

Collapse Curve 2025

U.S. Economic Impacts of Liberation Day Tariffs

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Executive Summary

The implementation of Liberation Day tariffs and elimination of the de minimis exemption for Chinese imports represent one of the largest structural shocks to U.S. trade in decades. Tariffs of up to 145% on Chinese goods, combined with new punitive duties, are triggering accelerating economic contraction across key sectors including logistics, retail, manufacturing, and construction.

This report models the unfolding sequence of economic impacts from April 2025 through June 2026, forecasting cumulative job losses exceeding one million and GDP contraction around 1.5%. Without substantial mitigating interventions, a formal U.S. recession is expected by mid-2026. While long-term opportunities for domestic manufacturing and supply chain resilience exist, immediate effects are overwhelmingly negative.

Strategic risks include prolonged stagflation, structural unemployment, and further geopolitical instability.

Introduction

This report provides a structured model of the U.S. economic impacts resulting from the Liberation Day tariff policy, announced and implemented in early 2025.

These tariffs were politically driven by a desire to 'liberate' U.S. supply chains from Chinese influence, boost domestic manufacturing, and address trade imbalances. However, the immediate economic consequences of such rapid decoupling are severe.

Scope and Assumptions:

- Tariffs of ~145% across most Chinese imports
- De minimis exemption (\$800) eliminated May 2, 2025
- Minimal immediate U.S. government stimulus
- Immediate retaliatory measures by China anticipated
- Analysis covers April 2025 through December 2026

Sequential Timeline of Events

The timeline below illustrates the cascading nature of economic disruptions, as supply chain impacts rapidly flow from ports to logistics, retail, manufacturing, and broader consumer sectors.

Timeframe	Event	Primary Impacts	Job Loss	GDP Impact
April 2025	Final Chinese ships arrive	Port congestion drops sharply	N/A yet	Neutral
May 2025	De minimis eliminated	E-commerce imports collapse	5-10k jobs lost	-0.05%
June 2025	Higher flat fees	Retailers pull back orders	10k jobs lost	-0.1%
July 2025	Trucking contraction	Widespread layoffs	25-40k jobs lost	-0.2%
August 2025	Ports at 60-70%	Secondary layoffs	20k jobs lost	-0.25%
Sept 2025	Retail inventory shock	Scarcity, inflation	50-75k jobs lost	-0.3%
Oct 2025	Manufacturing disrupted	Production halts	30-50k jobs lost	-0.4%
Nov 2025	Holiday season shock	Retail collapse	100k+ cumulative	-0.5%
Dec 2025	Supply chain decoupling	Shift to Vietnam, Mexico	Small offset	Small
Q1 2026	Construction slowdown	Projects paused	75-100k jobs lost	-0.6%
Q2 2026	Recession declared	Formal GDP contraction	1-1.5M cumulative	-1.5%

Sector-by-Sector Analysis

Ports & Shipping:

Major ports face a steep decline in container traffic volumes, forcing furloughs and layoffs among dockworkers, customs agents, and logistics coordinators.

Trucking & Freight:

Independent truckers and large freight operators see shipment volumes plummet as imported goods dry up, resulting in mass layoffs.

Retail:

Critical shortages in consumer goods like clothing, toys, and electronics lead to lost sales, store closures, and deep workforce reductions.

Manufacturing:

Domestic producers reliant on Chinese parts experience cascading production halts, layoffs, and factory slowdowns.

Construction:

Project delays and rising costs for steel, fixtures, and electrical components significantly reduce construction activity.

Agriculture:

Retaliatory Chinese tariffs on U.S. agricultural exports directly harm farmers and rural economies.

