

Destructive Trade Policy

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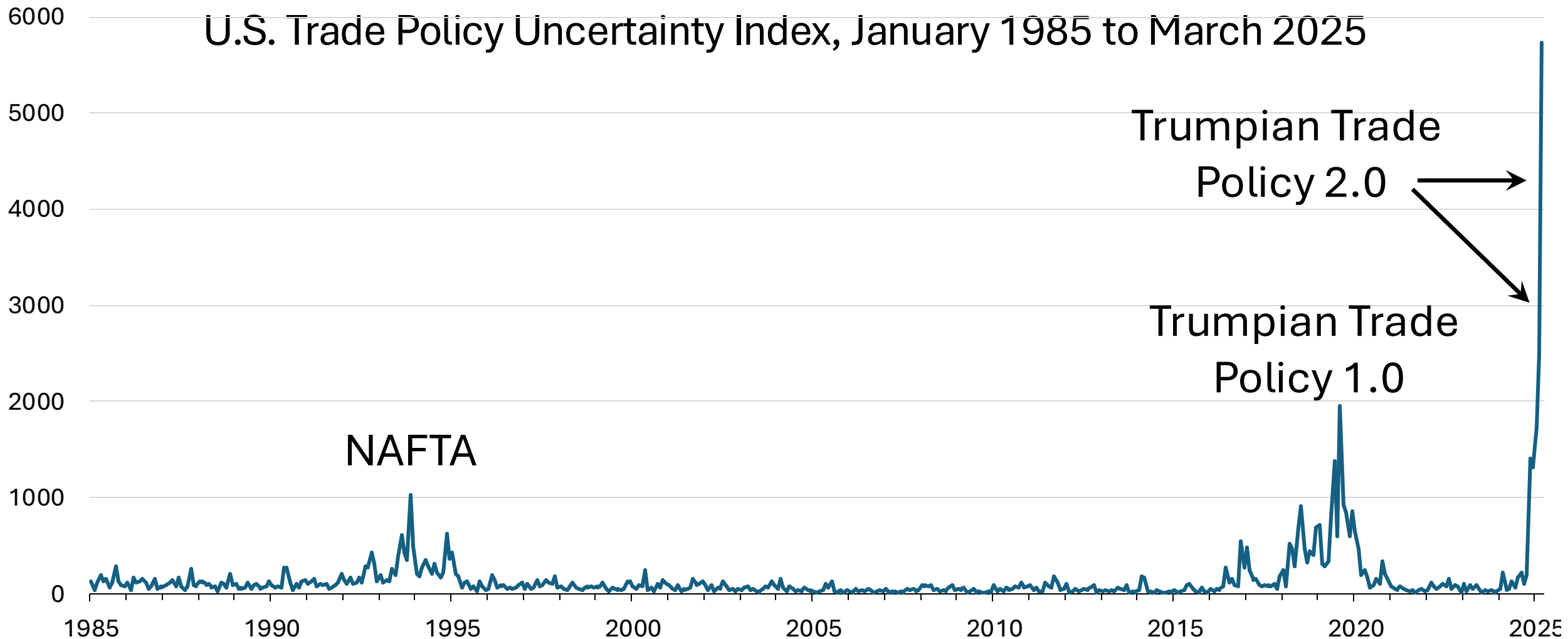
Hoover Institution and SIEPR

