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ARTÍCULO

CHALLENGES TO THE LEFT IN CENTRAL AMERICA: A COMPARATIVE POLITICAL ECONOMY ANALYSIS BASED ON A STRUCTURALIST-KEYNESIAN APPROACH

Manuel Valencia Delgado
Juan José López Rogel

Valencia Delgado, M., & López Rogel, J. J. (2025). Challenges to the left in Central America: A comparative political economy analysis based on a Structuralist-Keynesian approach. *Cuadernos de Economía, 44*(93), 47-85.

Utilising a Structuralist-Keynesian framework, we conduct a concise comparative political economy analysis of the growth regimes in five Central American (CA) countries. Applying the Sraffian Supermultiplier Decomposition, we assess external and policy constraints, particularly within the context of "progressive governments." Our study contributes by offering a Growth Model Analysis perspective on CA nations, emphasising the significance of consumption financed by remittances and exports in growth dynamics. Integrating external and policy consid-

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erations, we provide a nuanced understanding of the constraints hindering the transition toward a more inclusive and stable growth regime in CA countries.

Keywords: Sraffian Supermultiplier; Keynesian structuralist; Central America; growth regimes; political economy.
JEL: B51, P52, P59.

Valencia Delgado, M., & López Rogel, J. J. (2025). Desafíos a la izquierda en Centroamérica: un análisis comparativo de la economía política basado en un enfoque estructuralista-keynesiano. *Cuadernos de Economía, 44*(93), 47-85.

Dentro de un marco estructuralista-keynesiano, se llevó a cabo un análisis conciso de economía política comparativa de los regímenes de crecimiento en cinco países de Centroamérica. Aplicando la descomposición del supermultiplicador sraffiano, fueron evaluadas las restricciones externas y políticas, particularmente en el contexto de los llamados "gobiernos progresistas". A raíz de ello, el estudio ofrece una perspectiva de análisis del modelo de crecimiento de los países de la región, enfatizando en la importancia tanto del consumo financiado por remesas como de las exportaciones, en la dinámica de crecimiento. Al integrar las consideraciones externas y de política, se proporciona una comprensión matizada de las limitaciones que obstaculizan la transición hacia un régimen de crecimiento más inclusivo y estable en los países centroamericanos.

Palabras clave: supermultiplicador sraffiano; estructuralista keynesiano; América Central; regímenes de crecimiento; economía política.
JEL: B51, P52, P59.

INTRODUCTION

Utilising the Growth Model Analysis (GMA) framework, we investigate the correlation between politics and economic growth in five countries of the Central American (CA) region: Guatemala, El Salvador, Honduras, Costa Rica, and Nicaragua. We conduct a comparative analysis rooted in post-Keynesian (PK) macroeconomics. Our goal is to offer clarity on the varied growth regimes (GRs) within these smaller economies, challenging preconceptions of regional uniformity. Additionally, we examine the challenges faced by "progressist governments" in establishing a more inclusive and stable growth regime, providing insights into the factors constraining their efforts.

Hein (2023) holds that the debate around GMA started with Baccaro and Pontuson (2016) who proposed a Kaleckian perspective on income distribution and growth models. These authors were criticised because they could confuse between wage/profit led and export/debt led taxonomy. Hein (2023) extended the study of growth regimes in PK tradition, using another perspective originally proposed by Hein (2011) that focuses on financial sources of demand with national accounts and financial balances. However, this too has been criticised because it could be misleading by using financial balances since some variables are not of the same nature (Morlin et al., 2022). The role of "growth drivers" has been central for Stockhammer and Kohler (2022). A growth theory perspective based on the Supermultiplier was presented by Morlin et al. (2022).

We utilise "structuralist ingredients" in the GMA for CA. Adopting a "Keynesian-structuralist" approach, as per Stockhammer (2023)[1] and Caldentey and Vernengo (2022), Latin American structuralist theory provides insights into peripheral capitalism. Caldentey and Vernengo (2022) assert that constraints on growth are intricately linked to domestic and international political factors within this framework. Geopolitical configurations play a pivotal role in shaping trade and financial relationships, imposing constraints based on support or opposition to dominant political and social coalitions in the peripheries.

We agree with Caldentey and Vernengo (2022) that regarding a Structural-Keynesian approach to GR "income distribution and inequality matter through their indirect political impact on autonomous non-capacity-creating spending. Structural Keynesians tend to favour the supermultiplier model which allows for a stronger autonomous role for political factors" (p. 258).

We outline our approach: presenting the theoretical framework, determining the growth regime using the Sraffian Supermultiplier decomposition, analysing international economic integration from 1990 onwards, assessing economic policy, detailing actions by progressive governments, and concluding by assessing all presented elements.

[1] This author favours a neo-Kaleckian growth model.

THE SRAFFIAN SUPERMULTIPLIER MODEL AND EMPIRICAL DATA FOR CA COUNTRIES

Sraffian Supermultiplier model (SSM) posits that growth is demand-led in short and long-term and asserts growth relies on exogenous distribution and autonomous demand. The autonomous demand components considered here are public consumption (G), public transfers (Tr), public investment (I_G), exports (X), residential investment (I_H), consumption financed by credit (CC) and remittances (R). The consumption out of disposable income (C_D) variable is induced and linear (as in Girardi & Pariboni, 2016), imports (M) are also induced and linear. The third induced component is the investment of the corporate sector (I_C).

$$Y_t = C_t + I_t + G_t + (X_t - M_t) \tag{1}$$

$$C_t = C_{D,t} + CC_t + R_t = cY_t + CC + R \tag{2}$$

$$M_t = mY_t \tag{3}$$

$$I_t = I_{c,t} + I_{H,t} + I_{G,t} = hY_t + I_{HH,t} + I_{G,t} \tag{4}$$

Equilibrium (equation 1) balances aggregate supply and demand. Consumption (equation 2) comprises induced and autonomous components. Induced consumption is influenced by the marginal propensity to consume (C_t) multiplied by the total output. Autonomous consumption is funded externally. For simplicity, Girardi and Pariboni's (2016) linear assumptions apply to both consumption and import propensities (m_t).

Investments are either induced or autonomous. Residential ($I_{H,t}$) and government ($I_{G,t}$) are autonomous, while corporate ($I_{c,t}$) is fully induced. Corporate investment, determined by the marginal propensity to invest h_t and the level of total output (Y_t), Z_t represents the total autonomous demand components (equation 5):

$$Z_t = I_{H,t} + I_{G,t} + X_t + G_t + Tr_t + CC_t + R_t \tag{5}$$

The supermultiplier then depends on the induced components, positively of marginal propensity to consume and invest, and negatively of the propensity to import (Girardi & Pariboni, 2016).

$$\alpha = \frac{1}{1 - c_t + m_t - h_t} \tag{6}$$

The level of output is determined by the supermultiplier and the autonomous components of demand. Equation (7) presents the determination of the total output.

According to Serrano (1995), Freitas and Dweck (2013), and Girardi and Pariboni (2016), this theory considers investment as an endogenous variable, meaning that firms' investment decisions depend on the gap between actual and normal capacity utilisation. The variable h_t is expected to increase if the difference is positive and decrease if the difference is negative.

