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COALITIONS AND GROWTH MODELS IN PERIPHERAL ECONOMIES: A COMPARATIVE ANALYSIS OF BRAZIL AND INDONESIA (1999–2020)

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Abstract

Recent scholarship in the comparative political economy of emerging economies has established that Brazil and Indonesia occupy structurally similar positions as large commodity-dependent peripheral economies whose growth trajectories are profoundly shaped by global commodity price cycles and financial flow volatility (Schedelik et al., 2026, p. 1; Stockhammer, 2023, p. 629). Despite this structural similarity, the two countries diverged sharply after the commodity supercycle ended around 2011: growth in Brazil collapsed while Indonesia sustained an investment-led expansion, a divergence that existing peripheral growth model studies acknowledge but do not explain through the configuration of domestic political coalitions (Schedelik & Nölke, 2025, p. 11). The emerging research programme on peripheral growth models remains at an

early stage, producing empirical studies on selected topics but lacking a comprehensive theoretical framework that treats domestic political agency as an explanatory variable rather than background context (Schedelik & Nölke, 2025, p. 7; Hein, 2023, p. 428). This paper addresses that gap by providing the first systematic comparative coalition analysis of both countries across the post-Asian-crisis period (1999–2020).

Research Question

Why did Brazil and Indonesia — two structurally similar commodity-dependent economies — follow divergent demand and growth regime trajectories after the end of the commodity supercycle (2011–2014), and to what extent do differences in domestic political coalition configurations explain this divergence?

Central Argument:

This paper argues that pre-existing coalition configurations mediated how each state responded to the external commodity shock. In Brazil, a commodity-finance-agribusiness bloc that consolidated during the boom captured industrial policy levers and blocked demand reorientation when export revenues collapsed, producing stagnation (Bresser-Pereira, Paula & Bruno, 2020; Singer, 2012; Carneiro, 2017; Singer, 2024).In Indonesia, a state-capitalist coalition centered around the executive and politico-business elites utilized State-Owned Enterprises (SOEs) (Salim & Negara, 2019, pp. 256–257; Warburton, 2016; Warburton, 2018, pp. 360–361) to bypass the frictions of democratic decentralization (Basri & Hill, 2011, pp. 101–102; Salim & Negara, 2019, pp. 245, 248; Wiryawan & Otchia, 2022, pp. 2–3), channeling the post-boom adjustment into an infrastructure-led demand regime that sustained growth (Salim & Negara, 2019, pp. 248, 260; Wiryawan & Otchia, 2022, p. 14).. The divergence is therefore not explained by external conditions alone, but by the political settlements that shaped fiscal and industrial policy responses.

Theoretical Framework

The macroeconomic dimension of this paper relies on Stockhammer’s post-Keynesian-structuralist synthesis, which demonstrates that the standard Growth Models Perspective (GMP) neglects the supply-side constraints and Minskyan currency hierarchies that expose developing economies to pro-cyclical capital flows and commodity volatility (Stockhammer, 2023, pp. 627, 633). To classify the resulting economic trajectories, this framework incorporates Hein’s post-Keynesian Demand and Growth Regime (DGR) typology to map how domestic

demand, debt, and exports drive growth (Hein, 2023, pp. 425–426), alongside Schedelik and Nölke's "second image" perspective, which highlights how these regimes are structurally shaped by global demand shocks (Schedelik & Nölke, 2024, p. 3). However, while these perspectives effectively establish the structural constraints and external vulnerabilities of peripheral economies, they share a theoretical shortcoming regarding domestic agency. Hein focuses primarily on macroeconomic sectoral balances, Stockhammer explicitly concedes that his synthesis lacks a theory of political choice or the state (Stockhammer, 2023, p. 639), and Schedelik and Nölke acknowledge the need to better specify the class constellations that produce divergent policy responses to identical external shocks.

To overcome these limitations, this paper integrates Amable's critique of the standard GMP to supply the necessary political mechanisms. Amable argues that mainstream GMP relies on a functionalist and crude elite-versus-mass "growth coalition" concept that strips politics of its autonomy, treating growth models as uncontested national consensuses rather than the outcomes of social conflict (Amable, 2023, pp. 3–4). By recovering the Kaleckian (1943) tradition, this framework conceptualizes domestic political agency as the product of ongoing struggles between differentiated social blocs with competing material interests (Amable, 2023, p. 14). While the structuralist limits (Stockhammer, 2023) and macroeconomic accounting regimes (Hein, 2023) set the absolute boundaries of what is economically possible in the periphery, it is the specific Kaleckian political settlements and autonomous coalition choices that dictate exactly where within those boundaries a country's growth trajectory ultimately lands.

