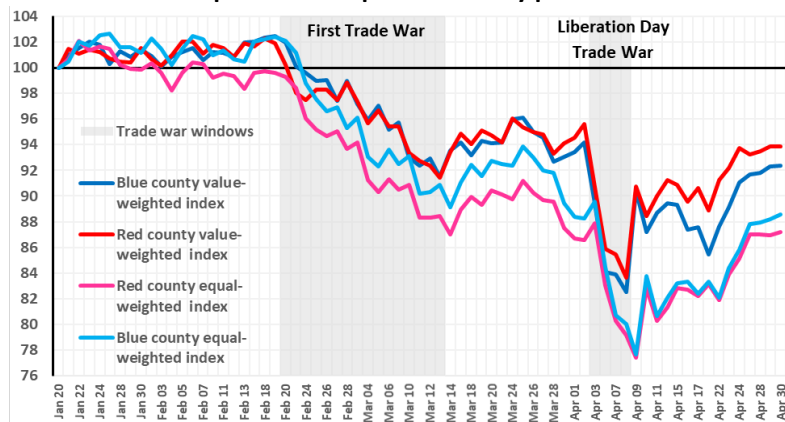


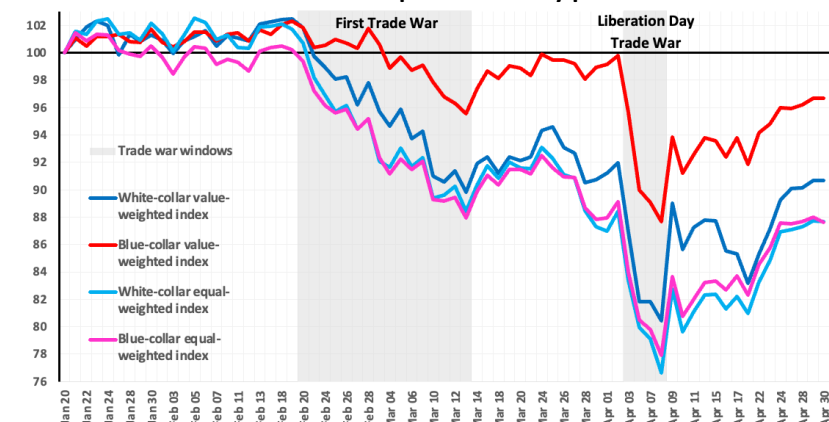
Figure 5. Dichotomous Geographically Sorted National Portfolios

Geographic portfolio cumulative returns in first 100 days of the 47th US presidency (Jan. 21 – Apr. 30, 2025). Panel A portfolios are firms headquartered in red (Republican 2024 presidential election majority) or blue (Democrat 2024 majority) counties. Panel B portfolios are firms headquartered in white-collar (above median fraction of residents with Bachelor's or higher degree) or blue-collar (other) counties. Panel C portfolios are firms headquartered in states bordering Canada, Mexico or neither. Panel D portfolios are firms headquartered in coastal or inland states. Portfolios normalized to 100 on Jan. 17, 2025, the trading day prior to the 2024 inauguration. Grey denotes the First Trade War of 2025 (Feb. 20 to – Mar. 13) and Liberation Day Trade War (April 3 – 8, 2025).

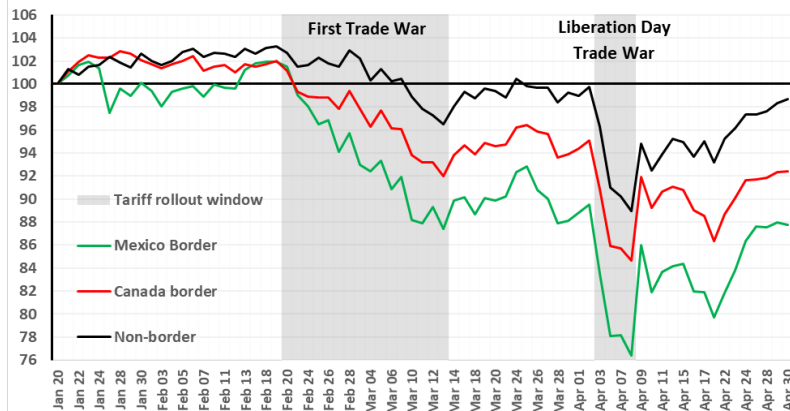
Panel A. Red or blue politics headquarters county portfolios



Panel B. Blue or white-collar headquarters county portfolios



Panel C. Border or non-border state headquarters portfolios



Panel D. Maritime Coastal or Inland headquarters county portfolio

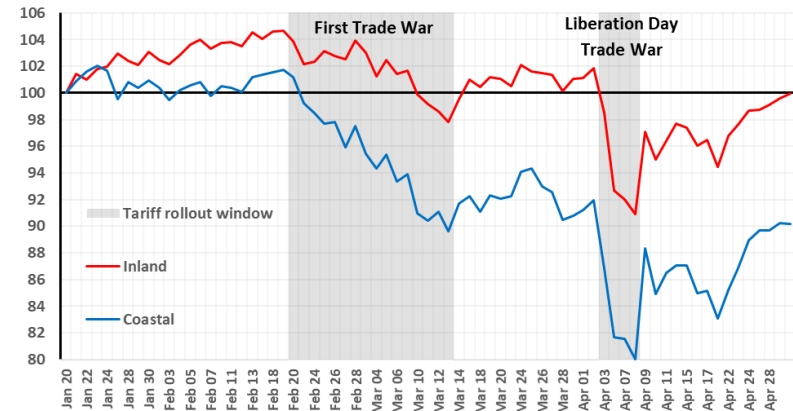
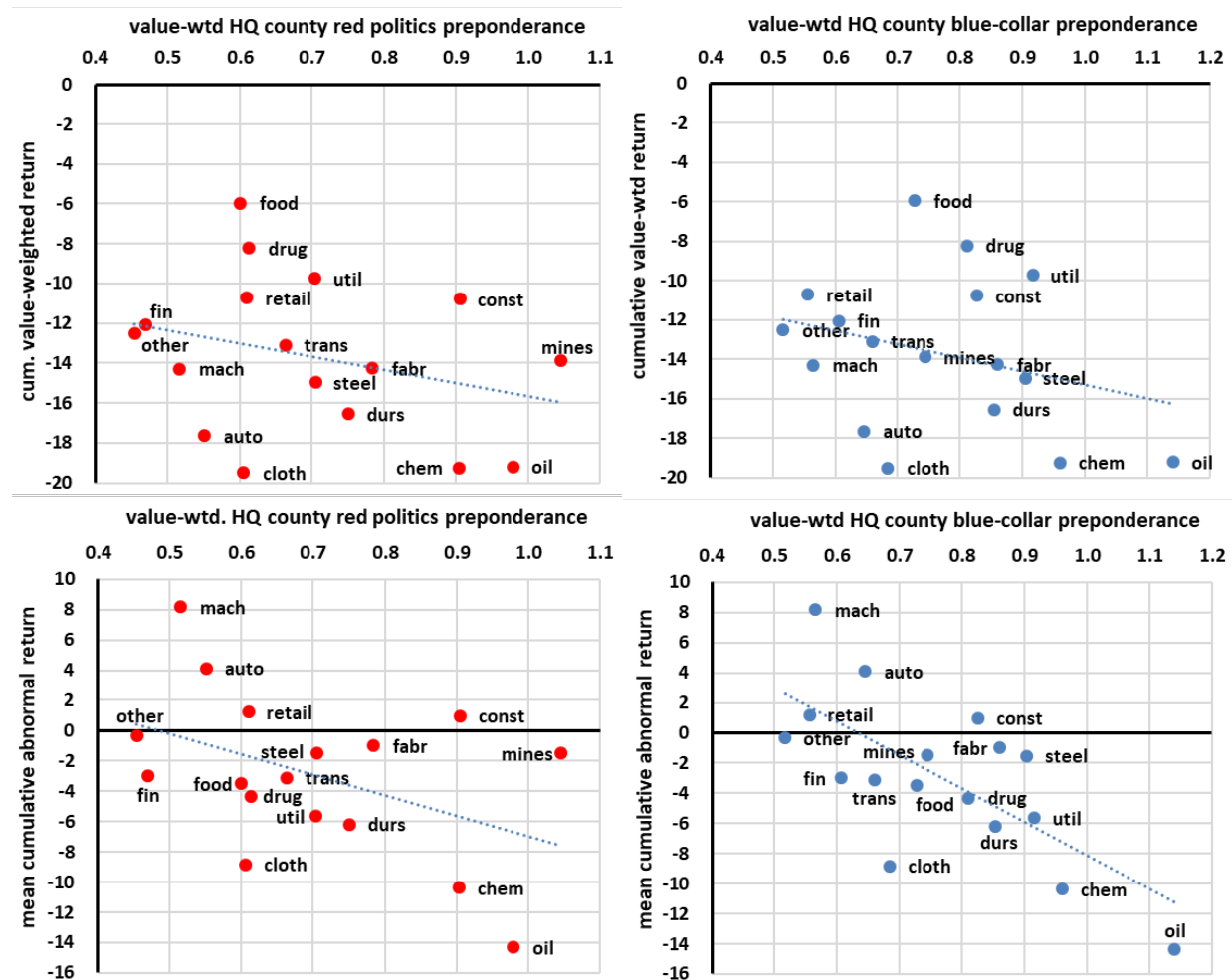