In the SSM, changes in functional income distribution can influence GDP growth only if they persist over time. This insight is supported by the works of Freitas and Dweck (2013) and Freitas and Serrano (2015). Another important insight as concerns the model is that if Z_t grows persistently, aggregate demand and output rates of growth will follow accordingly (see Girardi & Pariboni, 2016 for a detailed explanation of this). In a nutshell, the growth rate of the autonomous demand components has a crucial role in determining the growth trend; second, the rate of change on induced components such as marginal propensity to invest, marginal propensity to consume and propensity to import have level effects over output growth (Freitas & Serrano, 2015).

$$Y_t = \left(\frac{1}{1 - c_t + m_t - h_t}\right) Z_t = \alpha Z_t \tag{7}$$

We use the decomposition growth methodology proposed by Freitas and Dweck (2013) for the contribution to the growth of each autonomous and induced component (equation 8). This methodology has been applied to emerging economies: Campana et al. (2023) focused on the BRIC countries. Passos and Morlin (2022) presented the cases of Argentina, Bolivia, Brazil, Chile, and México. Haluska (2023) used it to analyse Brazil. This methodology performs a demand-led-study by identifying the main growth contributor (which determines the GR) based on the autonomous components.

$$\begin{aligned}\widehat{Y_t} = {} & \alpha_t \left[\frac{CC_{t-1}}{Y_{t-1}}\right] \widehat{CC_t} + \alpha_t \left[\frac{I_{HHt-1}}{Y_{t-1}}\right] \widehat{I_H} + \alpha_t \left[\frac{I_{G,t-1}}{Y_{t-1}}\right] \widehat{I_{G,t}} + \alpha_t \left[\frac{G_{t-1}}{Y_{t-1}}\right] \widehat{G_t} + \alpha_t \left[\frac{X_{t-1}}{Y_{t-1}}\right] \widehat{X_t} \\ & + \alpha_t \left[\frac{Tr_{t-1}}{Y_{t-1}}\right] \widehat{Tr_t} + \alpha_t \left[\frac{R_{t-1}}{Y_{t-1}}\right] \widehat{R_t} + \alpha_t \left[\frac{c_{t-1}}{Y_{t-1}}\right] \widehat{c_t} + \alpha_t \left[\frac{m_{t-1}}{Y_{t-1}}\right] \widehat{m_t} + \alpha_t \left[\frac{h_{t-1}}{Y_{t-1}}\right] \widehat{h_t}\end{aligned} \tag{8}$$

We categorised I_t into government, corporate, and residential sectors. Sector-specific investment data were sourced from LAKLEMS (2021) and Central Banks of Guatemala (2013), El Salvador (2023), Honduras (2023), Nicaragua (2023), and Costa Rica (2023). Residential and government investment figures were extracted from World Bank (2023) data.

Public transfers were sourced from CEPALSTAT (2024) and, to maintain concordance with national accounting, are deducted from public consumption. Remit-

tances were sourced from World Bank (2024). The use of remittances in CA by the receiving families/people has been explored: OIM (2017a; 2023) for Guatemala; OIM (2017b) and Aquino et al. (2022) for El Salvador; Banco Central de Honduras (2024); Gamboa (2010) for Nicaragua; and Banco Central de Costa Rica (2018). Although with differences, all agree that remittances are mostly used for consumption. Thus, we assume they are fully used as an autonomous source of household consumption and are deducted from household consumption.

Remittances are fundamental for CA, and it's relevant to include them in our decomposition exercise. However, including remittances creates a dilemma: it disrupts concordance with national account aggregation. Yet, excluding them means overlooking vital factors in explaining current account growth. We find these variables too crucial to omit. Our emphasis is on the relative contribution of each demand component, not their aggregation. Furthermore, we employ diverse sources and estimations, generating results that may diverge from national account aggregation.

For CC_t, we used monthly data from the Central Banks of Guatemala (2013), El Salvador (2023), Honduras (2023), Nicaragua (2023), and Costa Rica (2023), selecting December values for consistency. C_t is calculated by extracting CC_t from total consumption, then dividing by real GDP. Similarly, h_t is obtained by extracting residential and government investment from total investment, then dividing by real GDP. All variables are in real terms and local currency, sourced from each country's Central Bank.

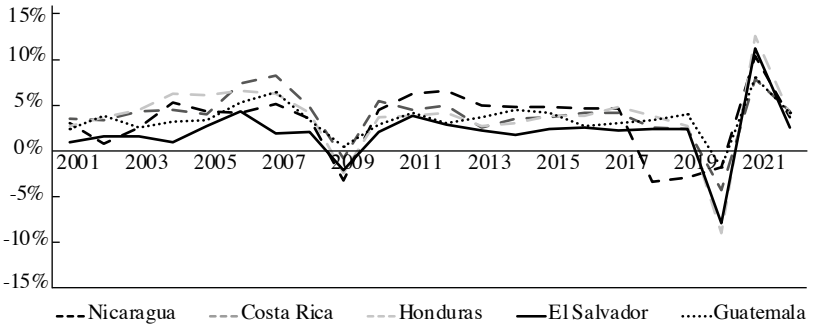
We categorised our analysis into four periods: 2001-2006, 2007-2011, 2012-2017, and 2018-2022. This division aims to discern changes in demand components, signifying a shift in demand-regime types. The first and third periods span six years each, while the second and fourth encompass five. This temporal breakdown facilitates the isolation of external downturns, such as the 2008 crisis and the economic impact of the pandemic. Notably, the first and third periods exhibit higher and more consistent growth compared to the second and fourth.

GDP exhibited growth with fluctuations (2001-2022) in Nicaragua, Costa Rica, Honduras, El Salvador, and Guatemala. Notably, Costa Rica peaked in 2006, 2007, and 2021 but contracted in 2020. Honduras consistently grew, peaking in 2007, 2010, and 2020, but contracted in 2009. El Salvador and Guatemala experienced mixed growth, contracting in 2020. Nicaragua's growth varied, peaking in 2005, 2006, and 2012. Average annual growth surpassed 3% in all economies except El Salvador (2.02%).

Depending on the autonomous component with the highest contribution we determine the GR[2]. The possible regimes are export-led (EL), debt-led (DL), govern-

[2] Insufficient data and low impact on growth exclude a housing-led regime from consideration in this categorisation.

Figure 1.
Growth rate of GDP in real terms



Source: Own elaboration with data from the World Bank (2023).

ment-led (GL)[3], and a regime defined as consumption financed by remittances (CRL) for CA. In other words, in every period the GR is determined by the average contribution of each component of the autonomous demand. Moreover, we can analyse the main driver with respect to the rest of components as in figure 2.

Similitudes arise between El Salvador and Guatemala. Remittances were the main driver in the first period, resulting in CRL regimes. The GRs shifted after, to GL in Guatemala, and EL in El Salvador, were exports and the public sector increased their participation due to the crisis, while remittances suffer a major decrease. The recovery in the third period was driven by exports in both countries, although in El Salvador the EL regime incorporated elements of CRL. Both countries were CRL in the last period.

Remittances in Guatemala were by far the principal component in the first period, followed by public transfers. The rest presented low contributions, with negative public consumption. After, remittances and consumption financed by credit turned negative, while public consumption shifted to become the main driver, followed by exports. Their importance continued in the third period, followed by remittances, which recovered. Public investment presented a negative contribution, and the others were low. The last period did not have any negatives, with residential investment, consumption financed by credit and exports in the mid-term.

El Salvador's first period was determined by remittances, and exports were the second contributor. Except for public investment, which was negative, the rest showed low contributions. The second period presented negative contributions from remittances, consumption financed by credit and residential investment. Exports were the main driver, followed by public transfers and public consumption. There were no negatives in the third period, where remittances and exports

[3] Any public variable (consumption, transfers, and investment) could be considered to determine a GL regime.

