

## **WEEKLY ECONOMIC UPDATE MAR. 2, 2026**

Stocks fell last week amid concerns about artificial intelligence (AI) and a warmer-than-expected reading of wholesale inflation.

The Standard & Poor's 500 Index fell 0.44 percent, while the Nasdaq Composite Index declined 0.95 percent. The Dow Jones Industrial Average dropped 1.27 percent. The MSCI EAFE Index, which tracks developed overseas stock markets, rose 1.22 percent.<sup>1,2</sup>

### **AI Disruption**

Markets began the week under pressure as investors' fears of AI disruption spread to a wide variety of industries. On Monday, a new research report circulated across trading floors, suggesting that AI could influence the broader economy and affect the unemployment rate.<sup>3</sup>

Stocks bounced back over the next two sessions as investors saw opportunity in an oversold AI trade. The relief rally included software and cybersecurity stocks, as well as AI-related technology shares more broadly. The rally gained momentum, spurred on by a prominent AI chipmaker, as investors eagerly awaited its Q4 corporate report. Investors pushed all three major averages higher over both days.<sup>4</sup>

But markets resumed their decline over the final two trading days of the week. The Dow Industrials fell more than the other two major averages, both on Friday and for the week. The Dow's weakness was notable given that it still leads the S&P 500 and Nasdaq year to date.<sup>5</sup>

## Weekly Market Insights (WMI)

### Major Index Return Summary

Name	1M TR	YTD TR	1Y TR	5Yr TR
<u>MSCI EAFE</u>	4.57%	9.56%	32.45%	70.23%
<u>Dow Jones Industrial Average</u>	0.30%	3.19%	15.92%	75.98%
<u>S&amp;P 500</u>	-0.49%	1.11%	17.48%	94.98%
<u>Nasdaq Composite</u>	-3.01%	-1.50%	20.70%	79.90%

### S&P 500 Daily Close



### 10-Year Note Review

Indicator Name	Latest Value	1M Ago	1M Change
<u>10 Year Treasury Rate</u>	<b>3.97%</b>	4.24%	-6.37% ▼
Date		3M Ago	3M Change
		4.00%	-0.75% ▼
		1Y Ago	1Y Change
		4.29%	-7.46% ▼

## Wholesale Inflation Rises

Friday's shutdown-delayed Producer Price Index (PPI) report showed that wholesale inflation rose 0.5 percent in January over the prior month. Economists expected prices to rise by 0.3 percent.<sup>6</sup>

PPI measures the costs for businesses, and some fear that if it costs businesses more to make a good or deliver a service, those costs might get passed on to consumers. Investor concerns often rise whenever an inflation report shows prices rising faster than the Fed's 2 percent target.

### This Week: Key Economic Data

**Monday:** PMI—Manufacturing. ISM Manufacturing. Auto Sales.

**Tuesday:** Fed Presidents John Williams (New York) and Neel Kashkari (Minneapolis) speak.

**Wednesday:** ADP Employment Report. PMI—Services. ISM Services. Fed Beige Book.

**Thursday:** Weekly Jobless Claims. Q4 Productivity. Import Prices.

**Friday:** Federal Employment Report. Cleveland Fed President Beth Hammack speaks.

## Quote of the Week



*“China is not a superpower, nor will she ever seek to be one. ... If one day China should change her color and turn into a*

*superpower, if she too should play the tyrant in the world, and everywhere subject others to her bullying, aggression and exploitation, the people of the world should identify her as social-imperialism, expose it, oppose it and work together with the Chinese people to overthrow it.”*

**– Deng Xiaoping at the U.N. General Assembly, 1974.**



The senators elected in the fall 2026 won't be able to avoid dealing with Social Security. The program is projected to hit a financial cliff before the end of 2032, forcing Congress to consider benefit reductions, higher taxes, or more borrowing.

The looming deadline exposes a deeper problem than arithmetic: Congress has spent decades selling Social Security as something it isn't. Public misunderstanding of the program's true nature is one of the biggest obstacles to reform.

Many Americans think Social Security works like a retirement account. In Cato polling conducted in August, about one in four said they believed they had a personal account within the system. That misconception didn't arise by accident. Politicians routinely describe payroll taxes as "contributions," speak of a "trust fund" as if it held real savings, and defend benefits as "earned."