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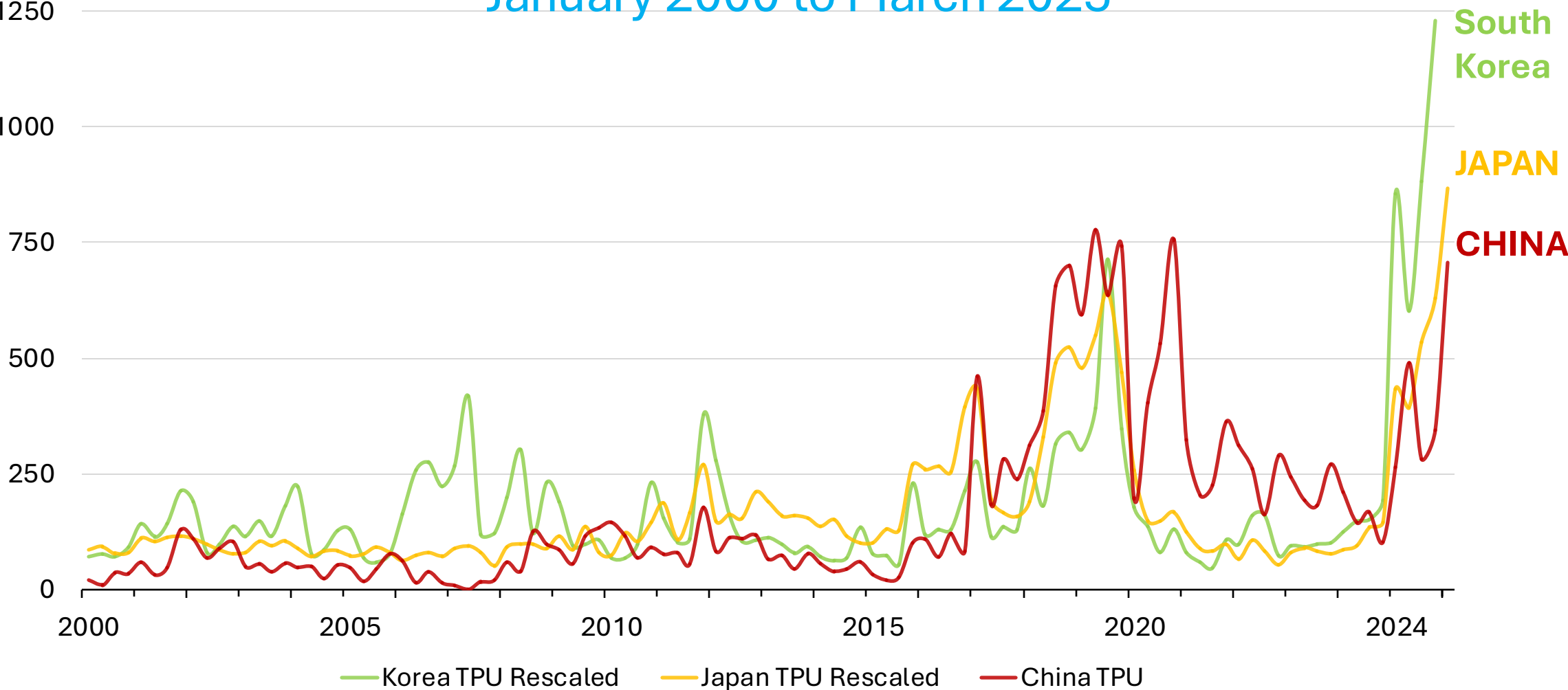
Figure 1: U.S. Trade Policy Uncertainty Hit Unprecedented Levels Even Before “Liberation” Day

U.S. Trade Policy Uncertainty Index, January 1985 to March 2025



Source: Baker, Bloom and Davis (2016), as updated at www.PolicyUncertainty.com

Figure 2: Trade Policy Uncertainty Indexes for Three U.S. Trading Partners
January 2000 to March 2025



Source: Arbatli et al. (2023) for Japan; Davis, Liu and Sheng (2019) for China; and Cho and Kim (2023) for South Korea; as updated as updated at www.PolicyUncertainty.com. The monthly series for Japan and South Korea are rescaled to match the mean value for the China TPU series from January 2000 to December 2022. The chart shows quarterly averages from 2000 Q1 to Q3 2024 and monthly values thereafter through March 2025 (February 2025 for South Korea).

Trade Policy Shocks & Extreme Stock Market Moves

1900 to 2023: U.S. stock market moved $> |2.5\%|$ on 1,193 trading days, close to close.

- That's 3.5% of all trading days.

Next-day newspaper accounts attribute ten of these daily jumps to trade policy news (Baker et al., 2025b).

- Half occurred in 2018 and 2019.

26 March (first new Trump tariffs) to 17 April 2025:

Trade policy news triggered 4 (3?) daily jumps $> |2.5\%|$.

- That's ~800 times the frequency of daily jumps triggered by trade policy news from 1900 to 2023.