Methodology

To systematically compare the divergent macroeconomic trajectories of Brazil and Indonesia, this paper employs a quantitative accounting method based on Hein's Demand and Growth Regime (DGR) typology. Following the growth decomposition framework outlined by Hein (2012, pp. 158–160), the analysis calculates the annual percentage point contributions of private household consumption, government consumption, gross fixed capital formation (investment), and net exports to real GDP growth. The data for this decomposition is sourced entirely from the World Bank's World Development Indicators (WDI) database. To capture structural shifts across the global

commodity cycle, the classification averages are divided into three distinct sub-periods: the post-Asian crisis recovery (1999–2001), the commodity supercycle boom (2002–2010), and the post-boom adjustment (2011–2020). Crucially, the year 1998 is excluded from the sub-period averages to prevent the extreme macroeconomic contractions of the Asian Financial Crisis from distorting the baseline regime classification.

The second step operationalizes the Kaleckian framework through a qualitative-comparative coalition analysis to explain the mechanisms driving the quantitative regime shifts. This phase identifies the key social actors, specifically analyzing competing fractions of capital, and traces how their material interests translated into specific fiscal and industrial policy choices, particularly during the critical post-boom juncture of 2011–2014.

For Brazil, the analysis maps the internal tensions and ultimate post-2013 collapse of the PT-led coalition, which attempted to balance organized labor with a powerful and ultimately dominant bloc of commodity exporters, agribusiness, and financial capital. For Indonesia, it traces how an executive-centered state-capitalist coalition utilized State-Owned Enterprises (SOEs) to bypass decentralized regional business interests, forging Jokowi's infrastructure-centered political settlement. By embedding a qualitative coalition narrative within the DGR decomposition, this methodology directly answers Stockhammer's (2023) call for theoretical adaptation, acknowledging that because sectoral financial balance data is often incomplete for peripheral economies, macroeconomic regime analysis must be grounded in the domestic political conflicts that produce those balances.

Preliminary & Expected Findings

DGR Decomposition

The quantitative Demand and Growth Regime (DGR) decomposition (Figure 1 and 2) confirms a stark macroeconomic divergence between Brazil and Indonesia following the 2011 commodity supercycle peak. While both economies experienced robust domestic demand during the boom years (2002–

2010), their post-boom adjustments (2011–2020) moved in fundamentally opposite directions.

In Brazil, the data captures the exhaustion of a consumption-heavy, Debt-Led Private Demand (DLPD) regime. During the 2002–2010 boom, household consumption was the overwhelming engine of the economy, contributing 2.47 percentage points (pp) to a 3.96% average GDP growth, while net exports were negative. Following the commodity price collapse post-2011, overall growth plummeted to a stagnant 0.36%. Crucially, this stagnation was characterized by a total collapse in domestic demand and a structural withdrawal of productive investment, with Gross Fixed Capital Formation (GFCF) contracting and contributing negatively (-0.24 pp) to the economy.

Figure 1. Annual Growth Contributions: Domestic Demand vs Net Exports. Source: World Bank WDI.

Note: Indonesia 1998 Domestic demand = -14 pp (distortion caused by AFC, clipped for readability)

Figure 2. Demand Growth Contributions by Sub-Period. Source: World Bank WDI

Note: Sub-periods start 1999 to exclude the 1998 AFC distortion

Conversely, Indonesia bypassed the external shock by sustaining a highly robust domestic demand expansion. While the strict DGR algorithmic boundaries classify Indonesia's post-2011 period as Weakly Export-Led (WEL) due to marginally positive net exports (0.21 pp), the component breakdown reveals that domestic demand (4.46 pp) was the absolute driver of the 4.59% total growth. Most notably, fixed investment (GFCF) remained exceptionally strong, contributing 1.60 pp, accounting for over a third of all economic expansion during the post-boom decade.

Table 1. Demand Growth Decomposition table. Classification based on Hein's (2023) criteria (e.g., whether growth is driven more by domestic demand or net exports).

Qualitative-Comparative Coalition Analysis

The Brazilian literature collectively identifies how a consolidated commodity-finance-agribusiness bloc captured industrial policy to resist demand reorientation, thereby entrenching the country's prolonged stagnation (Bresser-Pereira et al., 2020; Singer, 2012; Carneiro, 2017; Nassif et al., 2018; Oreiro & Feijó, 2010; Singer, 2025). The influence of the commodity-finance-agribusiness bloc on fiscal and industrial policy between 2011–2014 specifically tracing how this bloc blocked the fiscal reorientation recommended by developmentalist scholars (Singer, 2025; Oreiro & Feijó, 2010)

In contrast, the Indonesian scholarship demonstrates that the executive utilized SOE-heavy, state-led interventions to bypass the coordination failures of Indonesia's political decentralization, successfully channeling fiscal savings from post-boom subsidy cuts into a sustained infrastructure-led demand regime (Salim & Negara, 2019; Warburton, 2016, 2018; Basri & Hill, 2011; Wiryawan & Otchia, 2022). This was made possible by the politico-business coalition that manages to conduct pragmatic state-led, yet elite-captured development policy (Warburton, 2016, 2018).

Note for reviewer: a further analysis will connect the relation between the first part of the discussion, the quantitative DGR decomposition with the qualitative-comparative reading on coalitions from the respective countries.

Palavras-chave: peripheral growth models; domestic political coalitions; demand and growth regimes (dgr).