

A Fragile 2026 – Tariffs, Tax Revenues, and the Risk of Recession.

How rising debt, refund liabilities, and creeping unemployment could shape America's economy by January 2026.

Fort Myers, Florida Aug 31, 2025 ([IssueWire.com](https://www.IssueWire.com)) - The national debt has already passed \$37.2 trillion, increasing by nearly \$1 trillion every five months. Even without policy changes, the Treasury is likely to report debt exceeding \$38 trillion by January 2026. With interest costs climbing and Congress locked in a political stalemate, there is little room to maneuver. Unemployment: A Gradual Rise The official unemployment rate in August stands at 4.3%, up from 4.0% a year ago. Forecasts from the Philadelphia Fed and private economists suggest that by early 2026, unemployment may remain at or above 4.5%. That trajectory does not yet signal mass layoffs but reflects a cooling job market, slower hiring, and rising jobless claims. For households, even small increases translate into a loss of bargaining power and slower wage growth. The Tariff Shock and Refund Liability: President Trump's renewed tariffs were meant to boost revenue and leverage international trade partners. Indeed, customs duties have surged to \$135.7 billion so far in FY2025, nearly double the pace of last year. However, a federal appeals court has cast doubt on the legality of these measures, raising the prospect of tens of billions of dollars in refunds if the Supreme Court affirms the ruling.

If, by January 2026, the Treasury must return even \$50–\$ 70 billion of these revenues, the federal deficit will balloon further. That would erase much of the apparent 'gain' from tariffs and deepen the hole left by softer income and payroll tax collections in a slower economy. Loss of Tax Revenues in a Cooling Economy: Tax revenues naturally contract when growth slows. Higher unemployment reduces payroll tax inflows, and weaker corporate profits result in lower corporate tax revenues. With GDP growth already running at a below-trend pace, the combination of weaker receipts and possible tariff refunds could strip \$100 billion or more from federal revenue compared to projections. Will 2026 Open in a Recession? Economists typically define a recession as two consecutive quarters of negative GDP growth, accompanied by a significant deterioration in employment and income. By January 2026, the U.S. may not yet meet that textbook definition. Growth is likely to be weak but positive, and unemployment is still below 5%. Yet the fiscal picture—rising debt, falling tax receipts, and refund liabilities—points toward a fragile economy, vulnerable to shocks.

If households cut back on spending in response to job fears, and if global uncertainty slows exports, the tipping point could come quickly. A 'stall speed' economy is not technically a recession, but it feels like one for working families and businesses struggling to plan for the future. Conclusion: A Warning, Not Just a Number. By the time Treasury issues its January 2026 report, the numbers will likely show:

- Debt well above \$38 trillion
- Unemployment edging toward 4.5–4.6%
- Revenue losses from weaker tax collections
- Potential tariff refunds deepening the deficit by \$50–70 billion

Whether or not the National Bureau of Economic Research classifies it as a recession, the lived experience will be clear: slower growth, higher costs, and a deteriorating fiscal outlook by the month. America is not yet in recession, but it is heading into 2026 more vulnerable than it has been in a decade. Roy J. Meidinger 14893 American Eagle Ct. Fort Myers, FL 33912 Tel No. (954) - 790-9407

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