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POLITICAL ECONOMY RISKS OF INDONESIA'S NEW CAPITAL CITY DEVELOPMENT

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Informasi	Abstract

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The choice made by Indonesia to shift its seat of government to IKN Nusantara stands out as one of the most far-reaching, state-driven urban ventures anywhere in Southeast Asia, carrying political and economic implications that extend well beyond the immediate project. Although officials present the initiative as a solution to Jakarta's congestion, ecological strain, and administrative shortcomings, whether it can remain economically viable over the long run is still an open question. Adopting a political economy lens, this research looks closely at the project's institutional makeup, its exposure to fiscal risk, and the time-horizon hazards typically associated with purpose-built capitals. Combining comparative indicator analysis of several planned capitals with an assessment of fiscal and temporal risk, the research follows a mixed qualitative–quantitative design. Descriptive indicators are applied to gauge population size, the breadth of economic diversification, dependence on transport, and the timeframe for implementation. Results show that IKN Nusantara mirrors structural traits found in earlier planned capitals—namely, a dominant administrative role, substantial dependence on state funding, and extended construction periods that raise the likelihood of cost overruns and institutional inflexibility. Absent solid mechanisms for diversifying the economy and adapting governance practices, the study contends that IKN Nusantara may end up as a fiscal burden that remains dependent on government spending, ultimately constraining its capacity to support broader national development goals.

***Keywords**: IKN Nusantara; political economy; fiscal risk; institutional governance*

A. INTRODUCTION

Relocating Indonesia's capital from Jakarta to IKN Nusantara in East Kalimantan marks a substantial structural shift within the nation's political and economic landscape. The government justifies this move by pointing to several pressures bearing down on Jakarta—severe traffic congestion, environmental decline, sinking land, and governance strain resulting from extreme concentration in a single metropolitan area. Beyond addressing these urgent issues, the relocation is presented as a long-range strategy aimed at achieving spatial balance, reinforcing national unity, and fostering sustainable growth beyond the island of Java.

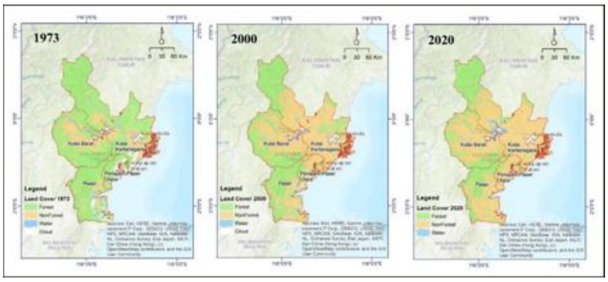

Figure 1. Spatial evolution of land cover patterns in the study area (1973–2020) (Source: https://www.researchgate.net/publication/357882438_Tracking_Environmental_Quality_of_Indonesia's_New_Capital_City_and_its_Surrounding_Area)

Nevertheless, global experience with relocating capitals and building new ones from scratch shows that such undertakings inherently carry substantial risk. They typically demand extensive public spending, unfold over long implementation periods, and remain tightly controlled by the central government—conditions that together generate fiscal vulnerability and institutional inflexibility. Viewed through a political economy framework, the more pressing issue is not whether construction of a new capital is feasible, but whether the resulting city can mature into an urban system that is economically resilient and institutionally adaptable, capable of producing lasting productivity that reaches beyond mere administrative functions.

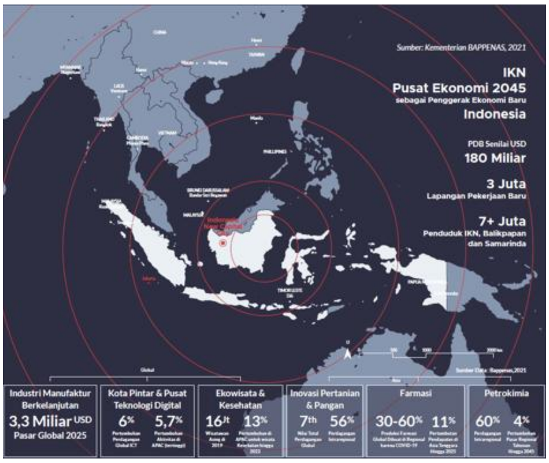

Figure 2. National & Regional Context of IKN (Source: KIPP IKN Bappenas – PUPR)

Within the Indonesian context, IKN Nusantara has been conceived as a smart, environmentally conscious, and resilient capital, with development expected to unfold across several decades. Yet its dependence on state funding, its ambitious demographic targets, and the centralized nature of its governance framework give rise to concerns about how diversified its economy will become, how sustainable its finances will be, and how consistent policy will remain across different political administrations. Such concerns intensify given that tangible results from the project will only become apparent far into the future, even as fiscal obligations accumulate in the present.