Figure 2.
Average contribution of autonomous and induced demand components 2001-2006, 2007-2011, 2012-2017, and 2018-2022

Guatemala	2001-2006	2007-2011	2012-2017	2018-2022
Autonomous Demand				
Public Consumption	-0.6	2.3	0.4	0.7
Public Transfers	0.8	0.2	0.3	0.6
Exports	0.7	1.8	2.0	0.9
Public investment	0.3	0.1	-0.2	0.2
Residential investment	0.0	0.0	0.5	1.1
Consumption financed by credit	0.5	-0.4	0.0	0.9
Remittances	5.2	-0.5	1.8	5.5
Induced Demand				
Household consumption	0.6	0.2	1.1	-0.1
Imports	0.0	1.8	0.4	-1.3
Corporate investment	0.4	-2.8	-2.1	3.4
Growth Regime	**RL**	**GL**	**EL**	**RL**

Honduras	2001-2006	2007-2011	2012-2017	2018-2022
Autonomous Demand				
Public Consumption	0.4	0.8	-0.1	0.3
Public Transfers	0.5	0.0	0.4	0.3
Exports	4.9	1.0	2.5	0.7
Public investment	-0.1	0.0	0.2	-0.3
Residential investment	-0.1	0.1	0.0	0.0
Consumption financed by credit	0.7	-0.7	-0.2	0.6
Remittances	3.7	-0.9	1.5	3.2
Induced Demand				
Household consumption	-0.2	1.1	0.5	1.7
Imports	-1.5	2.0	0.5	-0.1
Corporate investment	0.4	-1.3	-0.1	-0.3
Growth Regime	**EL**	**EL**	**EL**	**RL**

(*Continued*)

El Salvador	2001-2006	2007-2011	2012-2017	2018-2022
Autonomous Demand				
Public Consumption	0.4	0.3	0.1	-0.1
Public Transfers	0.3	0.5	0.1	0.8
Exports	0.9	1.1	1.1	1.6
Public investment	-0.2	0.1	0.2	-0.1
Residential investment	0.0	-0.2	0.0	-0.1
Consumption financed by credit	0.2	-0.4	0.3	-0.2
Remittances	2.1	-0.7	1.1	1.8
Induced Demand				
Household consumption	-1.7	0.0	-0.9	-0.3
Imports	-1.5	2.4	0.6	-1.0
Corporate investment	0.5	-1.1	0.0	2.2
Growth Regime	**RL**	**EL**	**EL-RL**	**RL**

Nicaragua	2001-2006	2007-2011	2012-2017	2018-2022
Autonomous Demand				
Public Consumption	0.8	0.3	0.8	-0.1
Public Transfers	-0.2	0.3	0.2	0.3
Exports	3.6	4.1	3.2	2.4
Public investment	0.1	0.4	0.5	0.2
Residential investment	0.3	0.0	0.0	-0.1
Consumption financed by credit	0.9	-0.4	1.7	-1.0
Remittances	1.6	0.1	0.8	3.0
Induced Demand				
Household consumption	-0.6	0.7	-1.9	1.5
Imports	-0.7	-3.1	-0.1	0.3
Corporate investment	-1.1	0.1	1.1	-1.7
Growth Regime	**EL**	**EL**	**EL**	**RL**

(*Continued*)

Costa Rica	2001-2006	2007-2011	2012-2017	2018-2022
Autonomous Demand				
Public Consumption	0.5	0.0	0.0	0.7
Public Transfers	0.3	1.2	0.7	-0.1
Exports	3.0	1.7	3.0	2.9
Public investment	0.0	0.8	-0.2	-0.1
Residential investment	0.4	0.1	0.3	0.0
Consumption financed by credit	0.0	0.0	0.2	-0.5
Remittances	0.5	-0.2	0.0	0.0
Induced Demand				
Household consumption	-0.6	1.1	0.8	-0.9
Imports	-0.3	0.0	-0.9	0.9
Corporate investment	0.0	-0.5	1.4	-1,2
Growth Regime	**EL**	**EL**	**EL**	**EL**

Source: Own elaboration with data from World Bank (2023), World Bank (2024), CEPALSTAT (2024), OECD (2023), LAKLEMS (2021), Banco de Guatemala (2013), Banco Central de Reserva de El Salvador (2023), Banco Central de Honduras (2023), Banco Central de Nicaragua (2023), and Banco Central de Costa Rica (2023).

were equal, defining a mixed GR. These two components continue to be the main drivers in the last period, with remittances leading. Public transfers were the third contributor, while the rest of components were negative.

Similarities also arise between Honduras and Nicaragua in their GRs and shifts. Both countries had an EL regime for three periods. The public sector was important during the second period given the crisis. Both shifted to CRL in the last period, coinciding with El Salvador and Guatemala.

Honduras was led by exports. Even in the second period with a general fall, the recovery was notably led by exports. Their contribution was reduced in the last period. Remittances was an important driver. Except for the second period with a negative contribution, they recovered in the following periods, becoming the main driver in the last period. The contribution from public transfers was low but stable, presenting the highest in the third period. Public consumption's contribution was low, except for the second period where it was the second driver. Consumption financed by credit has presented an erratic behaviour, with negative contribution in the second period. Public investment was erratic.

Nicaragua's exports' highest contribution was in the second period and was stable across periods. Remittances were also important, despite the reduction in the second period, they recovered until determining the GR in the last period. Public investment's contribution was low but stable. Public transfers were negative in the

first period but recovered and maintained stability, while public consumption presented a positive contribution in all but the last period. Consumption financed by credit was erratic, with the highest contribution in the third period and a considerable negative contribution in the last. Residential investment was low and stable.

Costa Rica is different, since it has presented a pure EL regime, especially in the first and last period. Remittances are not important. Public transfers were important, especially in the second period, although in the following periods their contribution decreased turning negative in the last period. Public consumption was considerable in the first and last period but was nonexistent in the others. Public investment was relevant in the second period, but it turned negative after. Residential investment was low and stable, while the consumption financed by credit was nonexistent in the first two periods, to later show an erratic behaviour.

The supermultiplier is determined by induced components. Figure 3 presents its evolution. We observe that Guatemala's supermultiplier was the highest and above 2. Costa Rica follows, especially after 2004, but with values closer to the rest. Nicaragua, Honduras, and El Salvador's supermultiplier decreased until around 2008, to later increase and converge in 2009 and subsequently maintained similar values.

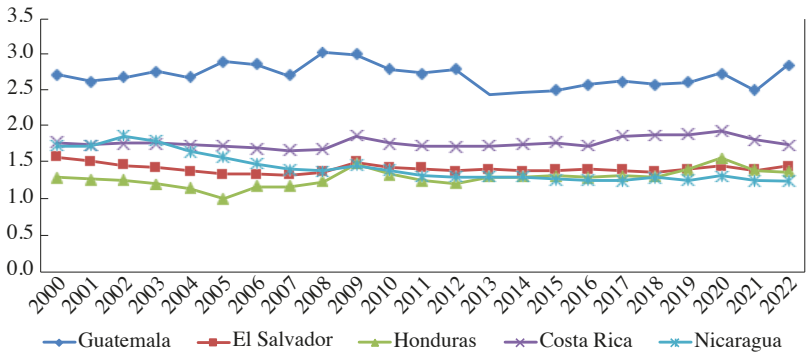
Guatemala's supermultiplier was erratic. It presented increases until 2006, mainly because of household consumption and corporate investment. However, from 2007 to 2017 it decreased due to the fall of corporate investment. The recovery after 2018 was due to the recovery in corporate investment. Costa Rica's supermultiplier presented a small decrease since household consumption decreased until 2006, but later this component recovered and, along with corporate investment pushed the supermultiplier to increase until 2017. However, since 2018 these same variables decreased, pushing the supermultiplier to decrease.

Nicaragua's supermultiplier mostly decreased. This is due to imports, followed by falls in corporate investment. El Salvador's supermultiplier decreased until 2006 because of falls in household consumption and the effect of imports. However, this variable recovered to push the supermultiplier up and has been stable since 2009. Honduras's supermultiplier decreased until its lowest value in 2005 due to the effects of imports and household consumption. However, the supermultiplier's increase until 2009 is explained by the recovery of the effect of imports and household consumption which, even though they slow their contribution until 2012, they maintained as the main driver of the increase of this supermultiplier.