Figure 6. Industry Cumulative Returns and Headquarters State Political Leanings

Panel A plots cumulative returns and cumulative abnormal returns of value-weighted Fama-French 17 industry portfolios in the Liberation Day window (Apr. 3 to 8, 2025) against the mean political redness (Republicans per Democrat) and mean importance of blue collar jobs (residents with high school or less per resident with a bachelor's degree or more). Panel B repeats this exercise for the First trade War of 2025 window (Feb. 20 to Mar. 13, 2025).

Panel A. Liberation Day Trade War window



Panel B. First Trade War of 2025 window

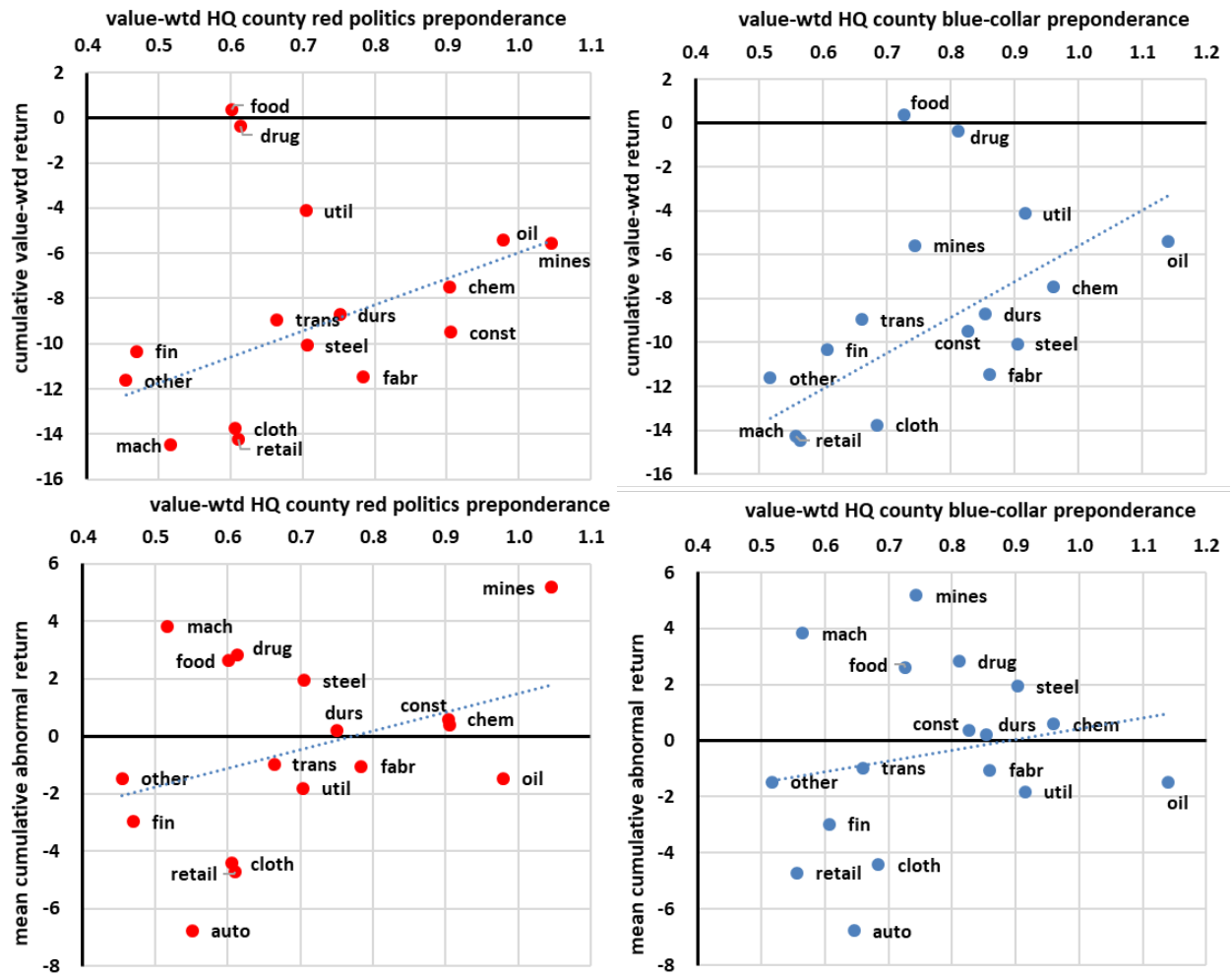


Table 1. Variables

This table describe the variables used in this paper. Panel A reports summary statistics for the main time-series variables over the baseline period from January 2, 2024, to January 17, 2025, the day prior to the 2024 US presidential inauguration, as well as for the cross-sectional county-level variables. Panel B describes each variable in detail, how it is constructed, and where the data used in its construction is from.

Panel A. Summary Statistics

variable		mean	std. dev.	Min.	25 th %	median	75 th %	max.
Baseline time series variable summary statistics								
economy level baseline market returns and uncertainty								
vwr_t	value-weighted market day t total return	0.0940	0.824	-3.15	-0.287	0.0940	0.586	2.83
ΔM_t	market capitalization day t growth	0.0500	0.460	-1.96	-0.165	0.0520	0.339	1.67
vix_t	fear index (market implied volatility) on day t	15.7	3.32	11.9	13.3	14.7	17.2	38.6
$vvix_t$	fear of fear index (VIX implied volatility) day t	93.3	15.5	73.3	81.5	89.0	102	173
$\sigma_{sp,t}$	S&P500 implied volatility on day t	14.8	4.04	9.19	12.0	14.0	16.1	42.8
pu_t	policy uncertainty index on day t	137	107.9	10.9	73.1	104.9	167.9	1026
tpu_t	trade policy uncertainty index on day t	574	507.5	55.3	219.2	397.7	727.2	3348
stock-level baseline returns								
$r_{s,t}$	value-weighted daily return on day t	0.08	10.11	-93.30	-1.44	0.00	1.33	8726.01
county portfolio-level baseline returns								
$vwr_{c,t}$	value-weighted daily return on day t	0.08	6.12	-64.72	-1.00	0.00	1.04	1897.22
$ewr_{ct,t}$	equal-weighted daily return on day t	0.06	3.36	-64.72	-1.11	0.00	1.12	313.64
Cross section variables summary statistics								
county descriptive variables								
ρ_c	red politics (Republicans/Democrat) in county c	1.40	0.970	0.060	0.730	1.13	1.79	6.16
b_c	blue collars (H.S. or less / B.A. or more) in c	1.22	0.740	0.150	0.7	1.04	1.55	5.33
n_c	number of stocks in county c portfolio	7.97	22.0	1	1	2	5	302
p_c	county c population (millions)	0.455	0.721	0.00378	0.0134	0.232	0.550	9.66
$d_{can,c}$	county c distance to Canada (km)	701	551	1.5	311	506	1,031	4,309
$d_{mex,c}$	county c distance to Mexico (km)	1,737	741	5.74	1,298	1,779	2,289	4,218
$d_{satl,c}$	county c distance to a maritime coast (km)	425.9	435.6	0.4	49.7	290	685.9	1,859