To respond to these concerns, the present study analyzes IKN Nusantara from a political economy standpoint, paying particular attention to its institutional makeup, fiscal exposure, and the risks tied to its development timeline. By merging comparative quantitative indicators drawn from other planned capitals with qualitative perspectives rooted in political economy and urban governance scholarship, the research seeks to determine whether the structural attributes of IKN Nusantara are consistent with the conditions required for lasting economic viability. It is hoped that these findings will inform ongoing policy discussions surrounding Indonesia's capital relocation, underscoring the significance of institutional resilience and economic diversification within large, state-driven urban projects.

Figure 3. IKN Nusantara Bird-Eye View Rendered (Source: KIPP IKN Bappenas – PUPR)

Literature Review

Planned Capital Cities and Political Economy

State intervention, centralized administration, and lengthy development periods have long characterized the emergence of purpose-built capital cities. According to established planning scholarship, cities constructed for this purpose are typically intended to embody political cohesion, administrative order, and a sense of national identity, rather than serving as engines of immediate economic output (Hall, 2002). Even where such symbolic aims are realized, evidence gathered over time indicates that these planned capitals often find it difficult to cultivate independent economic growth or build economically diverse urban centers.

According to political economy scholars, sweeping, state-directed spatial projects often exemplify what Scott (1998) terms high-modernist planning—an approach in which intricate social and economic realities are reduced to forms that are easier for administrators to manage. Under such conditions, planned capitals become susceptible to rigid institutions, constrained flexibility, and a diminished capacity to respond to local economic circumstances. These vulnerabilities intensify further when construction timelines stretch across several political administrations, giving rise to coordination difficulties and fiscal strain.

Flyvbjerg (2014) adds that megaprojects—capital relocations included—consistently exhibit patterns of budget overruns, unmet benefit expectations, and excessive optimism during planning. Seen through a political economy lens, such patterns are not random occurrences but rather predictable outcomes of projects shaped by political aspiration, prolonged uncertainty, and centralized authority over decision-making.

Institutional Fragility and Urban Economic Resilience

In Jacobs (2007), offers a valuable institutional framework for grasping the weaknesses inherent in planned capitals. She contends that a decline in institutional competence—evident in excessive centralization, the loss of localized knowledge, and diminished feedback channels—represents a serious threat to economic resilience. Applied to capital city development, this suggests that administrative dominance can stifle organic economic innovation, pushing cities toward reliance on public spending rather than self-generated growth.

This perspective is echoed in wider urban political economy scholarship, which holds that resilient urban economies rest on variety, redundancy, and decentralized modes of decision-making (Douglass, 2000; Neuman, 2005). Cities that place symbolic or administrative roles above productive complexity tend to see fewer spillover benefits and weaker multiplier effects, especially in sectors unrelated to government activity.

Quantitative Perspectives on Urban Growth, Transport, and Fiscal Risk

More recent quantitative research adds weight to these theoretical concerns, illustrating the tight relationship among urban economic expansion, transport systems, and environmental impacts. Applying a system dynamics framework, Rusiawan et al. (2015) found that Jakarta's economic growth is strongly tied to rising transport demand, growing energy use, and increasing CO_2 output. Their analysis reveals how sluggish infrastructure responses combined with rigid policy can produce congestion, fiscal strain, and environmental harm, even within cities experiencing strong economic momentum.

Similar quantitative evidence from developing economies shows that expanding cities do not automatically translate urban growth into productivity gains when governance quality and institutional capacity fall short (Alam et al., 2011; Bakar & Cheen, 2013). Such findings carry particular weight for planned capitals, where infrastructure is frequently built ahead of actual economic demand, raising the danger of underused assets and long-term fiscal strain.