STRUCTURAL ADJUSTMENT AND THE NEW INSERTION INTO INTERNATIONAL ECONOMY

CA adopted capitalism (1870-1930), integrating into the global market with coffee and banana exports dominated by local and foreign elites, especially from the U.S. State protection favoured agrarian and transnational interests. In the mid-20th century, CA nations pursued import substitution industrialisation (ISI) to diversify

Figure 3.
The evolution of the Supermultiplier 2001-2022



Source: Own elaboration with data from World Bank (2023), World Bank (2024), CEPALSTAT (2024), OECD (2023), LAKLEMS (2021), Banco de Guatemala (2013), Banco Central de Reserva de El Salvador (2023), Banco Central de Honduras (2023), Banco Central de Nicaragua (2023), and Banco Central de Costa Rica (2023)

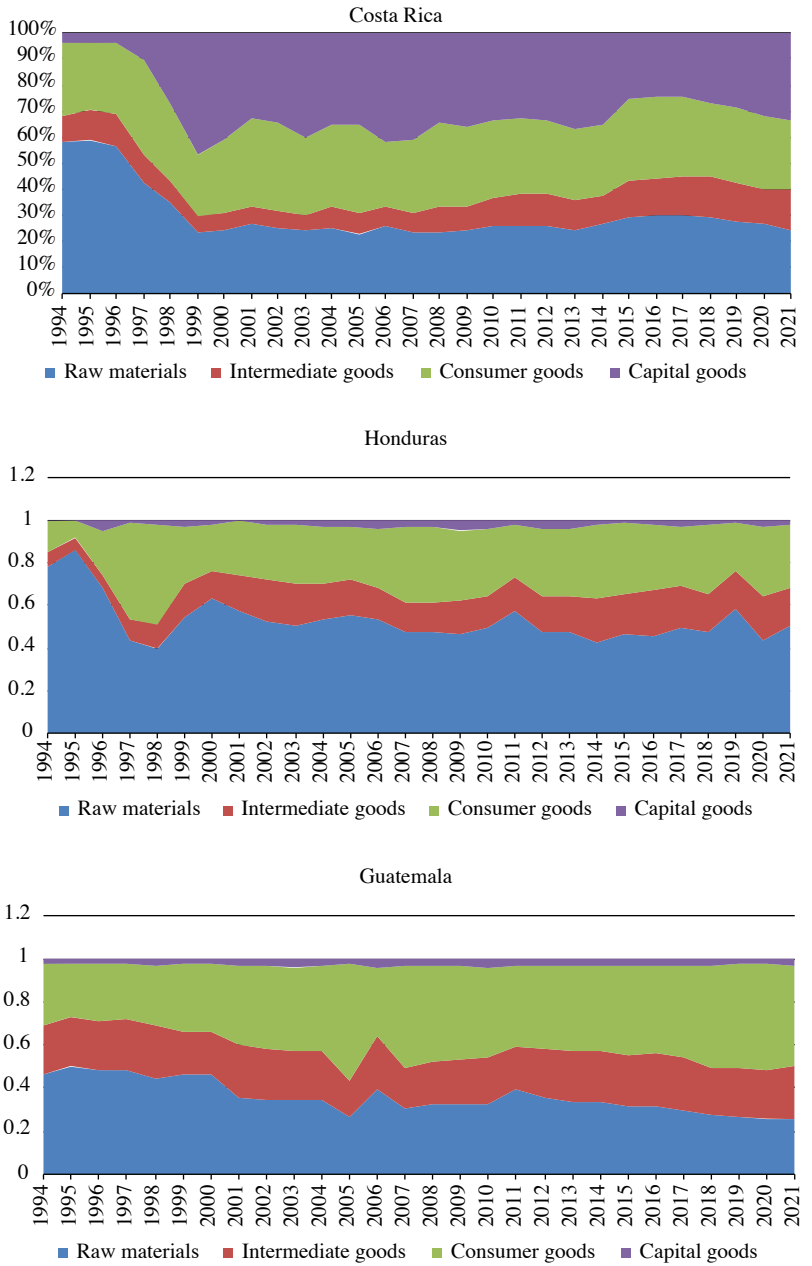
and industrialise but faced coordination challenges, market constraints, and limited industrialisation (Segovia, 2021).

CEPAL (1992) termed this "additive development," where industrialisation occurred within limits set by agrarian elites and the U.S. Urbanisation and income growth created a middle class, but institutions lagged, leading to "light" options and fiscal weakness (Segovia, 2021). The 1980s brought crises and restructuring to CA's "hybrid" economic model, solidifying in the 1990s (Beteta & Moreno -Brid, 2014; Bielschowsky et al., 2022; Sánchez-Díez & Martinez-Piva, 2014; Segovia, 2022). We will explore key elements defining 21st-century insertion into international economy. Significant changes include a shift in world market integration affecting exports, imports, and growth factors. Examining CA countries' growth within national boundaries is unsustainable due to the increased importance of external factors (Medeiros, 2010).

Exports show diverse trends in goods, contrasting with more uniform imports. Figure 4 highlights the share of exported goods, categorised as raw materials, intermediate goods, consumer goods, and capital goods. Notably, there is a diminishing trend in raw materials export participation, differing from Bulmer-Thomas's description of concentrated raw materials exports in these countries.

Costa Rica excels in exporting capital and intermediate goods, showcasing a diverse and sophisticated profile. El Salvador primarily focuses on intermediate goods, revealing a targeted export strategy. Guatemala adopts a more balanced approach. Nicaragua and Honduras mainly export raw materials, signalling reliance on natural resources. Intermediate goods grow significantly in all countries' exports over time.

Figure 4.
Export composition by country



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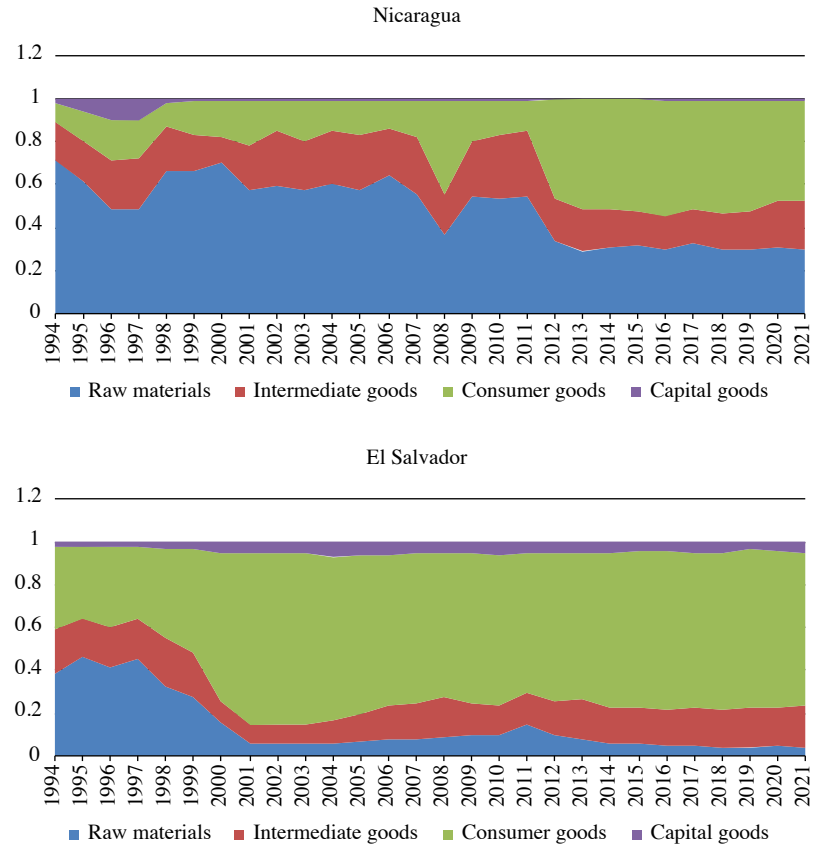


Source: World Bank. (2024). World Integrated Trade Solution (WITS). https://wits.worldbank.org

The region shifts from raw material exports to diversified production, signifying a structural change (Bielschowsky et al., 2022; Segovia, 2021). El Salvador excels in garment production; Costa Rica advances in technology and maintains fruit exports. Honduras, Guatemala, and Nicaragua diversify from raw materials post-2010. The United States is the main trading partner, but intraregional commerce is significant for Guatemala, Costa Rica, and El Salvador. Global value chain studies highlight inter-industrial links (Blyde et al., 2014; Inés-Tera et al., 2010; Prochnik et al., 2010).