Panel B. Descriptions of variables, their construction, and data sources

Variable	Detailed description
cr_w^W	Cumulative buy-and-hold return, with $w = c$ or s for portfolio of listed firms headquartered in each U.S. county or each stock, respectively and with $W = lib$ or $1st$ indicating that the return is cumulative over the Liberation Day Trade War window (Apr. 3 to 8, 2025) or 1 st for First Trade War of 2025 window (Feb. 20 to Mar. 13 2025), respectively. We consider the cumulative returns value-weighted and equal-weighted portfolios of the listed firms headquartered in county c in time window w , denoting these $vwcr_c^w$ and $ewcr_c^w$. Source: estimated using CRSP data
$mcar_c^W$	Value-weighted mean idiosyncratic (abnormal) return of stocks in the county portfolio. Market Model parameters, estimated for each stock in a baseline window (Jan. 3, 2024, to Jan. 17, 2025), are used to estimate each stock's systematic and idiosyncratic returns in the Liberation Day Trade War window (Apr. 3 to 8, 2025) or 1 st for First Trade War of 2025 period (Feb. 20 to Mar. 13 2025), denoted $W = lib$ or $1st$ respectively. Source: estimated using CRSP data
car_w^W	Idiosyncratic (abnormal) return, with $w = c$ or s for county portfolio or each stock, respectively. Market Model parameters, estimated for each county portfolio or each stock in a baseline window (Jan. 3, 2024, to Jan. 17, 2025), are used to estimate each county portfolio or each stock's systematic and idiosyncratic returns in the Liberation Day Trade War window (Apr. 3 to 8, 2025) or 1 st for First Trade War of 2025 period (Feb. 20 to Mar. 13 2025), denoted $W = lib$ or $1st$ respectively. Source: estimated using CRSP data
ρ	<i>Political redness</i> is a county-level political measure. A redder county has more Republican voters / Democrat voter in the 2024 presidential election. Source: Tony McGovern's county-level election dataset (scraped from Fox News).
b	<i>Collar blueness</i> is a county-level education measure. A more blue-collared county has more residents with at most a high school education per resident with at least a bachelor's degree. Source: U.S. Department of Commerce, Bureau of the Census, 2019-23 5yr American Community Survey (ACS)
n	<i>Number of headquarters</i> is the number of listed firms with headquarters located in the county. Source: CRSP/Compustat Merged Database
p	<i>Population</i> is the total residents living in the county in 2023. Source: U.S. Department of Commerce, Bureau of the Census, Population Estimates Program
d_{can}	<i>Distance to Canada</i> is kilometers from county's largest city to the Canadian border. Regressions use the logarithm. Source: Estimated using the Esri ArcGIS geoprocessing tool
d_{mex}	<i>Distance to Mexico</i> is kilometers from county's largest city to the Mexica border. Source: Estimated using the Esri ArcGIS geoprocessing tool
d_{salt}	<i>Distance to salt water</i> is kilometers from county's largest city to the nearest coast (Atlantic, pacific, or Gulf). Source: Estimated using the Esri ArcGIS geoprocessing tool

Table 2. Market Index Returns in the Baseline Window and Two Trade War Windows

Baseline window is Jan. 2, 2024, to Jan. 17, 2025, the last trading day prior to the 2025 US presidential inauguration. The First Trade War window, a spate of tariff decrees against Canada, China, the European Union and Mexico, began on Feb. 20 and “paused” on Mar. 14 2025. This trade war window therefore runs from Feb. 20 to Mar. 13 2025. The Liberation Day trade War window was a briefer but more sweeping rollout of tariffs against almost all other countries that began on Mar. 3 2025 and “paused” on Mar. 9 2025. This trade war window therefore runs from Apr. 3 to Apr. 8 2025. Excess returns are returns in excess of the baseline period return.

		total market return	S&P500 return	S&P500 equal- weighted return	DJIA return	NASDAQ com return	NASDAQ 100 return
baseline window (Jan. 2 2024 – Jan. 17 2025)	daily mean return p-level	0.0909 (0.08)	0.0893 (0.08)	0.0509 (0.27)	0.0542 (0.24)	0.11 (0.13)	0.0997 (0.17)
1st Trade War window Feb. 20 – Mar. 13, 25 (16 trading days)	daily mean excess return	-0.788	-0.748	-0.533	-0.606	-1.01	-0.975
	p-level	(0.00)	(0.00)	(0.01)	(0.00)	(0.00)	(0.00)
	cumulative excess return	-12.61	-11.97	-8.53	-9.70	-16.2	-15.6
Liberation day window Apr. 3 – 8, 25 (4 trading days)	daily mean excess return	-3.33	-3.24	-3.34	-2.86	-3.57	-3.41
	p-level	(0.00)	(0.00)	-(0.01)	(0.00)	(0.00)	(0.00)
	cumulative return	-13.3	-13.0	-13.4	-11.4	-14.3	-13.6

Table 3. Investor Uncertainty Spikes during Trade War Windows

This table contrasts means of the value-weighted S&P market return and various investor uncertainty measures in a baseline window from January 2, 2024 to Jan 17, 2025 versus the first 100 days of the presidency in 2025 and in various subsets thereof. The fear index VIX is the implied volatility from index options prices, the fear of fear index VVIX the implied volatility in VIX options prices, the implied volatility of the S&P500 from S&P500 index futures option is an alternative fear index, economic and trade policy uncertainty indexes measure text-base news of economic policy uncertainty in general and of trade policy uncertainty. Panel A describes simple differences from the baseline means described in Table 2. Panel B uses all historical daily data for each variable to estimate time-series (two lags suffice) and estimates deviations from those trend in the trade war windows. in parentheses are heteroscedasticity-robust p-levels, bold indicating significance at 10% or better. Table 2 describes baseline summary statistics variables.

Uncertainty index		<i>VIX (fear index)</i> vix_t	<i>VVIX (fear of fear index)</i> $vvix_t$	<i>S&P500 implied volatility</i> $\sigma_{sp,t}$	<i>policy uncertainty</i> pu_t	<i>trade policy uncertainty</i> tpu_t
Panel A. Differences from baseline levels						
		4A.1	4A.2	4A.3	4A.4	4A.5
baseline	mean	15.6	93.3	14.8	138	574
	p-level	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Liberation window (April 3 to 8 '25)	difference	28.0	54.3	40.6	509	4,191
	p-level	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
	mean	43.7	148	55.4	647	4,764
	% above baseline	179.2	58.2	275.4	370.3	730.6
1st trade war of 2025 (Feb 20 to Mar 13 '25)	difference	6.38	20.2	7.73	311	1,938
	p-level	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
	mean	22.0	114	22.5	449	2,511
	% above baseline	40.8	21.7	52.4	226.4	337.8
Panel B. Deviations from long-run time series trend						
		4B.1	4B.2	4B.3	4B.4	4B.5
all data to Jan 17 2025	mean	0.117	3.91	0.663	31.0	34.5
	p-level	(0.05)	(0.00)	(0.00)	(0.00)	(0.00)
Liberation window (April 3 to 8 '25)	difference	12.5	16.1	18.4	159.4	1179
	p-level	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
	mean	12.6	20.0	19.0	190	1,214
	% above trend	10,641%	412%	2,771%	515%	3,414%
1st trade war (Feb 20 to Mar 13 '25)	difference	0.199	-0.225	0.536	99.2	511
	p-level	(0.69)	(0.89)	(0.54)	(0.00)	(0.00)
	mean	0.316	3.68	1.20	130	545
	% above trend	170%	-5.76%	80.8%	321%	1,478%
uncertainty index lagged		0.896	0.894	0.771	0.446	0.504
p-level		(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
uncertainty index lagged twice		0.093	0.065	0.168	0.277	0.311
p-level		(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
N		5,138	2,721	2,065	14,740	14,740

Table 4. County Portfolio Returns and County Characteristics Measures

Table 1 describes variables and Table 2 provides summary statistics. Numbers in parentheses are p-levels for rejecting zero correlation, with bold indicating significance at 10% or better. Sample is 509 US counties with corporate head offices of listed firms.