Figure 3: Daily Percent Change in S&P 500, 3 January to 17 April 2025

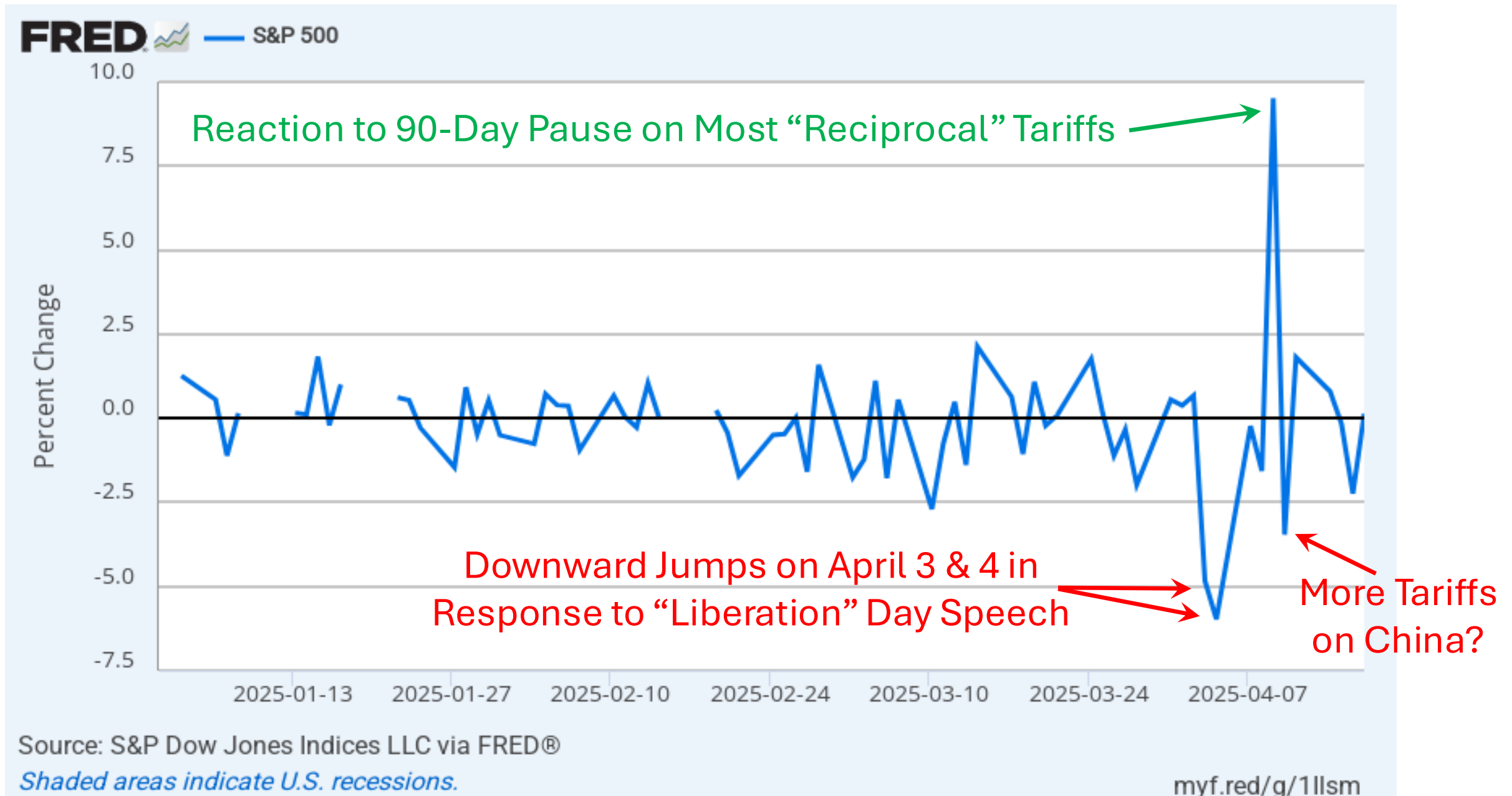
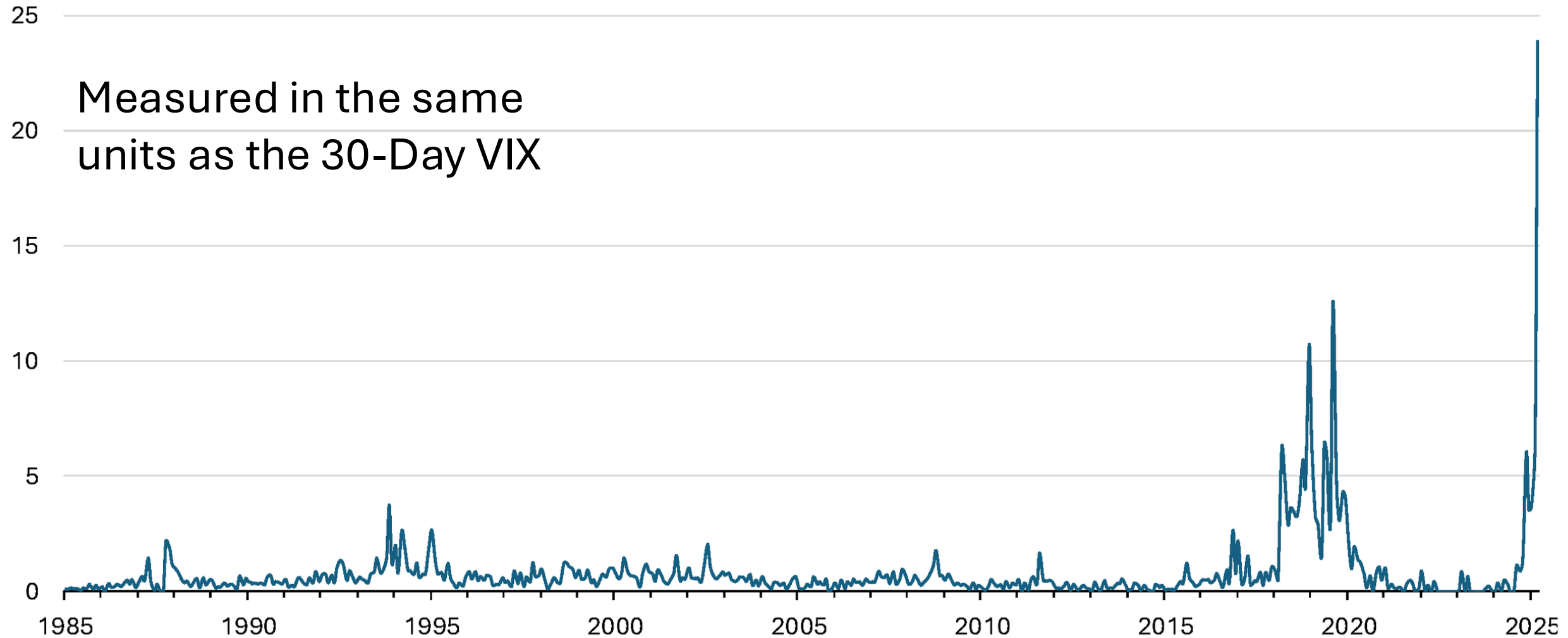