Social Security is not a savings program. It is a pay-as-you-go transfer system. Today's workers' payroll taxes fund today's retirees' benefits. There is no individual account accumulating a balance over time. Payroll taxes are taxes, neither deposits nor savings.

Its early history makes that clear. The first Social Security check went to Ida Fuller of Vermont, who would go on to collect nearly half a million in today's dollars. That is about 1,000 times what she had paid in taxes. Fuller did nothing wrong; the system was built that way. From the start, Social Security transferred resources across generations and among workers with different earnings.

This distinction matters because it changes how Americans evaluate the program—and the choices ahead. When Social Security is framed as a retirement account, any benefit reduction sounds like unfair confiscation.

And when payroll taxes are described as “contributions,” it invites a contradiction: Americans are told that Social Security delivers earned benefits yet are also encouraged to view the payroll tax cap as an inequity and calls to raise it as a matter of high earners paying “their fair share.”

When it's understood as what it is—government-provided income insurance for old age—the trade-offs become clearer. Lifting the payroll tax cap becomes a decision to raise taxes on higher earners to fund redistribution. Higher payroll taxes across the board mean lower take-home pay for workers and weaker economic growth for all of us. Slower benefit growth results in less government spending that subsidizes lifestyle choices among retirees who are, on average, wealthier than the workers financing the system.

Americans, meanwhile, are clearer-eyed about the trade-offs than Congress gives them credit for—especially when presented with real numbers. In an October Cato survey, most respondents initially supported raising payroll taxes “as much as necessary” to shore up Social Security. But support collapsed once the question was framed in dollars. Most Americans are unwilling to pay what would be required to fix Social Security through higher payroll taxes alone.

The same survey shows widespread frustration with how Congress has handled Social Security. Sixty-two percent of respondents believe lawmakers have mostly broken their promises to workers, and 71 percent support creating a commission of independent, nonpartisan experts with authority to address the program's funding shortfalls. Americans don't trust Congress with Social Security, and for good reason: they've been sold a comforting fiction for decades.

Honesty would also clarify what reform should look like. If Social Security is fundamentally a redistribution program meant to prevent poverty in old age, then Congress should stop pretending it is a contribution-based retirement account and design it accordingly. The most straightforward approach is a flat benefit: a uniform, anti-poverty payment for eligible seniors, phased in gradually for younger cohorts. It would protect those who need help while reducing subsidies to those who don't.

This idea is gaining traction. Nearly half (48 percent) of Americans in the Cato survey support replacing Social Security with a flat-benefit system that raises benefits for lower earners and reduces them for higher earners. Support is strongest among younger workers who would be the ones to bear the brunt of the benefit change and who also stand to gain the most from limiting the program's rising payroll tax burden.

Analysts across the policy spectrum have begun moving in the same direction.

Proposals by scholars of the American Enterprise Institute, the Manhattan Institute, and the Progressive Policy Institute differ in their approach but converge on a common insight: once you abandon the fiction that Social Security is a personal savings plan, a flatter, more transparent benefit structure makes sense.

A flat benefit would not eliminate difficult choices. Lawmakers would still have to decide how generous the benefit should be,

how to finance it, and how to manage the transition fairly. But it would make it possible to protect vulnerable seniors from indiscriminate cuts by reducing spending on more affluent retirees instead. It would also make Social Security's purpose and costs explicit: payroll taxes are taxes, and benefits are welfare spending. Congress will not be able to dodge Social Security's fiscal reality much longer. It also shouldn't dodge the truth.

If Congress wants to restore trust and stabilize the program, the first step is simple: stop pretending Social Security is something it never was.<sup>7</sup>

## Footnotes And Sources

1. WSJ.com, February 27, 2026
2. Investing.com, February 27, 2026
3. CNBC.com, February 23, 2026
4. CNBC.com, February 25, 2026
5. WSJ.com, February 27, 2026
6. WSJ.com, February 27, 2026
7. [theepochtimes.com/opinion/social-security-isnt-a-retirement-account-and-congress-must-stop-pretending-it-is-5978158](https://theepochtimes.com/opinion/social-security-isnt-a-retirement-account-and-congress-must-stop-pretending-it-is-5978158)

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