Cirebon International Journal of Economics and Business
Vol. 4, No. 1, 2026: Page xx-xxx
Published by Department of Islamic Economics,
Faculty of Islamic Economics and Business
UIN Siber Syekh Nurjati Cirebon
E-ISSN 3031-3236

From Stability to Productivity: Integrative Framework of Moderated Elite Stability Theory and Integrated Reality Theory for Indonesia's Economic Transformation

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KEYWORDS
IRT
Political Stability
Economic Productivity
Institutional Governance

ABSTRACT

This article proposes a conceptual integration between Moderated Elite Stability Theory (MEST) and Integrated Reality Theory (IRT) to explain Indonesia's post-Reform economic transformation. MEST—in its proposed framework—describes the mechanisms for the formation of political stability through the interaction between elite concentration, elite coordination, and institutional quality. IRT describes how such stability, along with information quality, state reflective capacity, systemic entropy level, and speed of institutional evolution, affects economic productivity. A two-level mathematical model is proposed: Phase I (MEST)— ; Stage II (IRT) — , , , and as a standardized productivity index. Four theoretical propositions are formulated as initial hypotheses. Substantively, this article argues that the effectiveness of economic transformation is largely determined by the state's ability to decrease systemic entropy, build reflective capacity, and conditionally direct the speed of evolution. This model offers an initial operational framework that requires constructive validation and empirical testing. $PS = f(ELC, ECO, IQ, ELC \times IQ, X) E_m = E \times PS\Phi = (E_m \times I \times C)/SR = \Phi^v P = R/(1 + R)$.

INTRODUCTION

Indonesia has entered a new phase of its development after more than two decades of the Reformasi era. In the midst of the wave of democratization that often experiences turbulence in the Global South, Indonesia has managed to record one fundamental achievement: political stability and relatively maintained continuity of governance. In political economy discourse, this kind of stability is commonly positioned as a prerequisite for long-term growth (North, 1990; Acemoglu & Robinson, 2012). However, the historical experience of various countries shows that stability without productivity will only lead the nation to a veiled stagnation. The strategic question that arises is no longer just "how to maintain stability", but "how to convert the stability that has been maintained into sustainable national productivity and have an impact on the welfare of the people". The existing literature has extensively discussed political stability and productivity separately. Studies on political settlements and elite bargains (Khan, 2010; Hickey, 2013) explain how elite coordination affects regime resilience, but rarely explicitly link it to mechanisms of economic transformation. In contrast, the literature on state capacity and developmental state (Evans, 1995; Fukuyama, 2013; Andrews, 2013) emphasizes the importance of strong institutions and competent bureaucracies, but pays less attention to the dynamics of systemic entropy and the speed of adaptation as intermediate variables. The literature on total factor productivity and national innovation systems (Solow, 1957; Freeman, 1995; Lundvall, 1992) highlights technical and institutional factors, but has not yet integrated aspects of political stability and systemic energy mobilization into a measurable framework. It is this theoretical gap that is the entry point for the synthesis of MEST and IRT.

Indonesia's economic transformation has entered a stage in which macroeconomic stability alone is no longer sufficient to guarantee sustained productivity growth. Over the past two decades, Indonesia has demonstrated considerable resilience through periods of global financial uncertainty, the COVID-19 pandemic, commodity-price fluctuations, and changing patterns of international trade. The economy has also succeeded in reducing poverty and strengthening its position as an upper-middle-income country. Nevertheless, the central challenge is increasingly shifting from maintaining stability toward generating higher productivity, better-quality employment, stronger innovation, and broader participation in economic activity. Recent evidence indicates that Indonesia's economic convergence has slowed largely because of weakening labor and total factor productivity, while structural barriers continue to limit the movement of resources toward higher-value activities (OECD, 2024; World Bank, 2024). The distinction between stability and productivity is therefore important in understanding Indonesia's transformation agenda. Stability provides the institutional and macroeconomic foundation for economic activity, but stability by itself may produce a condition in which existing structures are preserved without sufficiently encouraging innovation or structural change. The OECD (2024) emphasizes that productivity is a major determinant of long-term economic growth and that Indonesia continues to lag behind several regional peers in productivity performance. Total factor productivity has also shown weaker development, while limited integration into global value chains, skill mismatches, regulatory barriers, and insufficient digital adoption constrain the capacity of firms and workers to generate higher value added (OECD, 2024). Consequently, Indonesia's transformation requires a framework that can explain not only how stability is maintained, but also how stability can be converted into productive capacity.