Figure 4: U.S. Equity Market Volatility Tracker for Trade Policy, January 1985 to March 2025



Source: Baker, Bloom, Davis and Kost (2025), as updated at www.PolicyUncertainty.com.

Figure 5: U.S. Economic Policy Uncertainty Index, Weekly

Through April 13-17, 2025

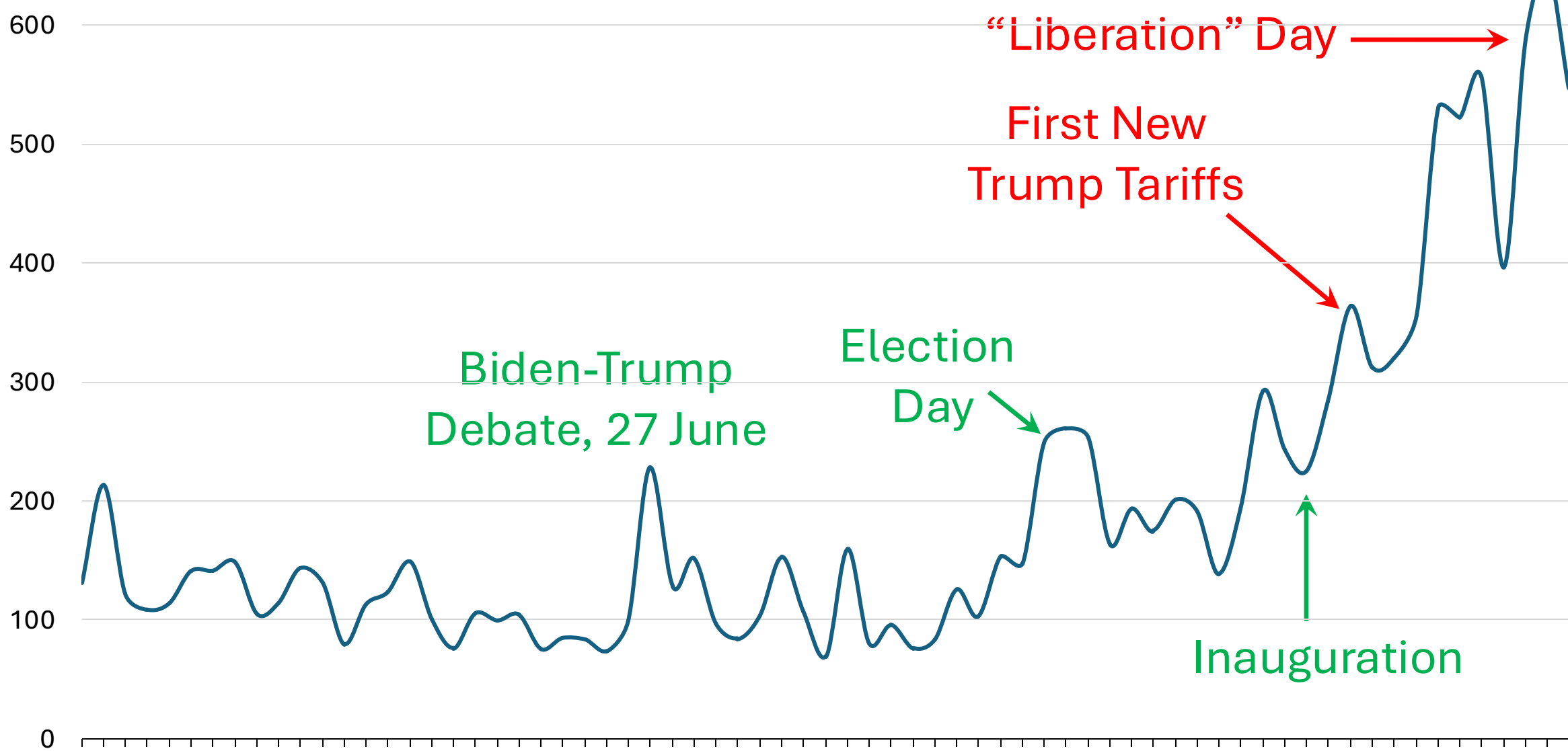


Figure 6: U.S. Job Openings, LinkUp 10,000 Global Employers
Inauguration Day to 11 April 2025