Examining the issue from a governance angle, both the OECD (2017) and the World Bank (2020) stress that large urban development projects need tight coordination across land-use, transport, and fiscal policy domains. When these areas are poorly integrated, the result tends to be spatial inefficiency and budget pressure, a risk that grows more pronounced in projects heavily reliant on state financing (OECD, 2020).

Implications for IKN Nusantara

The literature indicates that IKN Nusantara reproduces many of the structural features seen in earlier planned capitals: a strong administrative orientation, ambitious long-range development goals, and centrally controlled governance mechanisms. Government planning documents (Bappenas, 2021; PUPR, 2021) place considerable emphasis on sustainability and smart-city concepts; however, scholars working within political economy caution that institutional design and genuine economic diversification matter far more than technological ambition on its own.

Collectively, prior studies suggest that IKN Nusantara's long-term prospects hinge less on its physical design and more on its capacity to steer clear of institutional rigidity, manage fiscal exposure carefully, and cultivate economic activity that extends beyond government functions. Drawing on these insights, this study merges comparative quantitative indicators with political economy analysis to evaluate the long-term economic consequences of relocating Indonesia's capital.

B. RESEARCH METHODS

Grounded in political economy analysis, this research follows a mixed qualitative–quantitative design. Rather than pursuing econometric or short-term causal estimation, the approach deliberately centers on institutional structure, fiscal exposure, and long-horizon development risk. This orientation suits a case such as IKN Nusantara, where the project remains in progress and many of its economic effects cannot yet be empirically confirmed.

Governance arrangements, policy narratives, and institutional risks are examined through qualitative analysis, while quantitative analysis contributes descriptive and comparative evidence that supports the structural assessment. Bringing these two approaches together allows for a fuller evaluation of planned capital city development from within a political–economic framework.

Qualitative Analytical Approach

Document analysis paired with theoretical interpretation forms the basis of the qualitative component. Official government documents concerning IKN Nusantara—master plans and development reports among them—serve as primary sources, supplemented by secondary literature spanning political economy, urban governance, and development studies. These materials are examined to uncover the dominant policy goals, the structure of governance, and the underlying assumptions about economic growth and state capacity.

Interpretation of possible vulnerabilities tied to centralization, institutional rigidity, and adaptive capacity draws on conceptual tools from Jane Jacobs' institutional critique, Scott's theory of high-modernist planning, and the broader literature on megaproject risk. This qualitative groundwork underpins the study's understanding of how institutional design shapes long-term economic outcomes.

Quantitative Descriptive Analysis

Rather than relying on statistical modeling, the quantitative component takes the form of descriptive and comparative indicator analysis. Selected indicators allow IKN Nusantara to be measured against other planned capitals, including Canberra and Putrajaya, with Jakarta serving as a metropolitan baseline for comparison. Among the indicators considered are population scale, functional orientation, degree of economic diversification, dominant modes of transport, and the overall development timeframe.

A fiscal and time-horizon risk assessment is also carried out, capturing how extended implementation periods relate to exposure to cost escalation and disruptions in policy continuity. Presenting these indicators in table form makes cross-case comparison easier and brings out both the similarities and the divergences among the cases examined.

Use of Diagrams and Visual Analysis

Beyond tabular data, the study draws on diagrams and spatial visuals as tools of analysis rather than mere illustration. Maps, schematic diagrams, and visuals depicting development phases help clarify the spatial hierarchy, regional integration, and sequencing embedded within IKN Nusantara's planning framework. Sourced largely from official planning documents, these visuals are interpreted analytically to surface institutional assumptions, governance priorities, and anticipated functional relationships.

In particular, diagrams that depict national and regional positioning, spatial hierarchy (KP-IKN, K-IKN, KIPP), and development phasing support the interpretation of long-term risk exposure and administrative dominance. Rather than functioning simply as design representations, these visuals are treated as policy artifacts revealing how state actors conceive of scale, coordination, and economic function within the capital relocation strategy.

Data Sources

Both primary policy documents and secondary academic and institutional sources inform the study. Primary sources consist of official planning and policy materials on IKN Nusantara issued by the Ministry of National Development Planning (Bappenas) and the Ministry of Public Works and Housing (PUPR), including master plans, urban design development documents, and strategic policy reports. Together, these documents offer authoritative insight into the project's stated goals, governance structure, spatial organization, and implementation schedule.