This challenge becomes more complex when viewed through the lens of elite stability and organizational or institutional reality. Economic systems are not composed solely of markets, firms, workers, and capital; they are also shaped by actors who possess strategic resources, decision-making authority, institutional influence, and access to economic opportunities. Elite stability can contribute positively to economic development when influential actors provide policy continuity, institutional coordination, investment confidence, and long-term strategic direction. However, excessive stability among dominant actors may also create institutional rigidity, concentrated market power, weak competition, and barriers to the entry of new firms and ideas. The World Bank's recent diagnosis of Indonesia identifies market power, regulatory barriers, and limited diffusion of knowledge as factors that constrain productivity and keep many workers

concentrated in lower-value economic activities (World Bank, 2026). This suggests that the relationship between elite stability and productivity should not be understood as inherently positive or negative, but as a relationship that depends on how institutional stability is moderated and translated into productive transformation. Within this context, the proposed Moderated Elite Stability Theory (MEST) provides a conceptual starting point for examining how stability among influential economic and institutional actors can affect transformation outcomes. Stability can generate continuity in policymaking, reduce uncertainty, and facilitate long-term investment. Yet, when stability becomes excessive and is not moderated by competition, accountability, innovation, and institutional openness, it may reduce organizational dynamism. The important analytical question is therefore not whether elite stability exists, but under what conditions elite stability becomes productive rather than merely preservative. Such an approach is consistent with the current Indonesian development challenge, in which macroeconomic fundamentals remain relatively resilient while productivity growth requires deeper reforms in competition, investment, skills, digitalization, and business regulation (OECD, 2024; World Bank, 2024).

The second conceptual pillar is the Integrated Reality Theory (IRT), which emphasizes the importance of understanding organizations and institutions as multidimensional realities. Economic transformation cannot be adequately diagnosed by looking only at financial performance or aggregate growth. Organizations operate through interconnected dimensions involving leadership, human resources, institutional structures, technology, organizational culture, decision-making, external environments, and stakeholder relationships. Consequently, productivity problems may emerge not from a single deficient variable but from misalignment among multiple organizational realities. An integrated perspective makes it possible to examine how strategic decisions, institutional arrangements, human capabilities, technological adoption, and environmental pressures interact in shaping productive outcomes. This perspective is particularly relevant to Indonesia because the country faces simultaneous challenges involving skills, digitalization, formal employment, business competitiveness, and structural transformation. The need for such integration is reinforced by the latest evidence concerning Indonesia's productivity agenda. The World Bank (2026) reports that Indonesia's growth has remained resilient, but productivity reforms are increasingly important for sustaining momentum and creating better-quality jobs. The institution identifies structural reforms, stronger competition, improved business conditions, investment, and better allocation of resources as essential elements for raising productivity. Similarly, the World Bank's Running Faster, for Longer report emphasizes that Indonesia needs to move beyond growth driven predominantly by existing patterns of investment and employment toward a model characterized by structural transformation, productivity improvement, and good jobs. The combined reform agenda could substantially increase GDP, labor income, and the number of better-quality jobs by 2040.