Panel A. Mean daily return measures in trade war windows, all counties

County-level portfolio measure	Liberation Day Trade War window				1 st Trade War window			
	value- weighted return	equal- weighted return	mean stock ab. return	portfolio abnormal return	value- weighted return	equal- weighted return	mean stock ab. return	portfolio abnormal return
	vwr_c^{lib}	ewr_c^{lib}	mar_c^{lib}	ar_c^{lib}	vwr_c^{1st}	ewr_c^{1st}	mar_c^{1st}	ar_c^{1st}
baseline mean	0.076	0.063	0	0	0.076	0.063	0	0
p-level of mean	0.000	0.000	n/a	n/a	0.000	0.000	n/a	n/a
mean daily return	-3.011	-2.965	-0.112	-0.074	-0.622	-0.718	0.001	0.013
difference from baseline	-3.088	-3.028	-0.112	-0.074	-0.698	-0.781	0.001	0.013
p-level of difference	0.000	0.000	0.098	0.276	0.000	0.000	0.982	0.694
cumulative for window	-12.046	-11.861	-0.449	-0.295	-9.949	-11.480	0.012	0.214

Panel B. Simple correlations of county characteristics with cumulative returns measures in trade war windows

County portfolio cumulative measure		Liberation Day Trade War window				1 st Trade War window			
		value- weighted return	equal- weighted return	mean stock ab. return	portfolio abnormal return	value- weighted return	equal- weighted return	mean stock ab. return	portfolio abnormal return
		$vocr_c^{lib}$	$ewcr_c^{lib}$	$mcar_c^{lib}$	car_c^{lib}	$vocr_c^{1st}$	$ewcr_c^{1st}$	$mcar_c^{1st}$	car_c^{1st}
red politics	ρ_c	0.0324 (0.47)	0.0433 (0.33)	0.0211 (0.63)	0.0108 (0.81)	0.0162 (0.72)	0.0849 (0.06)	0.0316 (0.48)	0.0221 (0.62)
blue collars	b_c	0.149 (0.00)	0.125 (0.00)	0.0658 (0.14)	0.0465 (0.30)	0.098 (0.03)	0.161 (0.00)	0.085 (0.05)	0.064 (0.15)
log (no. head offices)	$\ln n_c$	-0.149 (0.00)	-0.180 (0.00)	-0.206 (0.00)	-0.184 (0.00)	0.0404 (0.36)	-0.141 (0.00)	-0.003 (0.95)	0.018 (0.69)
log (population)	$\ln p_c$	-0.165 (0.00)	-0.180 (0.00)	-0.202 (0.00)	-0.183 (0.00)	0.0249 (0.58)	-0.149 (0.00)	-0.016 (0.73)	0.011 (0.80)
near Canada	$v_{can,c}$	0.0513 (0.25)	0.0132 (0.77)	0.0547 (0.22)	0.0526 (0.24)	0.0736 (0.10)	0.110 (0.01)	0.100 (0.02)	0.089 (0.04)
near Mexico	$v_{mex,c}$	-0.0666 (0.13)	-0.0361 (0.42)	-0.0658 (0.14)	-0.0595 (0.18)	-0.0228 (0.61)	-0.0898 (0.04)	-0.0358 (0.42)	-0.0264 (0.55)
near salt water	$v_{salt,c}$	-0.0584 (0.19)	-0.0523 (0.24)	0.0614 (0.17)	0.0645 (0.15)	-0.126 (0.00)	-0.173 (0.00)	-0.091 (0.04)	-0.092 (0.04)

Panel C. Correlations of county characteristics with each other

		ρ_c	b_c	$\ln n_c$	$\ln p_c$	$v_{can,c}$	$v_{mex,c}$
blue collar	b_c	0.613 (0.00)					
log (no. head offices)	$\ln n_c$	-0.421 (0.00)	-0.425 (0.00)				
log (population)	$\ln p_c$	-0.534 (0.00)	-0.449 (0.00)	0.740 (0.00)			
near Canada	$v_{can,c}$	-0.0526 (0.24)	0.016 (0.71)	-0.142 (0.00)	-0.214 (0.00)		
near Mexico	$v_{mex,c}$	0.088 (0.05)	0.052 (0.24)	0.101 (0.02)	0.198 (0.00)	-0.552 (0.00)	
near salt water	$v_{salt,c}$	-0.259 (0.00)	-0.139 (0.00)	0.232 (0.00)	0.299 (0.00)	-0.182 (0.00)	-0.148 (0.00)

Table 5. Geographical Distribution of Stock Returns by Corporate Headquarters County

Panel A summarizes regressions explaining cumulative stock return, cr_s^{lib} and cr_s^{1st} , in the Liberation Trade War window (left three columns) or First Trade War of 2025 window (right three columns), respectively. Panel B regressions explain cumulative abnormal stock returns, car_s^{lib} and car_s^{1st} , in the same windows. Explanatory variables are characteristics of firm s 's headquarters county: the redness of its politics, ρ_c , is Republican voters per Democratic voter in the 2024 presidential election; the importance of blue collar is its residents with a high school education or less per resident with a bachelor's degree or more education, b_c . Numbers in parentheses are heteroscedasticity-robust OLS p-levels, clustered by headquarters-county. Bold indicating significance at 10% or better. Table 1 describes all variable in detail. Returns are winsorized at the 1% level.

Panel A. Cumulative stock returns clustered by county of headquarters

	5A.1	5A.2	5A.3	5A.4	5A.5	5A.6
	cr_s^{lib}	cr_s^{lib}	cr_s^{lib}	cr_s^{1st}	cr_s^{1st}	cr_s^{1st}
<i>red politics</i>	-0.575		-0.29	-0.915		-0.0631
ρ_c	(0.10)		(0.43)	(0.06)		(0.90)
<i>blue collar</i>	0.639	0.269		2.11	1.52	
b_c	(0.18)	(0.60)		(0.00)	(0.00)	
$\ln(firms)$	-0.495	-0.461	-0.559	-0.245	-0.191	-0.516
$\ln n_c$	(0.05)	(0.07)	(0.02)	(0.61)	(0.70)	(0.29)
$\ln(population)$	-0.279	-0.203	-0.178	-0.661	-0.539	-0.315
$\ln p_c$	(0.34)	(0.49)	(0.57)	(0.23)	(0.31)	(0.57)
<i>intercept</i>	-7.90	-9.22	-8.82	-3.87	-5.98	-6.75
	(0.04)	(0.01)	(0.03)	(0.55)	(0.33)	(0.31)
observations	4,006	4,007	4,006	4,004	4,005	4,004
R^2	0.016	0.015	0.015	0.009	0.008	0.006

Panel B. Cumulative abnormal stock returns clustered by county of headquarters

	5B.1	5B.2	5B.3	5B.4	5B.5	5B.6
	car_s^{lib}	car_s^{lib}	car_s^{lib}	car_s^{1st}	car_s^{1st}	car_s^{1st}
<i>red politics</i>	-0.929		-1.15	-1.25		-0.774
ρ_c	(0.07)		(0.04)	(0.02)		(0.12)
<i>blue collar</i>	-0.557	-1.16		1.18	0.377	
b_c	(0.42)	(0.13)		(0.02)	(0.46)	
$\ln(firms)$	-0.234	-0.18	-0.163	-0.0939	-0.0203	-0.246
$\ln n_c$	(0.43)	(0.54)	(0.57)	(0.67)	(0.93)	(0.28)
$\ln(population)$	-0.639	-0.516	-0.729	-0.926	-0.76	-0.734
$\ln p_c$	(0.11)	(0.18)	(0.11)	(0.00)	(0.02)	(0.03)
<i>intercept</i>	9.55	7.43	10.3	10.5	7.69	8.96
	(0.08)	(0.15)	(0.09)	(0.01)	(0.06)	(0.04)
observations	3,940	3,941	3,940	3,940	3,941	3,940
R^2	0.009	0.008	0.009	0.006	0.004	0.005

Table 6. Value Revisions by Geographic Distribution of Political Leanings and Human Capital
Panels A and B summarize OLS regressions explaining cumulative value revisions in the Liberation Day trade war window (April 3 to 8, 2025), $w = lib$, and the First Trade War Of 2025 window (Feb. 20 to Mar. 13, 2025), $w = 1^{st}$, respectively. Explained variables in columns 1 and 2 are $vwcr_c^w$ and $ewcr_c^w$, the cumulative returns in window w of value- and equal-weighted portfolios of all stocks of county c headquartered firms. Columns 3 and 4 explain $mcar_c^w$, the mean cumulative Market Model abnormal return of stocks in those portfolios, and car_c^w , the Market Model cumulative abnormal return of the value-weighted portfolio of stocks headquartered in the county. Explanatory variables are the redness of county c 's politics, ρ_c (Republican voters per Democratic voter in the 2024 presidential election), the preponderance of blue-collar residents, b_c (those with high school or less per resident with a bachelor's degree or more). Numbers in parentheses are heteroscedasticity-robust p-level clustered by county. Bold indicates significance at 10% or better. Table 1 describes all variables in detail.