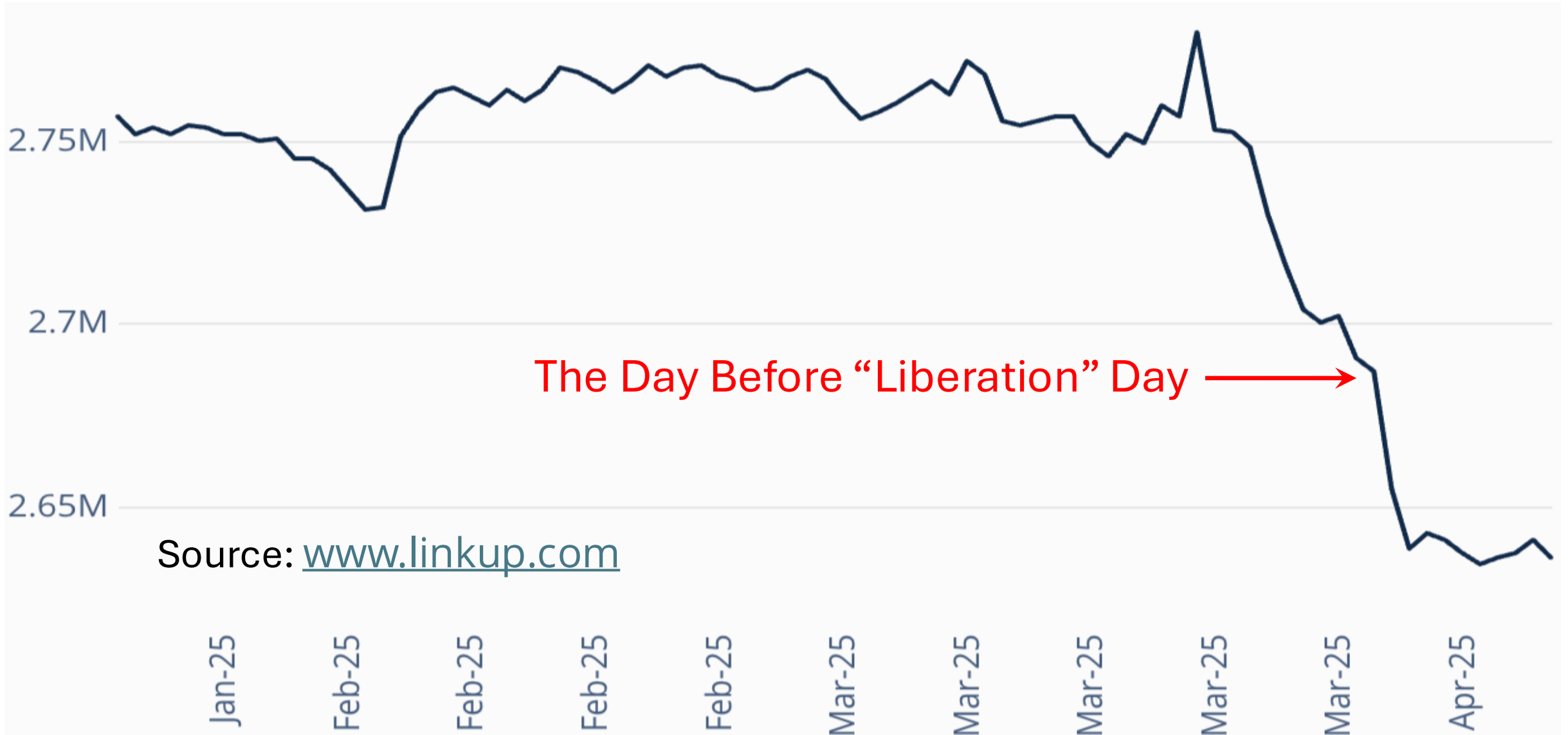


Figure 7: Losing Friends