The integration of MEST and IRT consequently offers a potentially useful framework for explaining the transition "from stability to productivity." In this framework, elite stability functions as an institutional condition, while integrated organizational reality functions as the diagnostic mechanism through which the quality of that stability can be assessed. Stability becomes productive when influential actors and institutions facilitate investment, knowledge diffusion, innovation, competition, human-capital development, and technological adaptation. Conversely, stability becomes less productive when it produces concentration, regulatory capture, organizational inertia, exclusion, or resistance to new entrants and technologies. The moderating role is therefore critical because it determines whether stability supports transformation or merely reproduces existing economic arrangements. This integrated framework is also relevant to Indonesia's ambition to achieve high-income status by 2045. Recent World Bank analysis indicates that Indonesia needs stronger productivity and more productive, job-rich growth to reach this objective. The challenge is not simply to increase aggregate output but to ensure that economic growth is increasingly generated through higher-value activities, improved worker capabilities, technological diffusion, stronger firms, and broader access to economic opportunities (World Bank, 2026). The OECD similarly highlights the importance of education, skills, formal employment, digital transformation, global value-chain integration, and improvements in the

business environment as essential components of Indonesia's long-term convergence strategy (OECD, 2024).

Therefore, the movement from stability to productivity should be understood as a process of institutional conversion. Stability provides predictability, but productivity requires transformation; elite coordination can provide direction, but integrated organizational realities determine whether that direction produces measurable economic value. The proposed integration of Moderated Elite Stability Theory and Integrated Reality Theory seeks to bridge these dimensions by explaining how institutional stability can be transformed into organizational dynamism and, ultimately, national economic productivity. The framework places emphasis on the interaction between stability, moderation, organizational reality, institutional adaptability, human capital, technology, competition, and productive outcomes. Such an approach provides a conceptual foundation for examining Indonesia's economic transformation not merely as a question of economic growth, but as a process through which stable institutions become adaptive, adaptive organizations become productive, and productive systems generate inclusive and sustainable economic transformation. This article aims to answer this question through the integration of two complementary theoretical frameworks. First, Moderated Elite Stability Theory (MEST) (Shoim, 2026)—in its initial formulation—explains the mechanism for the formation and survival of political stability in new democracies through inter-elite moderation. Second, Integrated Reality Theory (IRT) (Shoim & Choris, 2026; Shoim & Hwihanus, 2026) describes the dynamics of systemic energy conversion in development, taking into account the variables of entropy, collective consciousness, and the speed of institutional evolution. This article proposes that MEST and IRT be positioned as two components in an ongoing research program: MEST explains the formation of political stability, while IRT describes the mechanism of transforming such stability into productivity. By clarifying this theoretical relationship, this article offers a contribution to the development literature in developing countries, while providing a roadmap for future empirical research. That is, MEST answers the question "why is a country stable?" while IRT answers the question "under what conditions and through what mechanisms can such stability be converted into productivity?"

LITERATURE REVIEW

Moderated Elite Stability Theory (MEST): Stability as a Result of Elite and Institutional Interaction Within the framework proposed by MEST (Shoim, 2026), political stability (PS) is a function of the interaction between elite concentration (ELC), elite coordination (ECO), and institutional quality (IQ), and is influenced by a series of control conditions (X). The two dimensions of elite are conceptually differentiated: elite concentration refers to an unequal distribution of power or resources, which can facilitate coordination but also create exclusion; while elite coordination refers to the ability of key political actors to reach agreement and manage conflicts productively. According to the initial formulation of MEST, this relationship is formally stated as:

$$\mathrm{PS} = f(\mathrm{ELC}, \mathrm{ECO}, \mathrm{IQ}, \mathrm{ELC} \times \mathrm{IQ}, X)$$

In empirical applications, the main construct of MEST can be normalized to domains, while the treatment of control variables is adjusted to the scale and specification of the model. The term interaction reflects the proposition that the influence of elite concentration on stability is conditional on institutional quality.$(0,1]\mathrm{ELC} \times \mathrm{IQ}$. MEST also warns that stability that relies solely on elite coordination without institutional strengthening is fragile; a more institutionalized and sustainable stability must be sustained by the rule of law and professional bureaucracy. Thus, MEST provides a framework for understanding how political energy (in the form of elite cohesion) can be prevented from spilling into destructive conflicts, while emphasizing the importance of institutional quality as a long-term foundation.

