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Trade Deal's Setback Left Wall Street Unmoved. Why?

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The rejection earlier today by the House of a bill that was seen as essential for President Obama to make progress on his ambitious agenda of tighter economic integration with the Asia Pacific region came as a major surprise to most commentators.

But the real surprise is how the news appears to have been met with a yawn on Wall Street. A crucial part of the proposed Trans-Pacific Partnership involved stronger protections for the intellectual property held by American corporations.

Yet when the surprise vote failed, not only did the stock market as a whole barely react, but the stock prices of large American pharmaceutical companies — the most obvious beneficiaries of these proposals — also remained largely unchanged.

Wall Street's apparent indifference to this latest development tells us something, although it's not quite clear what. One possibility is that perhaps

this trade deal just isn't such a big deal for the bottom lines of these firms — it adds only millions to the bottom lines of companies that are worth billions.

If that's right, then perhaps the stakes here aren't as high as the agreement's most fervent boosters have argued. The economist Tyler Cowen suggested as much on Twitter, arguing that his "default hypothesis" is that "it is not actually a huge transfer of wealth to them."

An alternative interpretation is that Wall Street didn't react because financial markets already expected it. But given the extent of surprise among the trade policy analysts that I talk with, this seems unlikely. Even as it was widely understood that the vote would be close, few expected it to be defeated.

Or perhaps traders remain optimistic that — despite today's vote — the odds that the trade deal will eventually pass remain high. After all, there is already talk of a revote on Tuesday. Perhaps that will lead to a different outcome, but perhaps not.

Either way, it would be naïve to ignore the message implicit in today's vote that passing international trade agreements is a difficult political task, especially given the dissent in both Republican and Democratic ranks.

So was this vote big news, or not? It depends on whether you're asking someone on Pennsylvania Avenue, or Wall Street.

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