Costa Rica's unique global value chain participation involves service providers, attracting substantial foreign direct investment (Gereffi et al., 2019). El Salvador and Guatemala depend on external inputs, limiting backward linkages. Honduras, Nicaragua, Guatemala, and El Salvador focus more on low-tech and low-value added in global value chains (Blyde et al., 2014). Except for Costa Rica, all CA countries have lower national value added in exports compared to bilateral value added generated by imports (Orozco & Padilla, 2023).

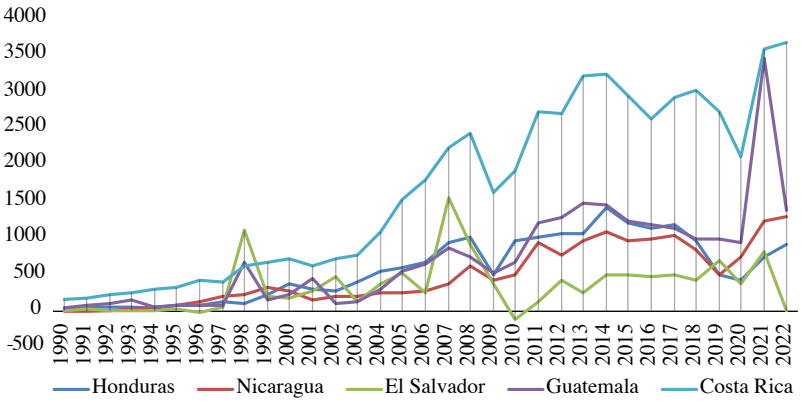
Figure 5.
Evolution of export profiles in CA 1990-2021: main exported goods with its percentage participation

Country	1990	2000	2010	2021
Costa Rica	Tropical fruit [excl. Bananas] (25), Coffee (17), Meat bovine (3), Live plants (2), Medicaments (2)	Parts Office Machine (30), Bananas (10), Coffee (5), Medical instr. (3), Medicaments (2)	Thermionic valves (10), Parts Office Machin. (9), Medical instr. (8),Bananas (8), Tropical fruits (8).	Medical instr. (27), Bananas (8), Tropical fruits (7), Orthopaedic appl artificial parts (6), Miscellaneous food prep. (6)
El Salvador	Coffee (44), Medicaments (4), Cottorn yarn & thread (3), Crustacea and Molluscs (3), Aluminium foil	Under garments knitted (14), Coffee (8), Outer garment (5), Women outer garment (2), Men under garnment (2)	Under garnment knitted (22), Outer garnment knitted (9), Coffee (5), Electrical cond. (4), Artif. Plastic mat (4)	Under garnment knitted (15), Outer garnment knitted (6), Electrical conden (4), Medicament (3), Knitted crochd (2)
Guatemala	Coffee (28), Bananas (6), Medicament (5), Nutmeg, mace, cardamons (3), Raw cotton (3)	Coffee (21), Bananas (7), Crude Petroleum (6), Medicaments (3), Nutmeg, mace & cardamons(3)	Coffee (8), Outer garnments knitted (8), Ores & conc. Of silver (6), Bananas (5), Nutmeg, mace &cardamons (4)	Bananas (7), Coffee (7), Palm oil (5), Nutmeg, mace & cardamons (5), Under garnment knitted (5)
Honduras	Bananas (32), Coffee (26), Crustacea & molluscs (6), Meat of bovine (4), Zinc (4)	Coffee (22), Crustacea & molluscs (17), Bananas (8), Soaps (4), Ores and concentrates of zinc (3)	Coffee (23), Gas (8), Bananas (7), Crustacea & molluscs (6), Palm oil (5)	Coffee (27), Insulated wire (17), Crustacea & molluscs (11), Palm oil (5), Bananas (3)
Nicaragua	Coffee (23), Meat (21), Raw cotton (11), Bananas (8), Crustacea & molluscs (3)	Coffee (28), Crustacea & Molluscs (20), Meat of bovine (9), Groundnuts peanuts green (5), Refined sugar (4)	Coffee (21), Meat of bovine (19), Crustacea & Molluscs (7), Cheese (4),Groundnuts peanuts green (4)	Under garments knitted (13), Meat bovine (13), Insulated wire (11), Coffee (9), Cigars (6)

Source: Own elaboration with data from CEPALSTAT (2024).

In the late 1990s, commodity prices, including coffee and banana, declined but recovered by 2003, coinciding with trade agreements and regional pacification, contributing to a shift towards more manufacturing production. Foreign direct investment surged, with Costa Rica as the primary destination. El Salvador had erratic growth, while other countries experienced somewhat irregular but consistent growth. To assess FDI flow, we compare country competitiveness and exchange rate fluctuations.

Figure 6.
Evolution of the FDI in CA 1990-2021 (in USD)



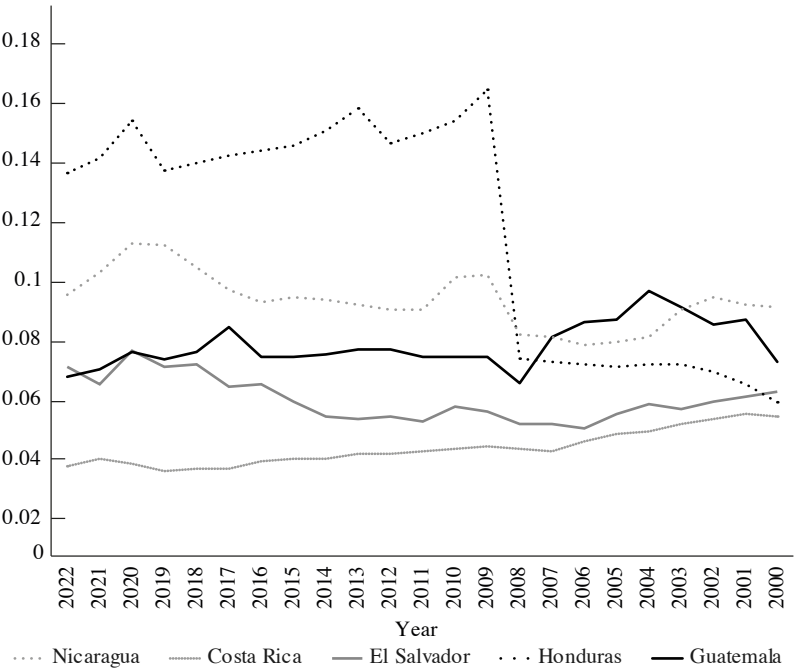
Source: Own elaboration with data from WB (2024).

Price competitiveness is gauged using a rough proxy: minimum wage over GDP per capita in USD (following Fernández-Coruguedo et al., 2022). Non-price competitiveness is approximated using the Economic Complexity index from the Observatory of Economic Complexity (2024). Costa Rica stands out for production and export activities, with decreasing minimum wage to GDP per capita indicating improved price competitiveness. The steady rise in non-price competitiveness reflects a growing diversity and complexity in the country's productive capacity.

El Salvador and Guatemala converge in price competitiveness by 2020, with El Salvador leading before then. El Salvador outperforms Guatemala in non-price competitiveness. Honduras initially aligns with the others in minimum wage to GDP per capita but sees a notable increase, reducing its price competitiveness. Nicaragua maintains stable price competitiveness but experiences a decline in non-price competitiveness.