Integrated Reality Theory (IRT): Dynamics of Systemic Energy Conversion

The IRT complements the MEST by providing a dynamic framework for how systemic

energy—one of the sources of which is stability—can be managed and converted into productive output (Shoim & Choris, 2026; Shoim & Hwihanus, 2026). The IRT introduces five main variables: energy (E), information (I), entropy (S), consciousness (C), and speed of evolution (). Within this framework, development is understood as the process of transforming potential energy into productive output, which is strongly influenced by the degree of systemic leakage (entropy) and the adaptation capacity of institutions (awareness and speed). A major contribution of IRT is its emphasis that increasing resources alone is not enough; without a decrease in entropy, resources will be scattered, and without awareness and speed of evolution, institutions will be left behind by changes in the strategic environment.v. IRT also introduces the concept of collective consciousness (C) as the state's reflective capacity—the ability of bureaucrats and policymakers to think long-term, critically evaluate policies, and correct errors based on feedback. Meanwhile, speed of evolution () refers to the speed at which institutions learn, adapt, and adopt best practices. These two variables are the main differentiators between systems that are simply stable and systems that are capable of transformation.v

Theoretical Gap and Synthesis of MEST–IRT

The existing literature still treats political stability and economic productivity as two separate domains. Studies on the state capacity and developmental state (Evans, 1995; Fukuyama, 2013) address institutional quality, while studies on total factor productivity (Solow, 1957; Aghion & Howitt, 2009) address technical efficiency, but the two have not been linked through a framework that explains the intermediate mechanisms—i.e., how political stability affects the mobilization of resources and how those resources are converted into productivity under specific institutional conditions. Classical institutional frameworks (North, 1990) and political settlement theory (Khan, 2010) do explain the role of elite rules and coordination, but they do not provide a variable between systemic entropy and reflective capacity that actively regulates the quality of energy conversion. Meanwhile, governance and transaction costs approaches (Williamson, 1985; Andrews, 2013) highlight the costs of inefficiency, but have not formalized the relationship between political stability as a mobilization coefficient and productivity as transformational output. Ostrom (1990) and Rodrik (2005) also do not explicitly treat political stability as a variable that quantitatively affects systemic efficiency. Thus, there has not been a single framework that simultaneously: (1) explains the origins of political stability through elite coordination and institutional quality (MEST), and (2) explains the mechanisms of converting such stability into productivity through entropy, collective consciousness, and the speed of evolution (IRT). It is this gap that forms the basis for the synthesis of MEST–IRT. MEST—within its proposed framework—answers the question "why is a state stable?" by explaining the role of elite concentration, elite coordination, and institutional quality. IRT answers the question "under what conditions and through what mechanisms can such stability be converted into productivity?" by providing intermediate variables—energy mobilization, entropy, collective consciousness, and the speed of evolution. By combining the two, this article offers a more complete framework for understanding economic transformation in developing countries.

Table 1. IRT Synthesis: C-v Co-Evolutionary Loop with Entropy Inhibition

Concept Theory	Established Literature	IRT (Novelty)
Agency vs Structure	Giddens (1984)	IRT adds the speed of reflexivity () and $v$the capacity of intervention () as dynamic bridges, as well as Cfriction S that hinders the agency's conversion into action.
Habitus	Bourdieu (1990)	IRT transforms habitus from reproduction to transformative through (consciousness to break the cycle) but inhibited by (structural entropy).CS
Self-Governance	Ostrom (1990; 2005)	IRT adds the cognitive dimension (), adaptation speed (), and $C_1 v$corruption/rent-seeking factor ()S as inhibiting variables.