Panel A. Liberation Day trade war window – Apr. 3 to 8 2025

	6A.1	6A.2	6A.3	6A.4	6A.5	6A.6
	$vwcr_c^{lib}$	$ewcr_c^{lib}$	$mcar_c^{lib}$	car_c^{lib}	cr_s^{lib}	car_s^{lib}
<i>red politics</i>	-0.989	-0.792	-0.873	-0.808	-0.575	-0.929
ρ_c	(0.03)	(0.06)	(0.07)	(0.10)	(0.10)	(0.07)
<i>blue collar</i>	1.31	0.958	0.145	0.0086	0.639	-0.557
b_c	(0.00)	(0.02)	(0.77)	(0.99)	(0.18)	(0.42)
$\ln(firms)$	-0.162	-0.353	-0.655	-0.584	-0.495	-0.234
$\ln n_c$	(0.56)	(0.17)	(0.03)	(0.05)	(0.05)	(0.43)
$\ln(population)$	-0.744	-0.599	-0.911	-0.865	-0.279	-0.639
$\ln p_c$	(0.03)	(0.06)	(0.01)	(0.02)	(0.34)	(0.11)
<i>intercept</i>	-2.55	-3.87	12.3	11.9	-7.90	9.55
	(0.56)	(0.32)	(0.01)	(0.01)	(0.04)	(0.08)
<i>observations</i>	509	509	509	509	4,006	3,940
R^2	0.050	0.052	0.059	0.050	0.016	0.009

Panel B. First Trade War of 2025 window – Feb. 20 – Mar. 13 2025

	6B.1	6B.2	6B.3	6B.4	6B.5	6B.6
	$vwcr_c^{1st}$	$ewcr_c^{1st}$	$mcar_c^{1st}$	car_c^{1st}	cr_s^{1st}	car_s^{1st}
<i>red politics</i>	-0.381	-0.547	-0.207	-0.0701	-0.915	-1.25
ρ_c	(0.54)	(0.36)	(0.70)	(0.89)	(0.06)	(0.02)
<i>blue collar</i>	1.96	1.722	1.206	0.972	2.11	1.18
b_c	(0.00)	(0.01)	(0.04)	(0.08)	(0.00)	(0.02)
$\ln(firms)$	0.570	-0.223	-0.263	0.243	-0.245	-0.0939
$\ln n_c$	(0.19)	(0.56)	(0.48)	(0.51)	(0.61)	(0.67)
$\ln(population)$	0.128	-0.554	-0.0576	0.125	-0.661	-0.926
$\ln p_c$	(0.81)	(0.28)	(0.90)	(0.77)	(0.23)	(0.00)
<i>intercept</i>	-13.5	-5.203	-0.942	-2.770	-3.87	10.5
	(0.04)	(0.41)	(0.86)	(0.60)	(0.55)	(0.01)
<i>observations</i>	509	509	509	509	4,004	3,940
R^2	0.019	0.034	0.059	0.019	0.009	0.006

Table 7. Value Revisions by Distribution of Political Leanings, Human Capital and Insularity
Regressions explain stock revaluations with county characteristics, as in Table 7, except geographic proximities to Canada, Mexico and a maritime coast. Proximity is minus one times the log of distance in km. to the boarder or coast, and so declines more slowly as distance increases. Numbers in parentheses are heteroscedasticity-robust p-level clustered by county. Bold indicates significance at 10% or better. Table 1 describes all variables in detail.

Panel A. Liberation Day trade war window – Apr. 3 to 8 2025

	7A.1	7A.2	7A.3	7A.4	7A.5	7A.6
	$vwcr_c^{lib}$	$ewcr_c^{lib}$	$mcar_c^{lib}$	car_c^{lib}	cr_s^{lib}	car_s^{lib}
<i>red politics</i>	-1.00	-0.908	-0.721	-0.659	-0.523	-1.12
ρ_c	(0.03)	(0.05)	(0.144)	(0.183)	(0.15)	(0.03)
<i>blue collar</i>	1.37	0.917	0.031	-0.109	0.654	-0.626
b_c	(0.00)	(0.04)	(0.950)	(0.824)	(0.17)	(0.36)
near Canada	-0.193	-0.427	0.191	0.226	-0.120	0.361
$v_{can,c}$	(0.50)	(0.15)	(0.566)	(0.497)	(0.58)	(0.22)
near Mexico	-0.451	-0.238	0.299	0.357	-0.225	0.876
$v_{mex,c}$	(0.41)	(0.67)	(0.659)	(0.600)	(0.27)	(0.00)
near salt water	-0.139	-0.098	0.464	0.460	-0.0314	0.290
$v_{salt,c}$	(0.34)	(0.46)	(0.003)	(0.003)	(0.71)	(0.00)
$\ln(firms)$	-0.172	-0.319	-0.666	-0.594	-0.500	-0.308
$\ln n_c$	(0.53)	(0.24)	(0.024)	(0.042)	(0.03)	(0.24)
$\ln(population)$	-0.644	-0.727	-1.084	-1.040	-0.190	-0.962
$\ln p_c$	(0.08)	(0.04)	(0.005)	(0.007)	(0.51)	(0.01)
<i>intercept</i>	-9.02	-6.9	20.14	20.39	-11.7	24.2
	(0.24)	(0.37)	(0.026)	(0.024)	(0.03)	(0.00)
<i>observations</i>	509	509	509	509	4,006	3,940
R^2	0.052	0.055	0.055	0.06	0.016	0.015

Panel B. First Trade War of 2025 window – Feb. 20 – Mar. 13 2025

	7B.1	7B.2	7B.3	7B.4	7B.5	7B.6
	$vwcr_c^{1st}$	$ewcr_c^{1st}$	$mcar_c^{1st}$	car_c^{1st}	cr_s^{1st}	car_s^{1st}
<i>red politics</i>	-0.437	-0.567	-0.070	0.043	-0.387	-1.01
ρ_c	(0.499)	(0.374)	(0.899)	(0.937)	(0.41)	(0.06)
<i>blue collar</i>	2.147	1.936	1.230	1.003	2.26	1.24
b_c	(0.001)	(0.002)	(0.030)	(0.069)	(0.00)	(0.02)
near Canada	0.346	0.119	0.810	0.745	0.256	0.670
$v_{can,c}$	(0.447)	(0.788)	(0.047)	(0.066)	(0.45)	(0.02)
near Mexico	-0.692	-1.187	-0.037	-0.041	-1.12	-0.0294
$v_{mex,c}$	(0.280)	(0.046)	(0.949)	(0.943)	(0.03)	(0.94)
near salt water	-0.766	-0.752	-0.189	-0.218	-0.389	-0.130
$v_{salt,c}$	(0.001)	(0.001)	(0.352)	(0.282)	(0.03)	(0.35)
$\ln(firms)$	0.567	-0.243	0.254	0.236	-0.122	-0.00382
$\ln n_c$	(0.183)	(0.517)	(0.488)	(0.511)	(0.75)	(0.99)
$\ln(population)$	0.653	0.020	0.250	0.425	-0.0156	-0.732
$\ln p_c$	(0.242)	(0.969)	(0.580)	(0.331)	(0.97)	(0.04)
<i>intercept</i>	-26.949	-24.272	-1.171	-3.454	-21.6	10.9
	(0.016)	(0.023)	(0.902)	(0.711)	(0.02)	(0.16)
<i>observations</i>	509	509	509	509	4,004	3,940
R^2	0.047	0.063	0.022	0.019	0.017	0.008

Table 8. Value Revisions Controlling for Firm Size and Industry

Regressions explain stock revaluations with county characteristics, as in Table 8, except firm size, the log of market value, and its square are included as additional firm level controls and industry fixed effects are included in columns 3, 4, 7 and 8. Numbers in parentheses are heteroscedasticity-robust p-level clustered by county. Bold indicates significance at 10% or better. Table 1 describes all variables in detail