Secondary sources draw on peer-reviewed scholarship covering planned capital cities, urban political economy, megaproject risk, and institutional governance, together with comparative urban development reports issued by international bodies such as the OECD, World Bank, and UN-Habitat. Taken together, these materials allow official narratives to be cross-checked against theoretical critique and comparative empirical experience.

Analytical Scope and Limitations

Because IKN Nusantara remains an active, long-range undertaking, this study does not seek to measure economic outcomes that have already materialized or to conduct a causal impact evaluation. Instead, the analysis is intentionally structural and forward-looking, concentrating on institutional design, fiscal exposure, and development trajectory as inferred from existing plans and comparable precedents. Consequently, quantitative indicators are interpreted in descriptive and comparative terms rather than as predictive or statistically definitive measures.

Although this approach restricts the extent to which firm conclusions can be drawn about future economic performance, it remains well suited to evaluating structural risk and institutional readiness at this early stage of implementation. The study recognizes that actual outcomes will hinge on future political choices, market reactions, and governance adjustments that cannot yet be observed empirically. Even so, pinpointing structural vulnerabilities at this stage offers valuable input for policy discussion and long-term planning assessment.

C. RESULTS AND DISCUSSION

Quantitative Results: Comparative Capital City Indicators

Table 1's comparative quantitative indicators reveal that IKN Nusantara displays structural traits typical of planned capital cities rather than those of an organically grown metropolitan economy. Regarding projected population size and dominant urban function, IKN Nusantara aligns more closely with administrative capitals like Canberra and Putrajaya than with Jakarta, whose economy has developed through diversification over time.

Indicator	Canberra (Australia)	Putrajaya (Malaysia)	Jakarta (Baseline)	IKN Nusantara (Planned)
Initial Development Period	1913	1995	Organic / historical	2020s
Estimated Population (current / target)	~450,000	~110,000	>11 million	~1.9 million (target)
Primary Urban Function	Administrative	Administrative	Economic–Administrative	Administrative-dominant
Level of Economic Diversification	Medium	Low	High	Uncertain
Dominant Employment Sector	Public sector	Public sector	Private & informal sectors	Public sector (initial)
Dominant Transport Mode	Private vehicle	Private vehicle	Private vehicle	Planned mixed; car-dependence risk
Development Horizon	>50 years	~30 years	Organic	30–50 years (planned)
Degree of State Intervention	High	Very high	Moderate	Very high

Table 1. Key structural indicators of selected planned capital cities to identify similarities and divergences relevant to institutional and economic performance

Table 1 shows that IKN Nusantara's functional orientation leans heavily toward administration, pointing to a greater likelihood that its early-stage economy will depend on public-sector jobs and state-driven investment. This pattern echoes earlier cases, in which planned capitals saw only limited private-sector activity during their initial development phases. The comparison further reveals that economic diversification typically develops slowly and unevenly, often trailing behind the pace of large-scale infrastructure delivery.

The comparison of indicators also brings attention to the importance of development horizon. According to Table 1, IKN Nusantara's construction is projected to span several decades, much like earlier planned capitals. Such prolonged horizons heighten exposure to uncertainty and make economic spillovers harder to predict, particularly as institutional and market conditions tend to shift more slowly than the pace set by physical development targets.

Quantitative Results: Fiscal and Time-Horizon Risk

The fiscal and time-horizon risk assessment presented in Table 2 shows that long-term capital city development goes hand in hand with sustained fiscal pressure and heightened vulnerability to disruptions in policy continuity. Before reaching functional maturity, planned capitals generally require sustained public investment in administrative facilities, transport infrastructure, and supporting urban services.