Concept Theory	Established Literature	IRT (Novelty)
Social Capital	Putnam (1993); Fukuyama (1995)	IRT distinguishes social capital as a stock (static) from as a reflective (dynamic) capacity to reactivate social capital.C
Cross-cultural Norms	Henrich (2020)	The IRT recognizes that (normative awareness) should be measured relative to C_2 the historical baseline of each society, not by absolute standards.
Institutional Change	North (1990); Besley & Persson (2021)	IRT provides a measured proxy for adaptive efficiency() and adds a mechanism of consciousness () as a propellant, with frictionvCS.
Organizational Learning	Argyris & Schön (1978); March & Olsen (1976)	IRT quantifies double-loop learning as high, and adds parameters as $v\theta$forgetting rate due to entropy.
Sensemaking	Weick (1995)	IRT quantifies sensemaking into structural plasticity indices () and normative awareness ().$v_3 C_2$

RESEARCH METHODS

This study uses a qualitative approach with a conceptual-theoretical study type (*conceptual-theoretical paper*). The main goal is to develop an integrative analysis framework, not to test hypotheses empirically. The analysis technique used is deductive synthesis which is complemented by secondary data-based illustrations, with the following steps:

1. Identification of Theoretical Propositions: Draw the main postulates of MEST (about stability mechanisms) and IRT (about systemic variables) as the basis for the construction of the synthesis framework.
2. Formalizing Interconstruct Relationships: Formulate a two-level mathematical model that links stability () with IRT variables () to productivity (), with all basic constructs—except—normalized to the domain.PS$E, I, S, C, vPv(0,1]$
3. Initial Operationalization of the Construct: Describe the abstract variables of IRT into measurable and verifiable indicators, based on a review of the literature and policy practices (presented in Table 1), with a firm separation between Institutional Quality (IQ) and Information Quality (I).
4. Limited Empirical Illustration: Using secondary data from the World Bank (Worldwide Governance Indicators), the Central Statistics Agency (BPS), and other international agency reports as illustrations to show the possibility of operationalizing the construct and the relevance of its policies. The use of this data is not intended as a hypothesis test, but rather as a contextualization of the theoretical framework.

RESULTS AND DISCUSSION

Normalization of Variables and Notation Conventions

In this model, the symbol and refers to the base construct that has been normalized to the domain. Normalization is done using E,PS, $I, C, S(0,1]$*the min-max* method with the addition of a small constant to avoid zero values on division or multiplication:$\varepsilon = 0{,}01$

$$X_{\text{norm}} = \varepsilon + (1 - \varepsilon) \times \frac{X - X_{\min}}{X_{\max} - X_{\min}}$$

with . This procedure applies to all raw variables (). If , the indicator is declared uninformative for that unit or period and is issued, replaced, or treated through the imputation procedure established in the empirical design.$X_{\text{norm}} \in$

$[0{,}01; 1]E_{\text{mentah}}, \text{PS}_{\text{mentah}}, I_{\text{mentah}}, C_{\text{mentah}}, S_{\text{mentah}} X_{\max} = X_{\min}$

A variable is a mobilized energy derived from two normalized constructs. Meanwhile, and is a positive derivative quantity that is not limited to the range , whereas it is a standardized productivity index that is limited to the range . The freedom to value greater than 1 is an important condition for Proposition 4 which states that the acceleration of evolution () is only meaningful if the basic efficiency of the system () has exceeded a certain threshold.$E_m = E \times \text{PS}\Phi = (E_m \times I \times C)/SR = \Phi^v 0 - 1P = R/(1+R)(0{,}1)\Phi v\Phi$.

In contrast to the basic construct normalized to the range , it is treated as a positive parameter that represents the intensity of the speed of the institution's evolution, without normalization, since it serves as an exponent in the model. In empirical application, it is treated as a positive latent parameter whose value is estimated or formed from indicators of the speed of learning and institutional adaptation.$(0{,}1]vv$.

Two-Level Model: From Stability to Productivity

This article proposes a two-tier model that formally integrates MEST and IRT.