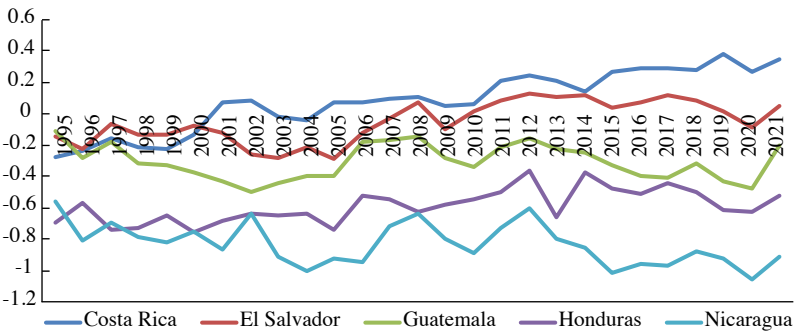
Costa Rica maintains stability with a notable depreciation in 2016 and low depreciation until 2022. El Salvador exhibits consistent stable Real Effective Exchange Rate (REER) since 2001. Guatemala experiences fluctuations, with constant appreciation from 1990-2013, stabilisation in 2017, and subsequent small depreci-

Figure 7.
Minimum wage over GDP per capita for CA countries 2000-2022



Source: Own elaboration with data from the World Bank (2024) and official minimum wage information from each respective country.

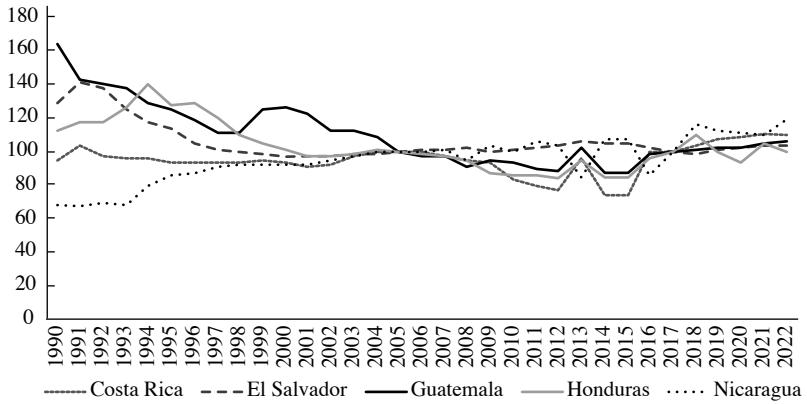
Figure 8.
Economic complexity index for CA countries 2000-2022



Source: Own elaboration with data from OEC (2024)

ations. Honduras sees sustained currency appreciation, potentially affecting competitiveness, while Nicaragua consistently faces depreciation.

Figure 9.
Real Effective Exchange Rate for CA countries 2000-2022

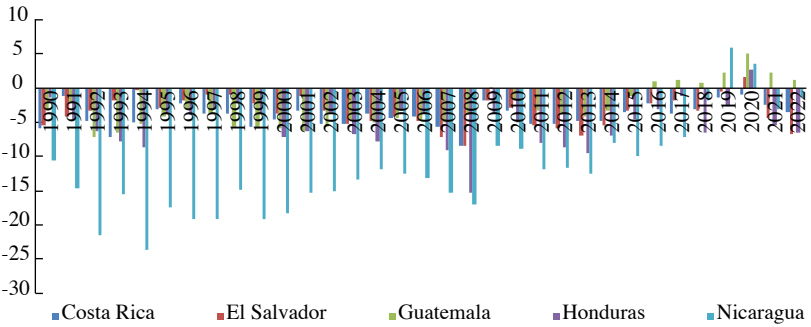


Source: Own elaboration with data from WB (2024).

Figure 10a shows that all CA countries experience a current account deficit, with varying shares relative to GDP. This is a regional characteristic attributed to high import content and other factors. Figures 10a-e provide indicators of the external financing position.

Figures 10a-e: Current account balance, Sectoral financial balance, Debt-to-GDP ratio, Terms of trade, and FEX reserves.

Figure 10a.
Current Account Balance in GDP terms (%)



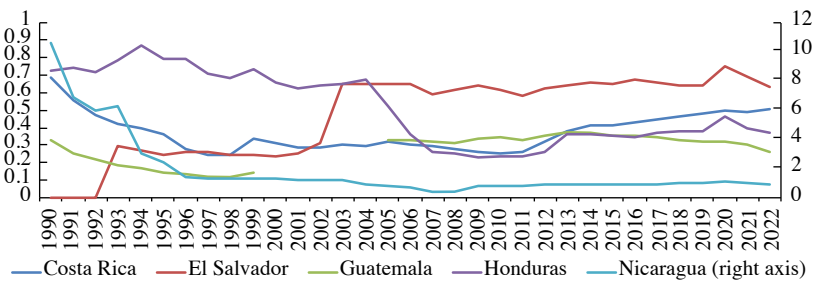
Source: Own elaboration with information from the World Bank.

Figure 10b.
Sectoral financial balance 2000-2022

Country		2000-2011	2012-2022
Costa Rica	General government net lending/borrowing (T-G)	-2,7	-5,5
	Current account balance (M-X)	4,5	3,2
	Private financial balance (S-I)	-1,8	2,3
El Salvador	General government net lending/borrowing (T-G)	-4,1	-3,9
	Current account balance (M-X)	4,4	3,5
	Private financial balance (S-I)	-0,3	0,4
Guatemala	General government net lending/borrowing (T-G)	-1,9	-2,0
	Current account balance (M-X)	4,2	-0,1
	Private financial balance (S-I)	-2,3	2,2
Honduras	General government net lending/borrowing (T-G)	-2,2	-1,8
	Current account balance (M-X)	6,5	4,4
	Private financial balance (S-I)	-4,3	-2,6
Nicaragua	General government net lending/borrowing (T-G)	0,9	-1,2
	Current account balance (M-X)	13,6	5,0
	Private financial balance (S-I)	-14,5	-3,8

Source: Own elaboration with data from IMF (2024)

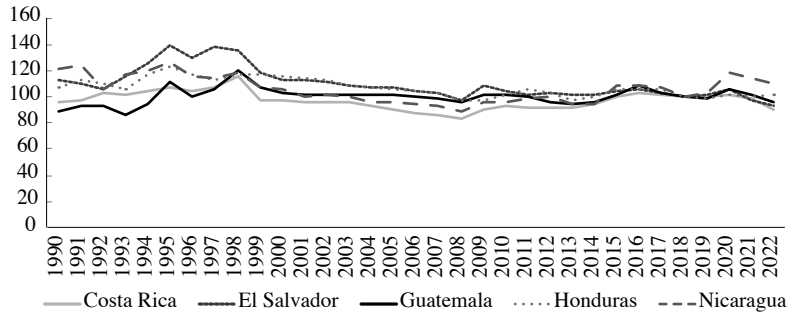
Figure 10c.
Debt-to-GDP 1990-2022



Source: Own elaboration with data from CEPAL (2024)

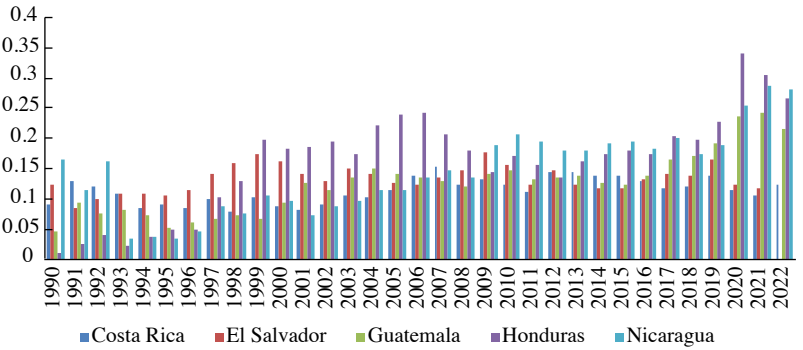
Costa Rica consistently maintains a current account deficit below 5% of GDP. The declining terms of trade, notably since the early 1990s and intensifying post-2007, constrain financial flexibility, leading to reduced export revenues against import costs. This pressure on the current account likely prompts increased borrowing, reflected in the rising debt-to-GDP ratio post-2012. Despite this, Costa Rica's debt-to-GDP remains comparable to Guatemala's. Hammad (2021) notes Costa Rica's higher domestic debt compared to external debt. Notably, Costa Rica's foreign exchange reserves, while growing, are the region's lowest, averaging between 10% and 13% of GDP.