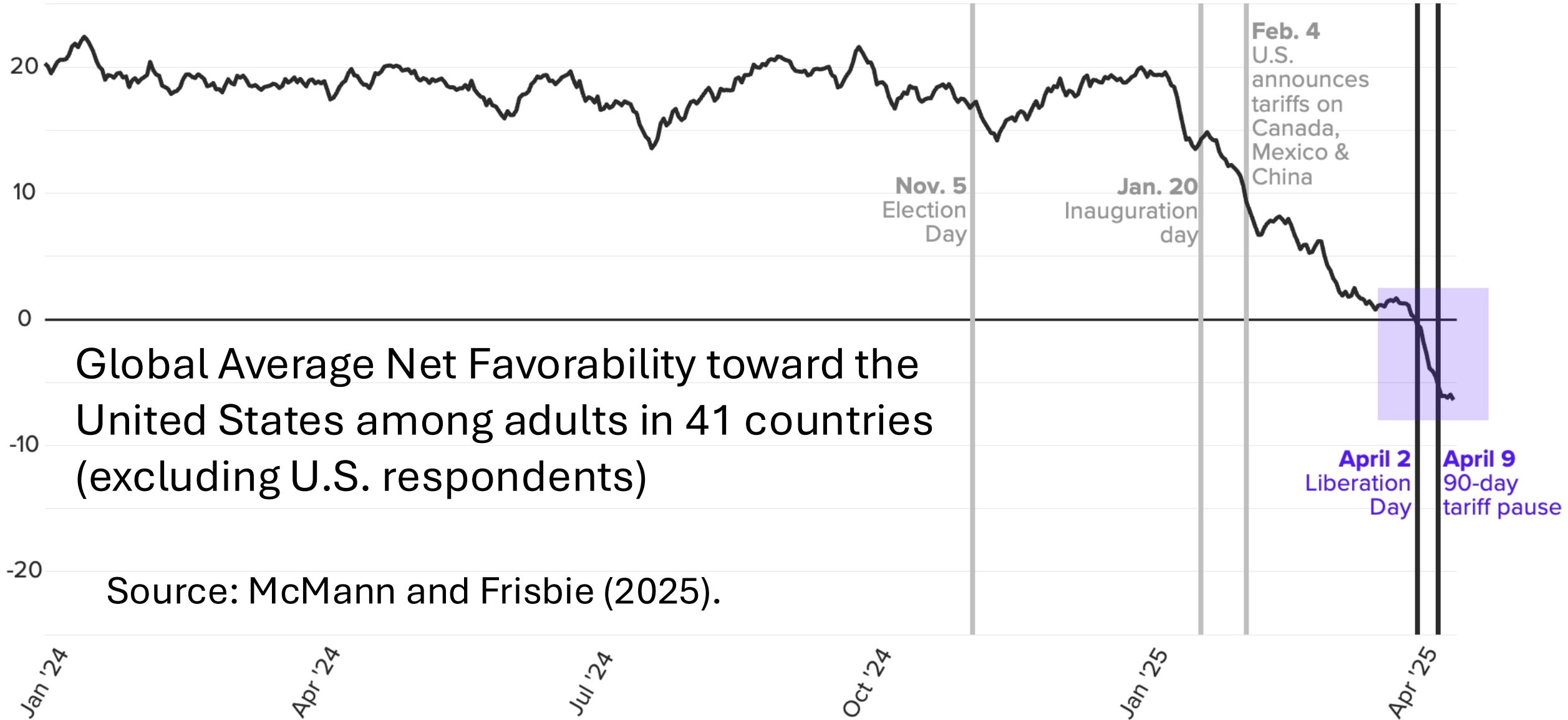
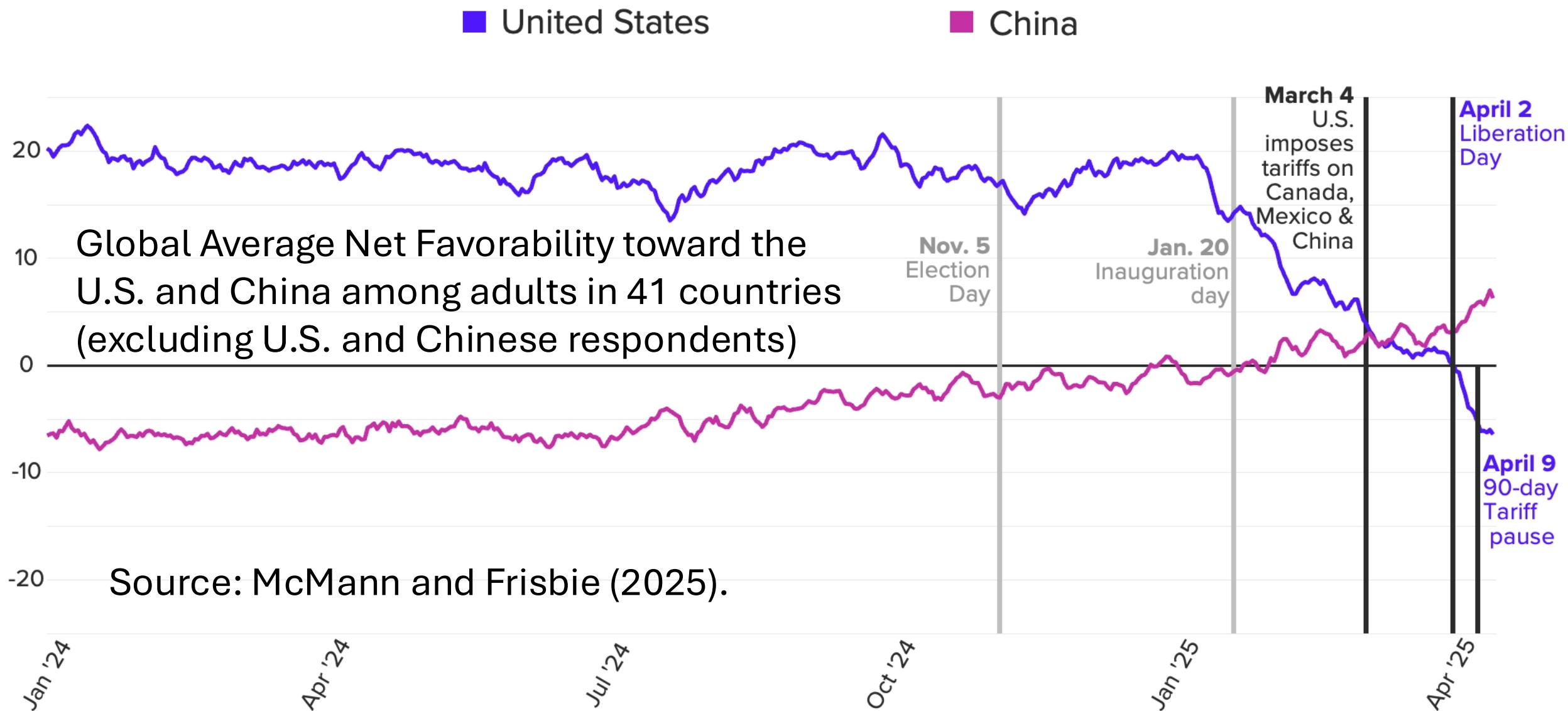