Stage I: MEST Model

At the first level, according to the MEST's proposed framework, political stability is established through:

$$\text{PS} = f(\text{ELC}, \text{ECO}, \text{IQ}, \text{ELC} \times \text{IQ}, X)$$

where:

PS = Normalized political stability $(0{,}1]$

ELC = Elite concentration (distribution of power)

ECO = Elite coordination (ability to reach an agreement)

IQ = Institutional quality (*Rule of Law*, *Control of Corruption*, meritocracy, judicial independence)

ELC × IQ = Interactions that show that the influence of elite concentration on stability depends on the quality of the institution

X = Control variables (macroeconomic conditions, external pressures, etc.)

Elite coordination and institutional quality are expected to enhance political stability, although such relationships can be nonlinear and dependent on the degree of political exclusion and macrostructural conditions.

Phase II: IRT Model

At the second level, the normalized political stability () resulting from Phase I serves as an energy mobilization coefficient that determines how much normalized raw energy () can be effectively mobilized:PSE

$$E_m = E \times \text{PS}$$

The other IRT variables are then integrated into the basic systemic efficiency function () and latent transformational performance ():ΦR

$$\Phi = \frac{E_m \times I \times C}{S}$$
$$R = \Phi^v$$

where:

E = Normalized raw energy (resource capacity)

PS = Normalized political stability from Phase I

I = Normalized information quality (data disclosure, policy coordination, statistical quality)

C = Normalized collective consciousness (state reflective capacity)

S = Normalized entropy (systemic leakage and friction)

v = Speed of institutional evolution (positive parameters)

Values are used as theoretical reference points that distinguish conditions when the transformational capacity of the system () is at least equivalent to the level of systemic friction () encountered. This threshold is conceptual and requires empirical validation in subsequent studies.$\Phi = 1E_m \times I \times CS$.

Finally, the standardized productivity index () is presented as a logistical transformation of to limit outputo the range of:$PR0 - 1$

$$P = \frac{R}{1+R} = \frac{\Phi^{v}}{1+\Phi^{v}}$$

This function has several advantages: (1) the entire output is in the range; (2) it does not have a problem with negative scores because the entire input has been normalized; (3) distinguishes the basic efficiency () and latent performance () from the final index (); (4) maintains an exponential role; and (5) it can be empirically tested using panel data or case studies.$0-1\Phi RPv$

The Conditional Role of Evolutionary Velocity ()v

The influence on latent performance is conditional, depending on the value of . Partial derivatives of the$vR\Phi Rv$

$$\frac{\partial R}{\partial v} = R \times \ln(\Phi)$$

- If , then the speed of evolution accelerates the increase in productivity in systems with high basic efficiency.$\Phi > 1\frac{\partial R}{\partial v} > 0$
- If , then : in a system with low basic efficiency, acceleration without improving the foundation can actually accelerate the regression.$0 < \Phi < 1\frac{\partial R}{\partial v} < 0$
- If , then : no effect.$\Phi = 1\frac{\partial R}{\partial v} = 0$

Thus, it is not a variable that is always positive. It is an accelerator that increases the direction of the performance of the system that has been formed. The implication of the policy is: the acceleration of reform (high) is only meaningful if the basic efficiency of the system () is already on the right track.$vv\Phi$
Relationship between and RP
For a standardized index, the derivatives against are:Pv

$$\frac{\partial P}{\partial v} = P(1-P) \times \ln(\Phi)$$

The sign keeps following , according to theoretical intuition.$\ln(\Phi)$

Theoretical Propositions

Based on the two-level model above, this article proposes four theoretical propositions formulated as initial hypotheses to be tested in subsequent research. These propositions are derived against latent performance () to avoid the saturation effect of logistic transformations.R
Proposition 1: Political stability resulting from the interaction of elite concentration, elite coordination, and institutional quality increases productivity indirectly, through its role in enlarging resource mobilization capacity (), so that energy is not wasted by policy uncertainty or conflict.$E_m = E \times \text{PS}$
Proposition 2: The positive influence of normalized mobilized energy () on latent transformational performance () is expected to weaken as normalized institutional entropy () increases. Formally:$E_m RS$

$$\frac{\partial R}{\partial E_m} = \frac{vR}{E_m} > 0$$

$$\frac{\partial^2 R}{\partial E_m \partial S} = -\frac{v^2 R}{E_m \times S} < 0$$