Capital City	Planned Development Horizon	Observed / Expected Maturity	Fiscal Risk Profile	Key Political–Economic Risks
Canberra	Multi-decade	Still evolving	High long-term public expenditure	Slow economic spillovers, institutional inertia
Putrajaya	~25–30 years	Partial maturity	High upfront public cost	Limited diversification, underutilized assets
IKN Nusantara	30–50 years (planned)	Not yet observable	High (projected)	Cost escalation, policy discontinuity, fiscal dependence

Table 2. Fiscal and temporal risks associated with long-horizon capital city development, highlighting implications for policy continuity and budget sustainability

Table 2 shows that capitals whose development spans more than three decades tend to face ongoing difficulties involving cost escalation and institutional fatigue. For IKN Nusantara, early-stage investment is concentrated in core government infrastructure, meaning fiscal obligations are incurred well ahead of any meaningful economic return. This gap in timing heightens the project's vulnerability to macroeconomic swings and changing political priorities.

The comparative data in Table 2 indicates that dependence on long-term state financing raises the risk of budgetary strain, especially where mechanisms for economic diversification remain underdeveloped. In IKN Nusantara's case, this pattern highlights the need to align the sequencing of development with realistic fiscal capacity and governance arrangements capable of adaptation.

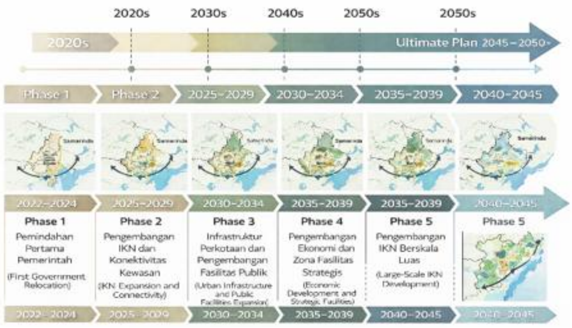

Figure 4. Phased Development Timeline of IKN Nusantara Showing Spatial Expansion and Functional Priorities (2022–2045)

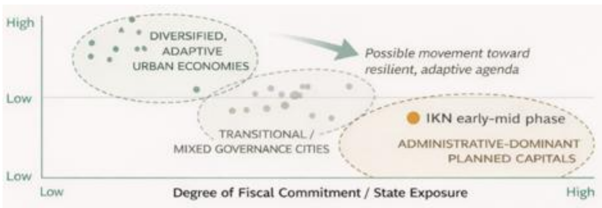

Figure 5. Institutional and Fiscal Positioning of Planned Capital City Development Models

This analytical margin captures the structural link between fiscal commitment and economic spillovers within planned capital city development. Projects marked by substantial upfront state spending and pronounced administrative dominance tend to fall into a zone of heightened fiscal exposure, accompanied by limited productivity gains in the short to medium term.

Under such circumstances, economic activity stays closely bound to government expenditure, while spillovers into the private sector and broader growth diversification take shape only slowly, if they emerge at all. This configuration heightens vulnerability to cost escalation, disrupted policy continuity, and fiscal stress, particularly across extended development periods.

During its early and mid-term phases, IKN Nusantara falls within this regime of high exposure and low spillover. Shifting toward a more resilient development path would call for institutional adjustments that ease fiscal concentration while enabling greater private-sector involvement, decentralized decision-making, and adaptive economic diversification.

Qualitative Results: Institutional and Governance Characteristics

Figure 6. Institutional Governance Structure of IKN Nusantara Development

Findings from the qualitative examination of planning documents and policy narratives complement the quantitative results by drawing attention to institutional features that shape economic outcomes. IKN Nusantara's governance framework is marked by strong central coordination and top-down decision-making, a pattern that aligns with the developmental logic seen in many of the planned capitals referenced in Tables 1 and 2.

Although centralized governance can improve implementation efficiency in the early stages of development, it simultaneously narrows the space for decentralized economic experimentation and local institutional learning. Prioritizing administrative efficiency and national symbolism reinforces the dominance of government functions within the emerging urban economy, which may in turn limit private-sector

Discussions

The findings point to challenges facing IKN Nusantara that are fundamentally structural and institutional rather than technical or spatial. Even though planning documents highlight advanced infrastructure, smart-city technology, and sustainable urban design, both the comparative and qualitative analyses suggest these features alone cannot guarantee lasting economic viability. Instead, governance arrangements, fiscal structure, and the broader political–economic conditions surrounding implementation emerge as the decisive factors for success.