	Liberation Day Trade War, Apr. 3 - 8 2025				First Trade War of 2025, Feb. 20 - Mar. 13 2025			
	8.1	8.2	8.3	8.4	8.5	8.6	8.7	8.8
	cr_s^{lib}	car_s^{lib}	cr_s^{lib}	car_s^{lib}	cr_s^{1st}	car_s^{1st}	cr_s^{1st}	car_s^{1st}
red politics	-0.558	-1.16	-0.159	-0.704	-0.190	-0.814	-0.0305	-0.633
ρ_c	(0.12)	(0.03)	(0.58)	(0.06)	(0.70)	(0.15)	(0.95)	(0.24)
blue collars	0.666	-0.688	0.544	-0.0982	2.15	1.12	1.36	0.924
b_c	(0.15)	(0.31)	(0.09)	(0.82)	(0.00)	(0.04)	(0.01)	(0.06)
near Canada	-0.107	0.353	-0.182	-0.0560	0.176	0.600	0.369	0.513
$v_{can,c}$	(0.62)	(0.24)	(0.30)	(0.82)	(0.64)	(0.08)	(0.28)	(0.11)
near Mexico	-0.248	0.865	-0.0992	0.620	-0.976	0.112	-0.564	0.204
$v_{mex,c}$	(0.22)	(0.00)	(0.55)	(0.03)	(0.12)	(0.83)	(0.30)	(0.65)
near salt water	-0.0589	0.288	-0.142	0.231	-0.218	0.0348	-0.213	0.0619
$v_{salt,c}$	(0.49)	(0.00)	(0.06)	(0.01)	(0.25)	(0.82)	(0.21)	(0.67)
size	-0.282	2.18	-0.644	2.61	3.00	3.26	2.22	3.12
$\ln mv_s$	(0.60)	(0.00)	(0.21)	(0.00)	(0.00)	(0.00)	(0.01)	(0.00)
size ²	0.00319	-0.0563	0.0136	-0.0647	-0.0518	-0.0594	-0.0327	-0.0558
$\ln^2 mv_s$	(0.81)	(0.00)	(0.27)	(0.00)	(0.02)	(0.01)	(0.10)	(0.02)
$\ln(\text{firms})$	-0.491	-0.320	-0.578	-0.170	-0.182	-0.0614	-0.371	-0.0394
$\ln n_c$	(0.04)	(0.22)	(0.00)	(0.42)	(0.62)	(0.79)	(0.09)	(0.88)
$\log(\text{population})$	-0.190	-0.924	0.0490	-0.792	-0.000221	-0.716	0.28	-0.573
$\ln p_c$	(0.50)	(0.01)	(0.79)	(0.00)	(1.00)	(0.06)	(0.47)	(0.12)
intercept	-7.48	2.99	-7.76	-9.73	-59.6	-29.2	-50.6	-29.7
	(0.34)	(0.78)	(0.23)	(0.26)	(0.00)	(0.04)	(0.00)	(0.03)
Fixed effects			industry	industry			industry	industry
observations	4,005	3,939	3,850	3,808	4,004	3,939	3,849	3,808
R^2	0.019	0.021	0.108	0.106	0.057	0.046	0.116	0.073

Table 9. Industry Portfolios

This table summarizes mean preponderances of political redness and of blue-collar residents in the headquarters counties of firms in each industry (columns 1 and 2) and alternative measures of each industry portfolio's returns during the Liberation Day Trade War window and First trade war of 2025 window. Panel A presents means. Panel B presents correlations of each return measures in each window with the preponderances of political redness and of blue-collar residents in the head office counties of firms in each industry. Numbers in parentheses are p-levels. Bold indicated significance at 10% or better.

industry & abbreviation			HQ county characteristics		Liberation Day Trade War window				1 st Trade War window			
			<i>value-weighted HQ county red politics preponderance</i>	<i>value-weighted HQ county blue-collar preponderance</i>	<i>value- weighted return</i>	<i>equal- weighted return</i>	<i>mean stock ab. return</i>	<i>portfolio abnormal return</i>	<i>value- weighted return</i>	<i>equal- weighted return</i>	<i>mean stock ab. return</i>	<i>portfolio abnormal return</i>
Panel A. Industry portfolio means			ρ_i	b_i	vwr_i^{lib}	ewr_i^{lib}	mar_i^{lib}	ar_i^{lib}	vwr_i^{1st}	ewr_i^{1st}	mar_i^{1st}	ar_i^{1st}
food	<i>food</i>		0.601	0.727	-5.96	-8.35	-3.50	-3.36	-0.350	-6.69	2.63	2.95
mining & minerals	<i>mines</i>		1.045	0.744	-13.89	-10.76	-1.48	-1.20	-5.57	-7.54	5.19	5.56
oil and petroleum products	<i>oil</i>		0.979	1.140	-19.19	-22.06	-14.32	-14.16	-5.41	-13.92	-1.46	-1.28
textiles, apparel & footwear	<i>cloth</i>		0.605	0.684	-19.49	-20.74	-8.83	-8.82	-13.76	-17.15	-4.42	-3.90
consumer durables	<i>durs</i>		0.751	0.854	-16.54	-15.37	-6.17	-5.94	-8.71	-15.45	0.20	0.74
chemicals	<i>chem</i>		0.904	0.960	-19.24	-17.61	-10.35	-9.77	-7.49	-13.65	0.60	1.35
drugs, soap, perfumes, tobacco	<i>drug</i>		0.613	0.811	-8.21	-12.50	-4.32	-3.89	-0.35	-11.37	2.83	3.29
construction & const. materials	<i>const</i>		0.905	0.827	-10.78	-11.85	0.98	1.11	-9.50	-10.26	0.37	0.62
steel works etc.	<i>steel</i>		0.706	0.904	-14.96	-14.29	-1.51	-1.60	-10.07	-11.23	1.94	2.18
fabricated products	<i>fabr</i>		0.784	0.860	-14.26	-12.39	-0.98	-0.95	-11.47	-9.63	-1.05	-0.86
machinery & business eqt.	<i>mach</i>		0.516	0.565	-14.30	-16.34	8.19	8.30	-14.48	-16.58	3.83	4.21
automobiles	<i>auto</i>		0.551	0.646	-17.63	-14.94	4.12	4.27	-24.80	-17.78	-6.76	-6.68
transportation	<i>trans</i>		0.664	0.660	-13.10	-13.82	-3.10	-3.11	-8.94	-17.43	-0.97	-0.66
utilities	<i>util</i>		0.704	0.916	-9.73	-7.88	-5.66	-5.64	-4.11	2.23	-1.81	-1.75
retail stores	<i>retail</i>		0.610	0.557	-10.72	-13.81	1.21	1.76	-14.24	-16.39	-4.71	-4.23
banks, insurance & financials	<i>fin</i>		0.470	0.606	-12.06	-10.97	-3.01	-2.80	-10.33	-8.60	-2.97	-2.87
other	<i>other</i>		0.454	0.517	-12.51	-13.06	-0.35	-0.02	-11.62	-14.77	-1.47	-1.00
Panel B. Correlations			ρ_i	b_i	vwr_i^{lib}	ewr_i^{lib}	mar_i^{lib}	ar_i^{lib}	vwr_i^{1st}	ewr_i^{1st}	mar_i^{1st}	ar_i^{1st}
<i>value-weighted HQ county red politics preponderance</i>	ρ_i			0.735 (0.00)	-0.295 (0.25)	-0.165 (0.53)	-0.446 (0.07)	-0.445 (0.07)	0.347 (0.17)	0.223 (0.39)	0.357 (0.16)	0.356 (0.16)
<i>value-weighted HQ county blue-collar preponderance</i>	b_i		0.735 (0.00)		-0.291 (0.26)	-0.250 (0.33)	-0.692 (0.00)	-0.698 (0.00)	0.460 (0.06)	0.336 (0.19)	0.203 (0.44)	0.194 (0.45)

Appendix Table 1. Tariff Event Dates in the First 100 Days of the Administration

This table lists trading days from January 21, 2025, to April 30, 2025 (the first 100 days of President Donald Trump's second term) on which stock markets capitalized major new tariff news. Events from the Peterson Institute for International Economics' Trade War 2.0 report and major media outlet summaries. For each event, we report the S&P 500's same-day percentage return, the change in total U.S. stock-market wealth (in billions of dollars), a brief description of the news, and a link to the source of that information.

