

# Paper reveals how much influence global powers have on the economy

*Do the United States and China truly shape the global economic agenda? A new research paper unravels this question.*

DARWIN, NORTHERN TERRITORY, AUSTRALIA, September 24, 2024 /EINPresswire.com/ -- Do the United States and China truly shape the global economic agenda? A new study investigating the relationship between global powers and the stock market has revealed they have more economic influence than previously thought.

The study by Charles Darwin University (CDU) and Griffith University revealed how rich and powerful nations influence the policies of less powerful economies by exploring the correlation between the Global Power Index (GPI) and relative stock market performance and integration.

This study is the first of its kind to establish such a relationship.

The authors examined economic and stock market data over 25 years for 11 nations: Australia, Canada, China, Germany, France, India, Italy, Korea, Mexico, the United Kingdom and the United States.

These regions represent 58.05 per cent of the gross domestic product of global markets and 46.17 per cent of the global population.

Lead author and CDU Associate Professor of Accounting and Finance [Rakesh Gupta](#) said the results showed the Australia and United States stock market changes with respect to other markets were more stable, whereas the India and China's stock market changes with respect to other markets were more volatile.

"The findings of the study are significant for investors who seek to benefit from investing in international investments," Dr Gupta said.

"If a portfolio manager from a market with strong global power seeks international diversification benefits is less likely to benefit from diversifying into markets that have stronger and increasing global power. They will need to invest in markets with weaker and declining global power."

The study also found education and environmental awareness are likely to impact the stock market.

“Findings suggests that more environmentally aware investors cause stock markets to deviate from each other,” Dr Gupta said.

“Similarly, higher level of education impacts negatively on the convergence of the stock markets. This can also be interpreted as environmentally aware investors and more educated investors look at domestic markets more favourably and as such cause investors to invest locally.”

Dr Gupta said based on the study’s findings, Australia should continue aligning itself economically with major powers such as the United States.

“When we consider Australia, it is developed but not powerful from a global perspective and as such it may not have impact on global markets,” Dr Gupta said.

“Whereas China which is developing economy but powerful and may influence more. This has implications for Australian investors who seek to invest in overseas markets. To gain benefits of diversification investors need to consider investments in markets that have lesser global power.

“From an economic perspective Australia’s alignment with strong global power, such as the USA may be implicitly a good and strategic decision in terms of influencing global economic policy. Australia may continue to benefit from its alignment with China as well because of its rising global power.”

[Global power and Stock market co-movements: A study of G20 markets](#) was published in the Global Finance Journal.

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