assuming all positive variables and model domains are met. This means increased investment or development spending will not be effective if systemic leakage remains high.
Proposition 3: The reflective capacity of normalized states () magnifies the efficiency of resource transformation by improving the system's ability to read information, evaluate policies, and make self-corrections. Formally:C

$$\frac{\partial R}{\partial C} = \frac{vR}{C} > 0$$

The higher the reflective capacity, the greater the output produced from each unit of energy and information available.
Proposition 4: The effect of the speed of institutional evolution () on the results of the transformation is conditional on the basic efficiency of the system (): positive when , negative when , and neutral when . Formally:$v\Phi\Phi > 10 < \Phi < 1\Phi = 1$

$$\frac{\partial R}{\partial v} = R \times \ln(\Phi)$$

Thus, the acceleration of reform is only meaningful if the foundations of basic efficiency have been built; otherwise, the acceleration only magnifies failure.

Construct Operationalization: A Preliminary Framework

In order for the above model to be more abstract, this article proposes the initial operationalization of the MEST and IRT variables into measurable and verifiable indicators, as presented in Table 1. Note the strict separation between *Institutional Quality* (IQ) and *Information Quality* (I) to avoid overlapping constructs. It is also worth emphasizing that (collective consciousness) is conceptually different from IQ: IQ measures the ability of institutions to enforce rules and prevent abuse of authority, while it measures the ability of learning systems, reflecting experiences, and self-correction based on feedback.CC

Table 2. Initial Operationalization Framework of MEST–IRT Construct

Construct	Operational Definition	Initial Indicators (Proxy)	Direction of Contact	Potential Data Sources
Elite Concentration (ELC)	Distribution of power and resources among political actors	Coalition fragmentation index; executive-legislative power ratio	Positive/negative (conditional) to PS	Political content analysis; election data
Elite Coordination (ECO)	Ability of political actors to reach agreements and manage conflicts	Frequency of elite conflicts; coalition stability; agreement of rules of the game	Positive for PS	News content analysis; Elite surveys
Institutional Quality (IQ)	Institutional binding power in enforcing rules and preventing abuse of authority	Rule of Law (WGI); Control of Corruption (WGI); Bureaucratic Meritocracy Index; Judicial Independence	Positive for PS	World Bank (WGI); national surveys
Political Stability (PS)	MEST outcomes: perceptions of possible instability and violence	Political Stability and Absence of Violence/Terrorism (WGI) – normalized	Mobilization coefficient E	World Bank (WGI)
Energy (E)	Mobilizable normalized raw resource capacity	Central government spending/GDP; PMA/GDP; fiscal capacity	Positive towards E_m	BPS, Bank Indonesia, World Bank
Quality of Information (I)	Normalized information architecture and policy coordination	Public data disclosure; quality of official statistics; data interoperability; consistency of regulatory information; coordination capacity between agencies	Positive towards and ΦR	BPS, Ministry of PAN-RB, OECD
Entropy (S)	Loss of efficiency and normalized systemic friction	ICOR; logistics cost/GDP ratio; licensing time; CPI (as a proxy for perception)	Negative towards and ΦR	BPS, World Bank, IT, government documents
Collective Consciousness (C)	Normalized state reflective capacity (cognitive, normative, behavioral) — different from IQ	Quality of policy evaluation; feedback mechanism; long-term orientation in the RPJMN; administrative responsiveness	Positive towards and ΦR	Ministry of PAN-RB, Bappenas, national survey

Construct	Operational Definition	Initial Indicators (Proxy)	Direction of Contact	Potential Data Sources
Speed of Evolution (v)	Speed of learning and institutional adaptation (positive latent parameters, not normalized)	Policy response time; speed of digital adoption; continuity of reform; ability to correct failed policies	Conditional: positive if, negative if, neutral if, neutral if. $\Phi >$ $1\Phi < 1\Phi = 1$	Government documents, global innovation index, case studies
Productivity (P)	Economic transformation output (standardized index)	Total Factor Productivity (TFP); labor productivity; Manufacturing Sector Added Value/GDP	Dependency	BPS, ILO, World Bank, PWT