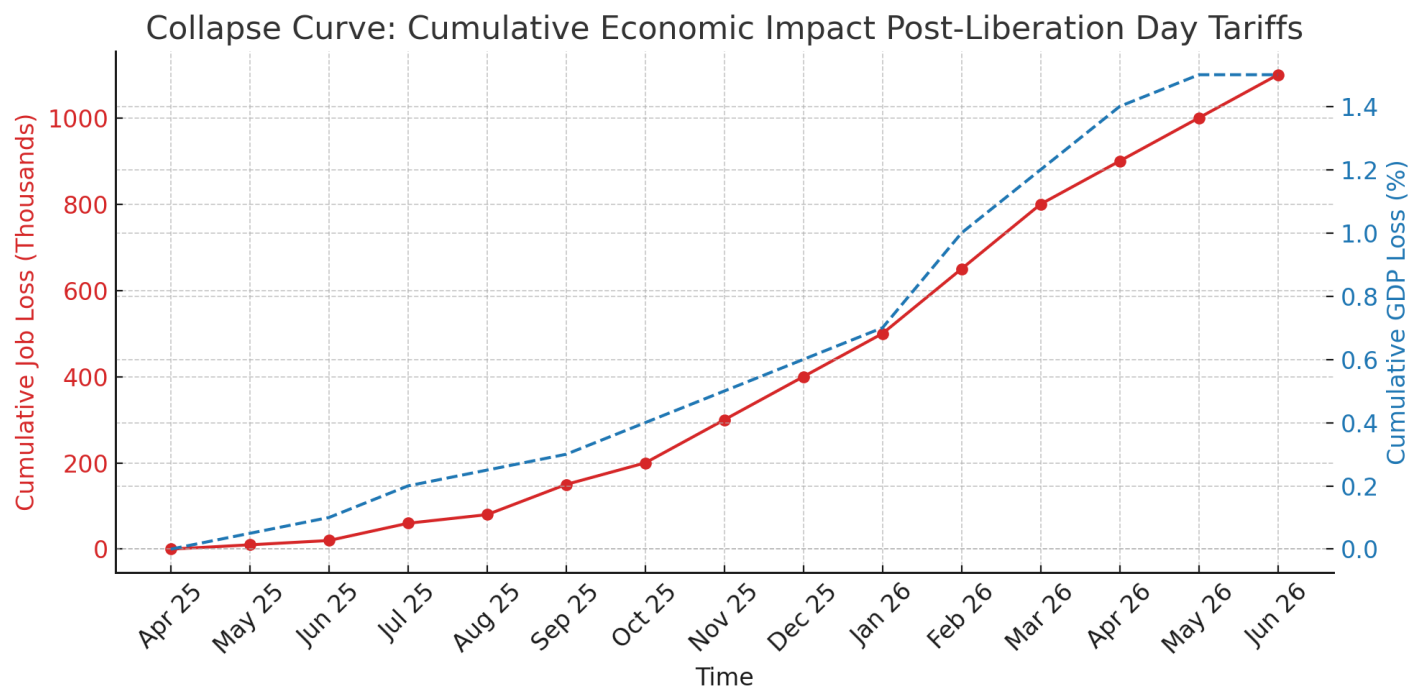
Technology:

Hardware sectors, especially consumer electronics, experience severe input shortages and price spikes, impacting employment and innovation.

Collapse Curve Analysis

The collapse curve model illustrates how systemic disruptions lead to a staged economic downturn. Each phase builds upon the previous one, moving from supply chain shocks to consumer price inflation, then business closures, unemployment surges, and finally formal GDP contraction.

Timing varies by sector but follows a predictable structural cascade.



Economic Damage Estimate

These estimates are modeled based on industry-specific labor multipliers, trade elasticity assumptions, and observed historical analogs (e.g., 2018-19 trade war effects). External shocks, consumer behavior changes, or government interventions could shift final outcomes.

Year	Annual GDP Loss Estimate	Notes
2025	~-0.8%	Frontloaded in H2 2025
2026	~-1.5%	Recession confirmed

Potential Positive Outcomes

Despite immediate economic harm, strategic opportunities could arise by 2027 and beyond. These include domestic reshoring of key industries, greater supply chain diversification across Asia and Latin America, and new e-commerce innovation models reliant on domestic fulfillment.

Realization of these benefits requires substantial private and public sector investment.

Long-Term Outlook

Recovery is likely to be prolonged. Political instability, volatile global trade dynamics, and inflationary pressures could exacerbate economic challenges. U.S. policymakers and businesses must adapt rapidly to mitigate deeper structural risks.

Conclusion

The Liberation Day tariffs are poised to trigger one of the sharpest non-financial policy-induced recessions in U.S. history.

Immediate strategic actions-such as targeted support for vulnerable sectors, infrastructure investment, and global trade diversification-are critical to shorten recessionary impacts and position the economy for recovery.

Policy Recommendations

- Implement targeted financial relief for logistics, construction, and retail sectors.
- Expedite reshoring incentives, particularly for essential manufacturing.
- Invest in supply chain resiliency technologies and nearshore logistics.
- Engage in diplomatic efforts to prevent escalation with major trading partners.
- Monitor inflationary trends closely and consider monetary policy adjustments as necessary.

Appendices

This appendix provides transparency on the modeling approaches, data sources, and assumptions used in this report.

Appendix A: Methodology

- Employment and GDP data sourced from BLS, BEA, and sector studies.
- Assumes immediate Chinese retaliation.

Appendix B: References

- Finance.yahoo.com, April 2025
- U.S. Bureau of Labor Statistics (BLS), 2025 Q1
- Trade Compliance Resource Hub, 2025