

Tariffs and the Gender Gap in Entrepreneurship: Evidence from the 2018–2019 U.S. Trade War with Implications for the 2025 Tariff Escalation

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Abstract

This study examines whether the 2018–2019 U.S. tariff increases under Sections 232 and 301 disproportionately affected women-owned businesses compared to men-owned businesses. While tariffs are designed as gender-neutral instruments of trade policy, women-owned firms are systematically smaller, younger, and more resource-constrained, suggesting they may be more vulnerable to input cost shocks. The aim of this research is to quantify the differential impact of tariff exposure on women-owned employer firms and to assess whether tariffs suppressed a broader trend of growth in women's entrepreneurship. Using a continuous-treatment difference-in-differences design, we merge industry-level tariff exposure data from the U.S. International Trade Commission with gender-disaggregated firm data from the U.S. Census Bureau's Annual Business Survey (2017–2023). The state-level panel comprises 6,640 observations across 18 sectors, 51 states, and five years, with sector, state, and year fixed effects and cluster-robust standard errors. Our results reveal that each one-percentage-point increase in effective tariff rate is associated with a 5.5% decline in the number of women-owned employer firms relative to men-owned firms ($t = -2.11$, $p < 0.05$). The effect is consistent across employment (−5.8%) and payroll (−4.8%) outcomes, persists through 2023 in event study specifications, and is robust to temporal restrictions and state-level GDP controls. Concurrently, women's entrepreneurship in non-exposed service sectors grew at more than twice the rate of men's (+7.1% vs. +3.0%), suggesting that tariffs suppressed a broader surge in women's business formation. These findings make a novel contribution by extending the analysis of gendered trade impacts into entrepreneurship, demonstrating that ostensibly gender-neutral trade policies produce asymmetric outcomes through differential firm-level vulnerability—a finding with urgent implications given the substantially larger 2025 tariff escalation.

Keywords: tariffs, gender gap, entrepreneurship, trade policy

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