Note: ICOR and CPI are used with caution—ICOR is influenced by investment pauses and industry structures, while CPI represents perceptions of corruption risk, not an absolute measure of leakage. All WGI indicators are normalized to ranges using a formula with epsilon.$(0,1)$

Lowering Entropy and Redirecting Energy

With the model and, where, policy priorities become clear: lowering (normalized entropy). In Indonesia, entropy is manifested in convoluted bureaucracy, overlapping regulations, corruption, and $R = \Phi^{v}\Phi = (E_m \times I \times C)/SE_m = E \times$ PS*Srent-seeking* practices. Fiscal efficiency and corruption eradication should be read as efforts to reduce entropy. Similarly, industrial downstreaming and productive investment are efforts to direct (normalized energy) to sectors with the highest economic multipliers, while strengthening normalized information quality () through regulatory certainty and data disclosure ensures effective policy coordination. Danantara has the potential to be an instrument for mobilizing and allocating systemic energy, but its effectiveness depends on governance that keeps it low.EIS The two variables that most determine the acceleration of transformation are and . This article defines it as the reflective capacity of the state—not just "bureaucratic awareness" in the narrow sense, but the ability of the system of government to: (1) read problems accurately (cognitive dimension): the quality of policy analysis and planning documents; (2) self-correction based on feedback (normative and behavioral dimensions): evaluation mechanisms, audits, and responsiveness to public complaints; and (3) long-term thinking (strategic dimension): policy orientation beyond the five-year political cycle.CvC.

Meanwhile, it is measured not by the number of regulations issued (which risk becoming hyper-regulation and adding entropy), but rather by the time traveled from problem identification to policy response; the speed of adoption of practices that have proven successful (e.g., the digitization of public services); the ability to correct failed policies based on empirical evidence; and continuity of learning across governments and across leadership periods.In accordance with Proposition 4, the increase will only be meaningful if . Therefore, before accelerating (high) reforms, governments need to ensure that the foundations of basic efficiency (—which are determined by energy mobilization, information quality, reflective capacity, and low entropy—are on the right track.$v\Phi > 1v\Phi$. As a normative illustration for the Indonesian context, this model shows that increasing productivity is not enough just by increasing investment (). The government needs to simultaneously: (1) maintain normalized political stability () through strengthening elite coordination and institutional quality; (2) reduce normalized entropy () through bureaucratic reform, corruption eradication, and regulatory simplification; (3) improve the quality of normalized information () through legal certainty, data disclosure, and interagency coordination; (4) build the reflective capacity of normalized states () through sustainable policy evaluation mechanisms; and (5) increase the speed of evolution () only after it has been met—that is, the acceleration of reform is only meaningful if the foundations of basic efficiency have been established.EPS$SICv\Phi >$

CONCLUSION

This article proposes conceptual integration between MEST and IRT to explain the two stages of development transformation. MEST—in its proposed framework—describes the mechanisms that shape political stability—i.e., through the interaction between elite concentration, elite coordination, and institutional quality—while IRT describes how such stability, along with information quality, state reflective capacity, systemic entropy rate, and

institutional velocity of evolution, affects economic productivity. The proposed two-tier mathematical model—, , , , and —is an initial operational framework that requires construct validation and empirical testing before it can be used as an explanatory model or policy instrument. Substantively, this article asserts that the effectiveness of Indonesia's economic transformation is largely determined by the state's ability to reduce systemic entropy, build reflective capacity, and steer the speed of evolution conditionally.$\mathrm{PS} = f(\mathrm{ELC}, \mathrm{ECO}, \mathrm{IQ}, \mathrm{ELC} \times \mathrm{IQ}, X) E_m = E \times \mathrm{PS} \Phi = (E_m \times I \times C)/SR = \Phi^v P = R/(1+R)$

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