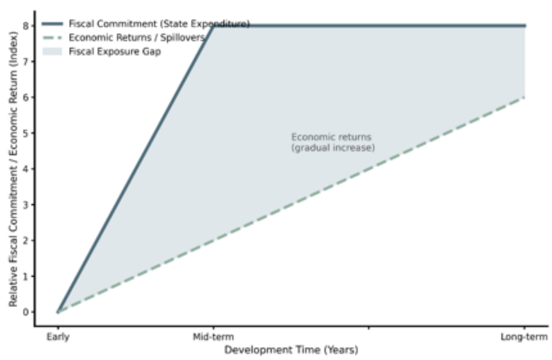

Figure 7. Fiscal Commitment and Economic Return Trajectory in Long-Horizon Capital City Development

Comparisons drawn from quantitative data with earlier planned capital cities show that IKN Nusantara shares several defining traits with cases that struggled to achieve autonomous, diversified economic growth. Among these traits are a dominant administrative role, dependence on public-sector employment, lengthy development timelines, and heavy reliance on state-led investment during the early and mid-term phases. The historical record from cities such as Canberra and Putrajaya suggests that while relocating administrative functions can succeed symbolically and functionally, it frequently falls short of generating strong, self-sustaining economic dynamics unless paired with robust private-sector participation and institutional flexibility. IKN Nusantara therefore appears structurally prone to similar difficulties, especially during its early decades of development (UN-Habitat, 2020).

Viewed through a political economy lens, the combination of administrative dominance, prolonged implementation timelines, and heavy state financing commitments generates a risk profile defined by fiscal exposure and delayed economic returns. The line diagram tracking fiscal commitment against economic spillovers highlights a timing mismatch common to large, state-led megaprojects: public spending is concentrated up front, while gains in productivity and spillover effects unfold slowly and unevenly. This gap in timing heightens vulnerability to budgetary pressure, disrupted policy continuity, and shifting political priorities, particularly within democratic systems where leadership terms are comparatively short relative to infrastructure development horizons (Adinugroho et al., 2022).

Qualitative evidence points to a governance structure in IKN Nusantara that compounds these risks. Substantial authority rests with centralized state bodies, most notably the central government and Otorita IKN, while sectoral ministries take on coordinating and implementation roles. Although such centralization may strengthen control and coordination during early development, it also narrows feedback channels and restricts opportunities for local adaptation. Political economy scholarship consistently notes that centralized governance structures tend to favor administrative coherence over economic experimentation, which can suppress the emergence of the diverse economic activities essential to long-term urban resilience(Glaeser, 2011).

These results echo broader critiques of state-led megaprojects, which contend that large-scale planning initiatives frequently display systematic optimism bias, cost escalation, and institutional lock-in. Within such projects, political commitment and symbolic narratives can overshadow adaptive learning, producing rigid development paths that become difficult to modify once substantial costs have already been sunk. For IKN Nusantara, the strong emphasis on national symbolism, technological ambition, and long-term master planning may inadvertently deepen institutional rigidity, weakening its capacity to respond to unforeseen economic or social shifts.

Jane Jacobs' institutional critique offers a particularly useful framework for interpreting these dynamics. In *Dark Ages Ahead*, she warns that highly centralized systems erode institutional competence, undermining economic vitality by weakening feedback loops, local knowledge, and adaptive decision-making (Brenner, 2004). Applied to IKN Nusantara, this critique implies that the city risks becoming structurally dependent on government spending and administrative activity rather than developing into a self-sustaining urban economy

(Castells, 2011). When administrative functions dominate the economic base of a city, multiplier effects tend to stay limited, and private-sector innovation may struggle to gain momentum without deliberate institutional backing (Flyvbjerg et al., 2003).

Jacobs' focus on economic diversity also reveals a critical vulnerability in planned capitals: diversity cannot be manufactured through spatial design or sectoral targeting alone. Rather, it arises through decentralized decision-making, incremental experimentation, and the presence of numerous overlapping economic actors. Absent institutional mechanisms that encourage private-sector dynamism, policy flexibility, and local initiative, corrective adaptation tends to occur only once inefficiencies have already become fiscally or politically costly. For IKN Nusantara, this suggests that governance reforms and institutional experimentation risk lagging behind emerging economic challenges, compounding long-term risk.