Figure 8: Creating Openings for Adversaries



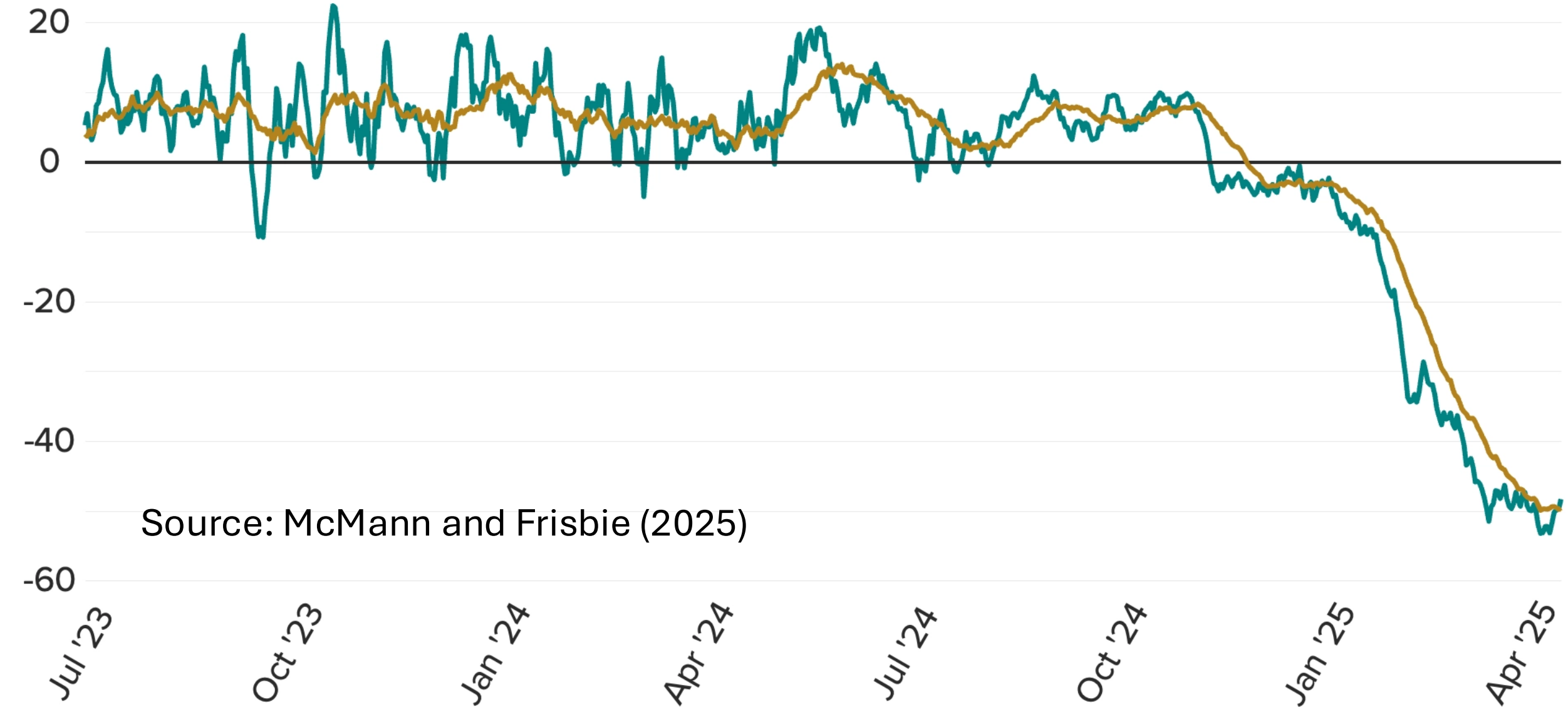
Shredding Past Trade Agreements, Devaluing Future Ones