First trading Date	S&P500 return (%)	Stock market capitalization change (\$ billion)	Event announcement date and news	Source
2025/1/21	0.88	620.12	Jan 20: After President Inauguration speech and market close, announced a 25% tariff on imports from Canada and Mexico effective February 1, and release the administration's "America First" trade policy memorandum.	The White House: Inaugural Address. The White House, January 20, 2025.
2025/1/27	-1.46	-892.50	Jan 26: President Donald Trump announced a 25 percent tariffs on all goods from Colombia	Truth Social: Announced on social media 25 percent tariffs on all goods from Colombia
2025/2/3	-0.76	-492.14	Feb 1: 1) President Donald Trump's executive orders: tariffs on Canada, Mexico & China to begin February 4 & Elimination of the duty-free de minimis exemption for goods from those countries. 2) Canada retaliates with two rounds of tariffs applied immediately after the U.S. measures, targeting U.S. orange juice, peanut butter, wine, spirits, beer, coffee, appliances, apparel, footwear, motorcycles, cosmetics, and pulp-and-paper products.	Government of Canada: Canada announces \$155B tariff package in response to unjustified U.S. tariffs The White House (Fact Sheet): President Donald J. Trump Imposes Tariffs on Imports from Canada, Mexico and China
2025/2/4	0.72	456.95	Feb 3: U.S. tariffs on Mexico on hold; U.S. tariffs on Canada on hold Feb 4: 1) China retaliates 2) 10% tariff hike on China goes into effect, end of duty-free packages from China	X Post: Tariffs on Canada on hold X Post: Tariffs on Mexico on hold PBS NEWS: China announces retaliatory tariffs on U.S. imports, antitrust investigation into Google
2025/2/5	0.39	271.51	Feb 5: Duty-free packages from China restored (temporarily) (Federal Register)	The White House: Amendment to Duties Addressing the Synthetic Opioid Supply Chain in the People's Republic of China

First trading Date	S&P500 return (%)	Stock market capitalization change (\$ billion)	Event announcement date and news	Source
2025/2/10	0.67	394.41	Feb 10: 1) 25% US tariffs on steel and aluminum imposed 2) China's tariff retaliation goes into effect 3) US tariff hikes on China take effect	The White House: Adjusting Imports of Steel into The United States
2025/2/13	1.04	680.08	Feb 13: The U.S. administration plans to impose "fair and reciprocal duties" on all major U.S. trading partners.	The White House(Fact Sheet): President Donald J. Trump Announces "Fair and Reciprocal Plan" on Trade
2025/2/18	0.24	181.54	Feb 18: President Donald Trump announced he will introduce 25% tariffs on autos, pharmaceuticals and chips.	Reuters: Mr Trump says he will introduce 25% tariffs on autos, pharmaceuticals and chips
2025/2/20	-0.43	-359.11	Feb 20: President Donald Trump announced tariffs on semiconductor chips and drugs will "go substantially higher over a course of a year"	CNN: Mr Trump plans to impose 25% tariffs on autos, chips and pharmaceuticals
2025/2/21	-1.71	-1170.81	Feb 21: 1) S&P Global report on US economy: U.S. business activity is close to stalling, with growth slowing to a 17-month low. U of Michigan Consumer Survey reports sharp decline, also sharply increased inflation expectations; Housing sales reported down 2)Defending American Companies and Innovators From Overseas Extortion and Unfair Fines and Penalties Memorandum: The White House releases a memorandum and fact sheet articulating concerns with foreign treatment of US digital companies, especially by the European Union, and requesting the US Trade Representative to re-examine any digital services taxes (DSTs) of Austria, France, Italy, Spain, Turkey, and the United Kingdom under Section 301 of the Trade Act of 1974 and consider a formal USMCA dispute against Canada. 3) America First Investment Policy Memorandum: The White House releases a memorandum and fact sheet on the administration's policy toward inbound foreign direct investment, especially from adversaries such as China, that include "fast track" policy for investment from specified partners and allies.	Bloomberg: U.S. stocks tumble as businesses and consumers worry about tariffs and Washington The White House (Fact Sheet): President Donald J. Trump Issues Directive to Prevent the Unfair Exploitation of American Innovation Fact Sheet: President Donald J. Trump Encourages Foreign Investment While Protecting National Security

First trading Date	S&P500 return (%)	Stock market capitalization change (\$ billion)	Event announcement date and news	Source
2025/2/26	0.01	14.07	Feb 26: 1) The U.S. administration plans to impose “fair and reciprocal” duties on all major U.S. trading partners. 2) EU said it will reply ‘firmly and immediately’ to ‘unjustified’ trade barriers, signaling it’s ready to retaliate	The Guardian: Mr Trump vows to slap 25% tariffs on EU and claims bloc was ‘formed to screw US’
2025/2/27	-1.59	-947.72	Feb 27: President Donald Trump said he was “not at all” seeing progress from Canada that would warrant delaying the 25% tariffs.	Bloomberg: Mr Trump Says Canada, Mexico Tariff to Take affect, Adds New China Duty
2025/3/4	-1.22	-770.21	March 4: 1) US 25% tariffs go into effect on Canada & Mexico, China tariff up 10% (end of 30-day pause announced Feb 1) 2) Ontario announces planned 25% export tax on electric power to US 3) China retaliates: Tariffs on US farm exports, export controls, sanctions, antidumping investigation, and more. 4) Canada retaliates on US farm exports and more. 5) U.S. raises additional tariffs on Chinese goods from 10% to 20%	WSJ: Ontario to Slap Export Tax on Electricity to U.S.
2025/3/5	1.12	673.71	Mar 4: In a presidential address to Congress, The president declared that the U.S. had been "ripped off for decades by nearly every country on Earth," and vowed to end this practice.	CNN: President Donald Trump’s 2025 joint session address
2025/3/6	-1.78	-1120.89	Mar 6: 1) Ontario announces 25% hydro export tax effective Monday 2) US exempts imports from Mexico satisfying USMCA rules of origin requirements 3) US exempts imports from Canada satisfying USMCA rules of origin requirements	The White House(Fact Sheet): President Donald J. Trump Adjusts Tariffs on Canada and Mexico to Minimize Disruption to the Automotive Industry
2025/3/10	-2.70	-1640.07	Mar 10: 1) Ontario imposes 25% electricity export tax - withdraws it the next day 2) China’s tariff retaliation goes into effect	American Public Power Association: Ontario Applies 25 Per Cent Surcharge on Electricity Exports to United States
2025/3/11	-0.76	-375.05	Mar 11: Ontario suspends levy on U.S.-bound electricity as Ford set to meet with the U.S. president	CBCNEWS: Ontario suspends levy on U.S.-bound electricity as Ford set to meet with Mr Trump official

First trading Date	S&P500 return (%)	Stock market capitalization change (\$ billion)	Event announcement date and news	Source
2025/3/12	0.49	255.82	Mar 12: 1) US 25% steel & Aluminum tariffs take effect; Canada retaliates 2) EU retaliates 3) US Tariffs on steel and aluminum go into effect	Gowling WLG: U.S. steel tariffs take effect, Canada and the EU retaliate
2025/3/13	-1.39	-832.56	March 13: 1) Canada filed a WTO complaint over the U.S. steel and aluminum tariffs; 2) The U.S. reaffirmed the 25% tariffs, downplayed potential economic disruptions, and threatened additional tariffs on the European Union.	World Trade Organization: Canada initiates WTO dispute complaint regarding US steel and aluminum duties
2025/3/25	0.16	50.38	March 25: 25% tariffs on third countries importing Venezuelan oil	The White House: Imposing Tariffs on Countries Importing Venezuelan Oil
2025/3/26	-1.12	-662.56	Mar 26: 25% tariffs on automobiles & automobile parts effective April 3 (Section 232 of the Trade Expansion Act of 1962 re national security threats) special tariff exemptions for USMCA-compliant auto parts	The White House(Fact Sheet): President Donald J. Trump Adjusts Imports of Automobiles and Automobile Parts into the United States
2025/3/28	-1.97	-1143.58	Mar 28: Canada announced retaliatory tariffs in response to potential new U.S. tariffs. Later that day, the administration stated that any trade deals would wait until after April 2, emphasizing the U.S. had been "taken advantage of for 40 years," while remaining open to negotiation.	CNN: Canada warns Mr Trump on tariffs: Retaliation is coming April 2
2025/4/3	-4.84	-2944.20	Apr 2 (Liberation Day): 1) The U.S. administration invoked emergency IEEPA powers, imposing a 10% tariff on all U.S. imports, citing national security and trade imbalance concerns. 2) The U.S. ended duty-free treatment for low-value shipments from China effective May 2, 2025, and set new tariff rates based on each country's trade surplus. Apr 3: 1) Canada imposed 25% tariffs on certain vehicle imports from the U.S. and announced incentives to boost domestic auto production. 2) The White House released an executive summary of the America First Trade Policy Report, outlining trade priorities delivered to President Trump. 3) U.S. 25% tariffs on automobiles (but not auto parts) announced under Section 232 went into effect, with tariffs on auto parts delayed until no later than May 3, 2025.	TheWhiteHouse(Fact Sheet): President Donald J. Trump Declares National Emergency to Increase our Competitive Edge, Protect our Sovereignty, and Strengthen our National and Economic Security