Figure 10d.
Terms of trade 1990-2022



Source: Own elaboration with data from CEPAL (2024).

Figure 10e.
Foreign Exchange Reserves to GDP in USD 1990-2022



Source: Own elaboration with data from WB (2024).

El Salvador had favourable terms of trade in the 1990s, but they declined since 2007. Financial sectoral balances show a lower government deficit, a current account deficit, and a positive private sector position. The mid-2000s saw a rise in the debt-to-GDP ratio, reflecting borrowing for post-conflict development. COFACE (2022) raised concerns about El Salvador's increasing debt, but the country effectively leveraged foreign investment and remittances, boosting foreign exchange reserves.

Guatemala maintains stable terms of trade, consistently financing current account deficits without excessive external borrowing. Since 2010, it achieved a balanced current account, reducing deficits and occasionally posting surpluses. Increasing foreign exchange reserves signal a robust external position for sustainable deficit financing and shock mitigation.

Honduras experiences variable terms of trade, recovering post-2019 after a general decline. This affects financing needs, reflected in fluctuating current account balances and debt-to-GDP ratios. Despite historical external debt reliance, improved debt management since the late 2000s is evident. Honduras has the highest average foreign exchange holdings in the region, emphasising strategic external financing measures and economic resilience.

Nicaragua contends with highly volatile terms of trade, leading to fluctuating financing needs. A significant reduction in the debt-to-GDP ratio since the early 1990s suggests restructuring or debt relief, while a recent increase indicates new borrowing, possibly for development. Despite being the most indebted in the region, increased reserves demonstrate proactive efforts to stabilise the currency and manage financing without undue reliance on debt.

The early 1990s for CA countries were characterised by high current account deficits and declining terms of trade, leading to a reliance on external financing primarily through debt. Over time, there has been a regional trend toward improved current account balances, indicative of enhanced financing mechanisms such as increased foreign investment and remittances, and possibly favourable shifts in trade dynamics.

The accumulation of foreign exchange reserves across these nations has been a shared strategy to shield against external financing shocks and ensure currency stability. Debt reliance has varied; some countries have witnessed increases in debt-to-GDP ratios, while others have maintained or reduced them through relief efforts.

The observed reduction in current account balances, alongside decreased government deficits (except in Nicaragua) and improved private sector positions, suggests an overall reduction in economic dynamism and imports, possibly linked to stagnation in the U.S. following the global financial crisis. This could also indicate a deleveraging within the private sector.

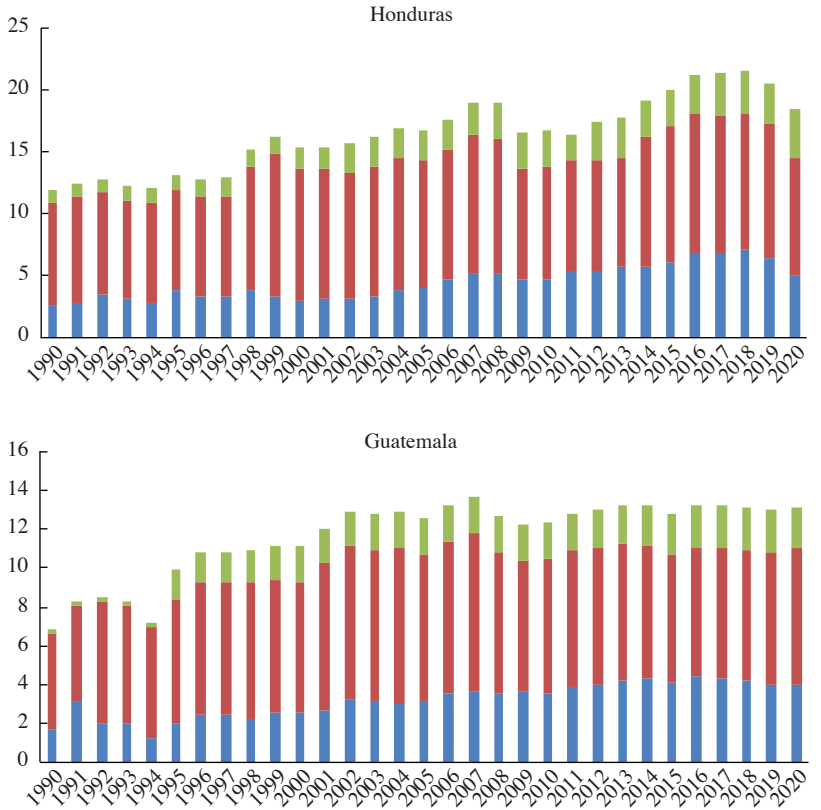
The early 2000s saw an increase in external debt, which then stabilised, except for El Salvador, which has seen a consistent rise, and Costa Rica, which experienced an increase post-2010. Terms of trade have been relatively similar across the region, with more volatility in the 1990s and a generally stagnant trend thereafter, particularly after the 2008 financial crisis. Lastly, remittances enhance a buffer for families, and are used for basic goods, becoming the main external financing component (Acosta et al., 2006), which also impact the balance of payments.

COMPARATIVE ECONOMIC POLICY

CA countries experience varying revenue-to-GDP trends. Costa Rica consistently sees balanced growth in direct, indirect, and social security revenues. Nicaragua and El Salvador witness a twofold increase in revenues-to-GDP, spanning all three categories. Guatemala differs with unique revenue-to-GDP participation. Honduras displays erratic revenue patterns marked by notable fluctuations.

Government expenditure patterns converge with variations. Costa Rica and Nicaragua reduce their expenditure relative to output, while El Salvador increases its participation. Honduras and Guatemala maintain stability. Notably, synchronised expenditure increases from 1998 to 2001 and 2008 to 2010 addresses declining revenues and the global financial crisis. However, from 2010 to 2020, expenditure growth diverges from the previous decade's patterns.

