

Introduction: An Analysis of Tariff Shocks, Policy Volatility & Small Business Resilience in Four States

A summary of research conducted by the University of Texas at Austin Lyndon B. Johnson School of Public Affairs graduate students Janet Perez Shensky, John Paul, Andre Cowan and Stephanie Mora , under the guidance of Professor Dilawar Syed.

Throughout 2025, the president imposed a broad set of tariffs, with frequent rapid shifts in both scope and rate. As many small businesses either purchase imports directly or through a supplier or export their goods to another country, changing tariff policy can impact their business in a number of ways.

Through analysis of trade, employment, and SBA 7(a) lending data from 2023 to 2025, a report on small business resilience in the face of shifting U.S. trade policy examines the impact of the 2025 U.S. tariff regime on small businesses in California, Georgia, Illinois, and Colorado, with a specific focus on companies with fewer than 500 employees in the agriculture, manufacturing, and retail sectors. Small Business Majority provided feedback and recommendations on the report.

Key findings

- **Small businesses are disproportionately impacted by tariffs compared to larger businesses.** They have less pricing power, less capital and no lobbying leverage to seek exemptions. Across all four states, small firms felt the impact of tariff shocks more severely than larger competitors, posing a significant financial burden. Many entrepreneurs had to raise their prices while also absorbing increased costs. Retail was the most consistently vulnerable sector across all four states, with significant job losses in each state.
- **Agriculture was among the hardest hit sectors** as China's retaliatory tariffs targeted American agriculture goods directly.
- **Tariff effects were shaped by state economic structure.** California's exposure resulted from its position as a significant import gateway and agricultural exporter. In contrast, Georgia's vulnerability stemmed from its logistics and port activities. Illinois experienced pressure due to its reliance on imported manufacturing inputs, while Colorado faced challenges because of its dependence on globally sourced components for advanced industries.
- **Policy uncertainty causes economic harm to small businesses.** In addition to the financial cost of tariffs, rapid and unpredictable changes in trade policy also are challenging for small businesses. The lack of certainty makes them more reluctant to hire, access capital or try to expand. The uncertainty has continued even after the Supreme Court struck down the International Emergency Economic Powers Act (IEEPA)-based tariffs in February 2026. While the refund process has begun, tariffs under other statutory authorities have remained in place.

Please see the key findings and full report for a detailed analysis and list of policy recommendations.