[Trump's] tariffs blow an enormous hole in the liberal trade order that America has led and fostered since the second world war. They undermine every free-trade agreement America has ever signed. ... If Mr Trump is willing to rip up his own agreement—known as the USMCA —with [Canada and Mexico] then all past agreements are null and void, and future ones are of limited value. No one can sign any such deal with confidence if tariffs can be imposed on a whim.

Douglas Irwin, *The Economist*, 3 April 2025

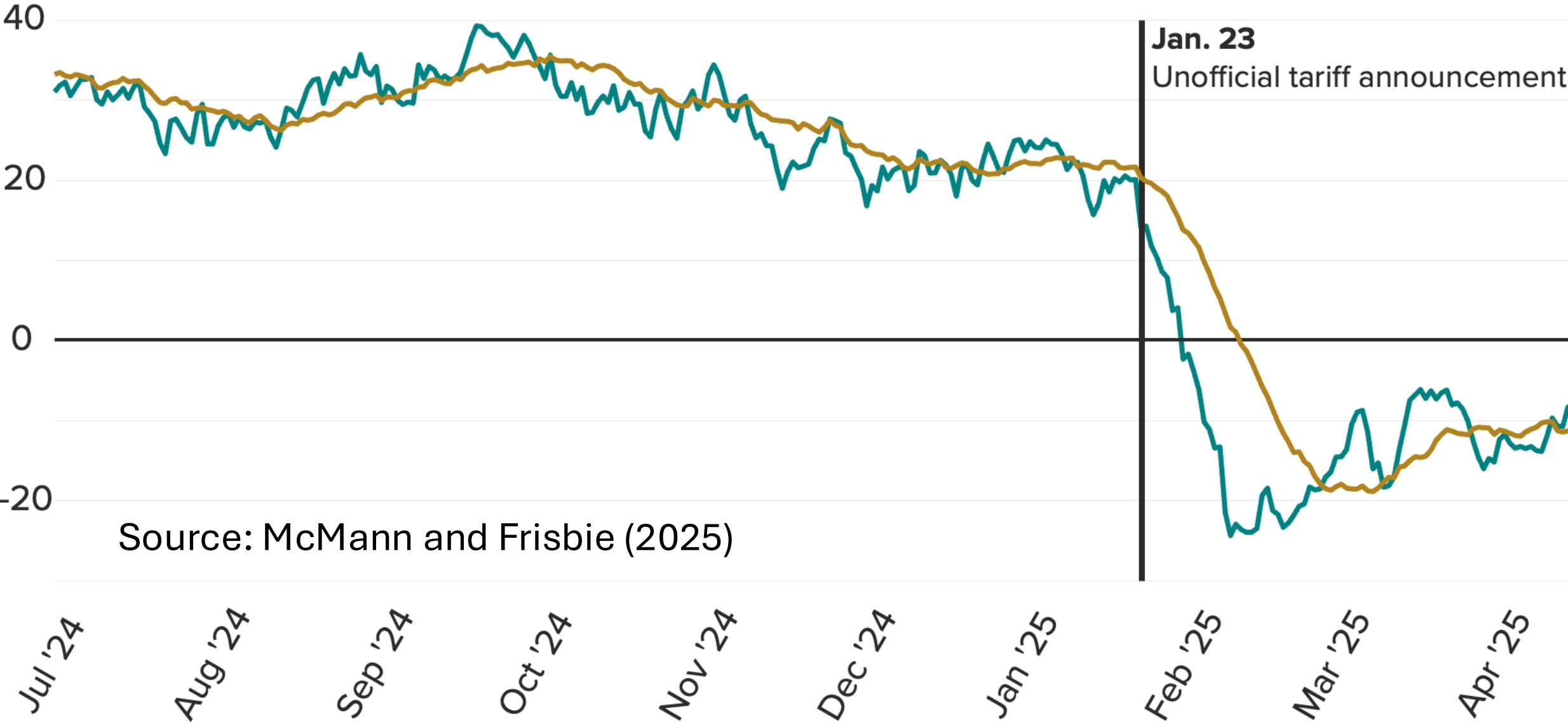
Extra Slides

Figure A1: Canada, Net Favorability toward the U.S.



Source: McMan and Frisbie (2025)

Figure A2: Mexico, Net Favorability toward the U.S.



Source: Mc Mann and Frisbie (2025)