First trading Date	S&P500 return (%)	Stock market capitalization change (\$ billion)	Event announcement date and news	Source
2025/4/4	-5.97	-3247.99	Apr 4: China announced retaliatory tariffs against the US's reciprocal tariffs.	CNN:China imposes 34% reciprocal tariffs on imports of US goods in retaliation for Mr Trump's trade war
2025/4/7	-0.23	-158.09	Apr 5: Tariffs of 10 percent on nearly all countries go into effect	Reuters:U.S. 10% baseline tariffs go into effect against many countries.
2025/4/8	-1.57	-864.98	Apr 8: Additional 50 percent tariffs on China for retaliating.	CBCNEWS: Mr Trump threatens to impose an additional 50% tariff on China
2025/4/9	9.52	4833.12	April 9: 1) EU, China Canada retaliations confirmed 2) The U.S. announced raising its reciprocal tariffs on China to 125% 3) US gives other countries 90-day exemption period.	CNN: Mr Trump announces 90-day pause on 'reciprocal' tariffs with exception of China
2025/4/10	-3.46	-1944.31	April 10: 1) White House clarifies 145% tariff on China imports is in effect. (20% addition to punish China for synthetic opioids 2) EU puts 90-day pause on retaliatory tariffs. (BBC News)	CBCNEWS: Chinese goods subject to tariffs of at least 145%.
2025/4/11	1.81	943.75	Apr 11: 1) U.S. Customs announced the federal government will waive reciprocal tariffs on smartphones, computers, chips, etc. 2) China retaliates	CNN:Smartphones and computers are now exempt from Mr Trump's latest tariffs
2025/4/14	0.79	462.00	Apr 12: (Sat) China's tariff changes go into effect Apr 14: Semiconductor and semiconductor manufacturing equipment, pharmaceutical and pharmaceutical ingredient imports declared a national security threat	White&Case: Mr Trump Administration Initiates Section 232 Investigations on Pharmaceuticals and Semiconductors
2025/4/21	-2.36	-1279.15	Apr 18: Ford stops shipping vehicles to China amid 125% tariffs on US goods Apr 20: 1) Beijing warns countries against colluding with US to restrict trade with China; 2) Tech selloff plunges market - led by NVDI	Reuters: Ford halts shipments of vehicles to China amid tariffs Bloomberg: Tariff Concerns and Regulatory Risks Weigh on Magnificent Seven and Broader U.S. Market Sentiment
2025/4/22	2.51	1339.47	April 22: Elon Musk stated that lower tariffs are preferable	CNBC:Elon Musk said about tariffs and their potential effect on Tesla

Appendix Table 2. Value Revisions Using Alternative Measures

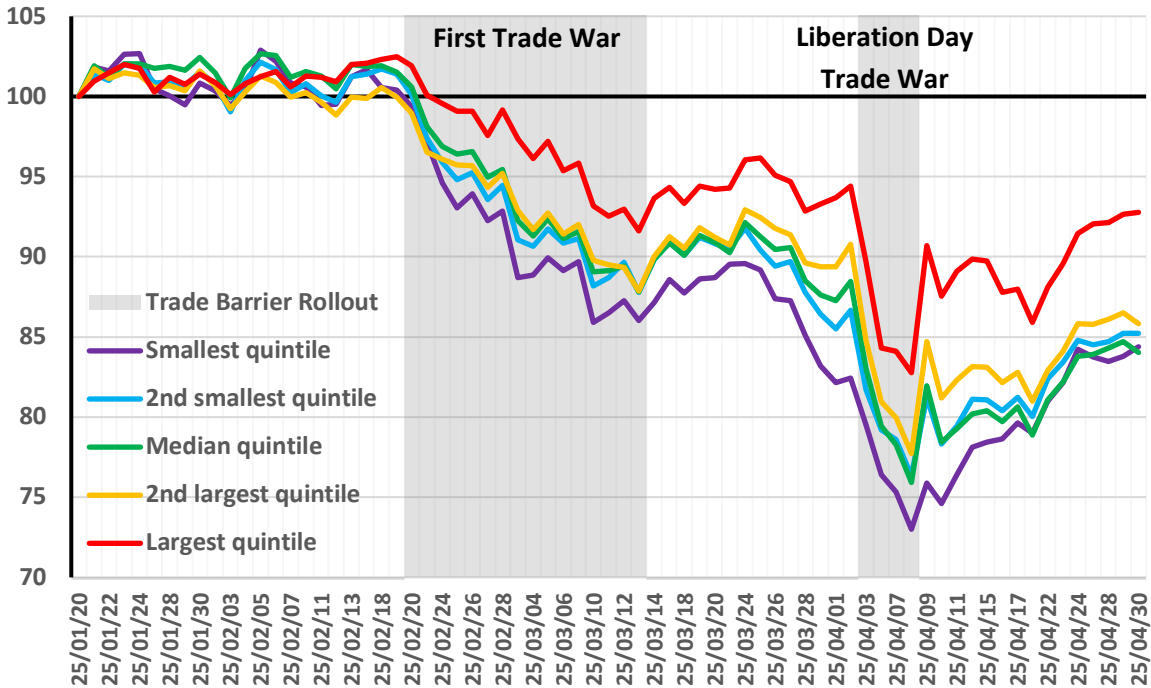
This table summarizes robustness regressions using alternative return measures in the Liberation Day Trade War window (left three columns) and the First Trade War of 2025 window (right three columns). Columns 1 and 2 report results using equal-weighted abnormal returns as the dependent variable. Column 3 presents weighted least squares (WLS) estimates, where the number of corporate headquarters in each county is used as the regression weight. Explanatory variables are the redness of county c 's politics, ρ_c (Republican voters per Democratic voter in the 2024 presidential election), the preponderance of blue-collar residents, b_c (those with high school or less per resident with a bachelor's degree or more). Numbers in parentheses are heteroscedasticity-robust p-level. Bold indicating significance at 10% or better.

	Liberation Day Trade War, Apr. 3 - 8 2025			First Trade War of 2025, Feb. 20 - Mar. 13 2025		
	1	2	3	4	5	6
	$ewmcar_c^{lib}$	$ewcar_c^{lib}$	$wvcr_c^{lib}$	$ewmcar_c^{1st}$	$ewcar_c^{1st}$	$wvcr_c^{1st}$
<i>red politics</i>	-0.989	-0.964	-1.198	-0.429	-0.483	-0.492
ρ_c	(0.033)	(0.038)	(0.024)	(0.438)	(0.385)	(0.514)
<i>blue collar</i>	0.110	0.053	0.615	1.015	1.066	2.625
b_c	(0.824)	(0.914)	(0.291)	(0.102)	(0.087)	(0.004)
$\ln(\text{population})$	-0.836	-0.842	-0.859	-0.554	-0.568	-0.065
$\ln p_c$	(0.020)	(0.017)	(0.003)	(0.230)	(0.212)	(0.890)
$\ln(\text{firms})$	-0.322	-0.299		-0.199	-0.158	
$\ln n_c$	(0.291)	(0.325)		(0.587)	(0.663)	
<i>intercept</i>	12.806	12.924	-0.353	7.663	7.754	-10.416
	(0.005)	(0.004)	(0.932)	(0.185)	(0.174)	(0.136)
<i>observations</i>	509	509	509	509	509	509
R^2	0.034	0.033	0.050	0.021	0.019	0.028

Appendix Figure 1. Size Portfolio Cumulative Returns

Firm size portfolios, defined by sorting firms by market capitalization on January 17, 2025, the last trading day before the president’s inauguration

Panel A. Firm size quintile portfolio values cumulative abnormal returns. Portfolios normalized to 100 on January 17, 2025, the last trading day before the president’s inauguration



Panel B. Value-weighted size portfolio cumulative returns in each trade war window.