The discussion further emphasizes how important political continuity and policy credibility are for projects with long development horizons (Harvey, 1989). Spanning several decades, capital city relocation is especially sensitive to shifts in political leadership, fiscal priorities, and macroeconomic conditions. While centralized governance structures may ease coordination problems in the short run, they also concentrate risk, since changes at the national level can disproportionately affect a project's direction and funding. This concentration of risk strengthens the case for institutional arrangements that distribute decision-making authority and support adaptive responses across different levels of government and among various economic actors (Jessop, 2002).

Taken as a whole, the findings suggest that IKN Nusantara's long-term success will depend less on technological sophistication, environmental branding, or symbolic planning narratives, and more on institutional design choices that promote economic diversification, resilience, and governance adaptability. Infrastructure and spatial planning remain necessary elements of capital relocation, yet they are not sufficient on their own to ensure sustainable urban development. Without deliberate attention to political–economic realities—particularly fiscal structure, institutional flexibility, and the balance between state control and market forces—the project risks repeating the structural shortcomings seen in earlier planned capitals (Lefebvre, 1991).

These conclusions reinforce the broader case that capital relocation should not be regarded primarily as a spatial or infrastructural fix for metropolitan problems. It must instead be understood as a deeply political–economic intervention carrying long-term consequences for fiscal sustainability, institutional capacity, and national development trajectories. By placing IKN Nusantara within this analytical framework, the study offers a more critical and grounded assessment of Indonesia's capital relocation strategy, underscoring the central role institutions play in shaping urban economic outcomes.

D. CONCLUSION

This study has approached Indonesia's New Capital City (IKN Nusantara) from a political economy perspective, giving particular attention to institutional structure, fiscal exposure, and the long-term development risks characteristic of planned capital city projects. Integrating comparative quantitative indicators with qualitative institutional analysis, the research shows that IKN Nusantara shares several structural traits with earlier planned capitals—most notably administrative dominance, extended implementation horizons, and heavy reliance on state financing. These features situate the project within a well-documented category of large-scale, state-led urban interventions that consistently struggle to achieve lasting economic sustainability.

According to the findings, the core challenges confronting IKN Nusantara are not a matter of technical capacity, engineering feasibility, or the quality of urban design. Rather, they originate in institutional resilience and the political–economic conditions surrounding the project's development. Evidence from earlier planned capitals suggests that long-horizon development initiatives commonly experience delayed economic spillovers, cost escalation, and heightened vulnerability to shifting political priorities. For IKN Nusantara specifically, the mismatch in timing between substantial early fiscal commitments and the gradual realization of economic returns produces an extended period of fiscal exposure. Throughout this phase, the project continues to depend heavily on sustained central government support, which increases its sensitivity to fiscal constraints and disruptions in policy continuity.

From a political economy standpoint, this dependency highlights the significance of governance arrangements and institutional adaptability. Centralized coordination may bring short-term benefits in terms of implementation control and policy coherence, yet it also concentrates risk and narrows the feedback mechanisms necessary for institutional learning. Without adequate channels for decentralized decision-making and local economic experimentation, IKN Nusantara's ability to adjust its development path in response to emerging challenges may be limited. This dynamic reinforces concerns already raised in political economy and urban governance scholarship regarding the rigidity of state-led megaprojects.

IKN Nusantara's long-term success will hinge on its capacity to move beyond its initial role as an administrative center and build a more diversified economic base. Relocating administrative functions on its own is unlikely to produce sustained productivity growth unless accompanied by policies that actively encourage private-sector participation, innovation, and connections across sectors. Institutional frameworks that allow for policy flexibility, encourage local initiative, and support gradual economic diversification are likely to matter more than technological sophistication or symbolic planning narratives.

In a broader sense, this study contributes to ongoing policy debate by emphasizing that capital relocation should not be judged solely as a spatial or infrastructural intervention. It should instead be understood as a long-term institutional and economic transformation requiring sustained governance capacity across multiple political cycles. Examining IKN Nusantara through a political economy lens underscores the need to align planning ambitions with institutional realities, fiscal constraints, and adaptive governance mechanisms. Such an approach provides a more grounded basis for assessing the long-term implications of Indonesia's capital relocation strategy and offers lessons applicable to other countries contemplating similar large-scale, state-led urban development projects.

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