Figure 11.
Government revenues-to-GDP



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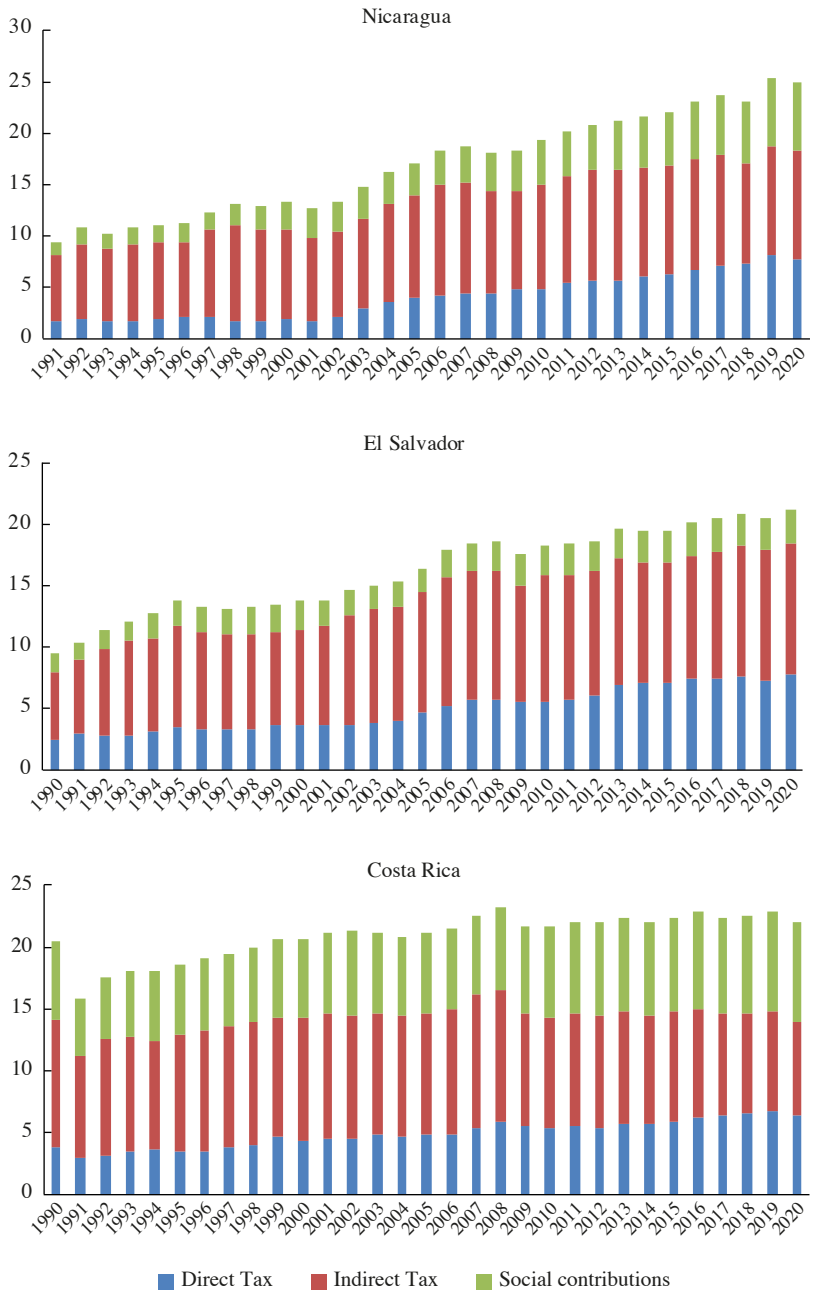
Nicaragua
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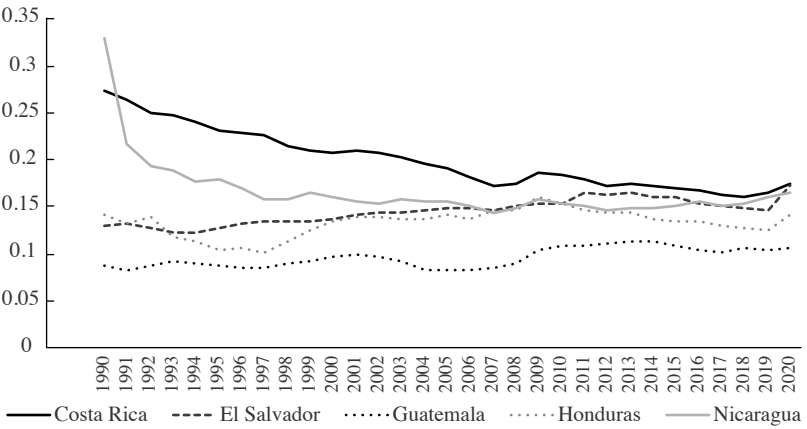
1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020
Direct Tax
Indirect Tax
Social contributions

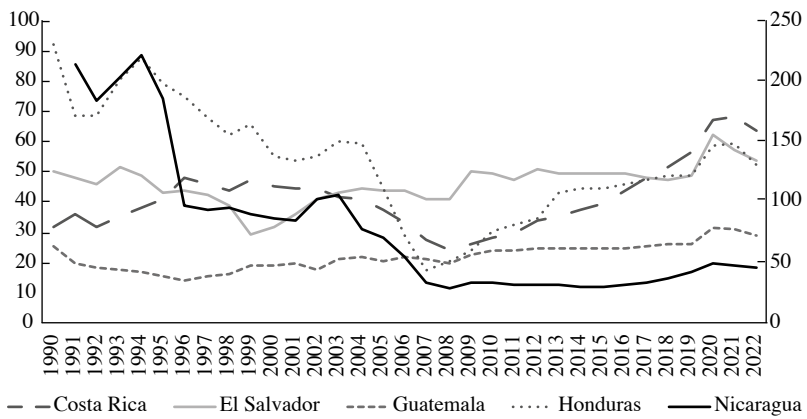
Figure 12.
Government expenditure-to-GDP



Source: Own elaboration with data from WB (2024).

In terms of fiscal space, measured as the public debt with respect to the GDP, there are two groups, either reducing or increasing; in the first case Costa Rica, El Salvador, and more or less Guatemala have increased their public debt (domestic and external). The public debt to GDP has decreased in the case of Honduras and Nicaragua (on the right axis), therefore gaining fiscal space. Now, the decade of 2000's was in general an era of higher fiscal space, reducing during the following decade, with the pandemic the level of sovereign debt has arrived to around 60% of total GDP.

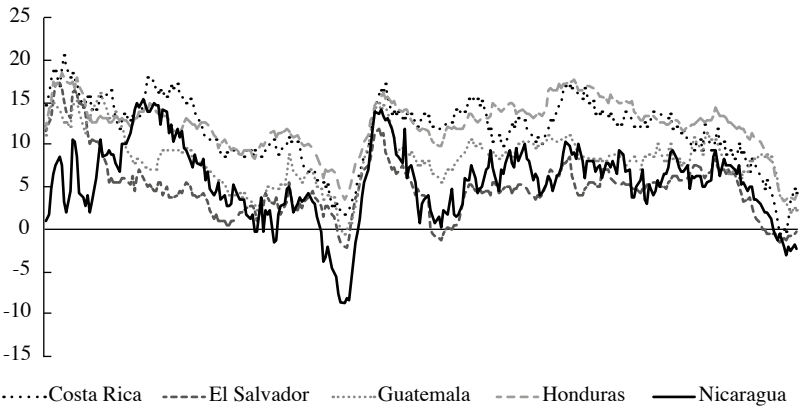
Figure 13.
Public debt to GDP



Source: Own elaboration with data from CEPALSTAT (2024).

Figure 14 depicts the real active interest rate trajectory. Notably, spikes in 2001 and 2008 are linked to global events such as the dot-com recession and the 2008 GFC. El Salvador and Nicaragua consistently maintain lower rates, while Honduras and Costa Rica have higher levels, with Guatemala in between. From 1999 to 2007, most countries show a trend of annual interest rate reduction. However, a significant fluctuation occurs from 2007 to 2010. Post-2011, rates recover to levels similar to previous decades despite continued international liquidity, prompting strict interest rate policies.

Figure 14.
Real active interest rate 1999-2022



Source: Own elaboration with data from SECMCA (2024).

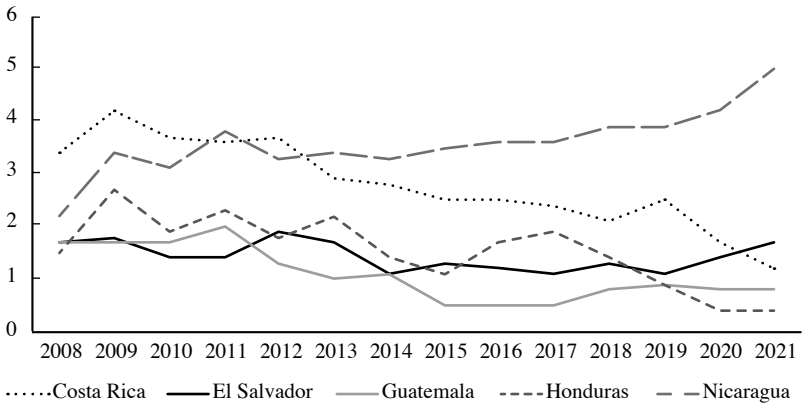
CA countries have bolstered tax capacity through new taxes or expanded bases, showing overall convergence with variations such as Guatemala's consistently low taxation. Except for Costa Rica, most rely heavily on regressive indirect taxes.

In government expenditure as a percentage of GDP, convergence is notable, with varying trends in public debt and interest rates. Limited data availability is addressed in the next figure, presenting public investment in economic infrastructure as a percentage of GDP from 2008 to 2021.

Nicaragua's public investment shows an increasing trend, reaching 5% of GDP in 2021. Costa Rica, initially leading with 4.2% in 2009, has decreased since 2011, converging with other CA countries. The rest have values below 3%, generally decreasing since 2012, except for El Salvador, which increased post-2019, surpassing Costa Rica in 2021.

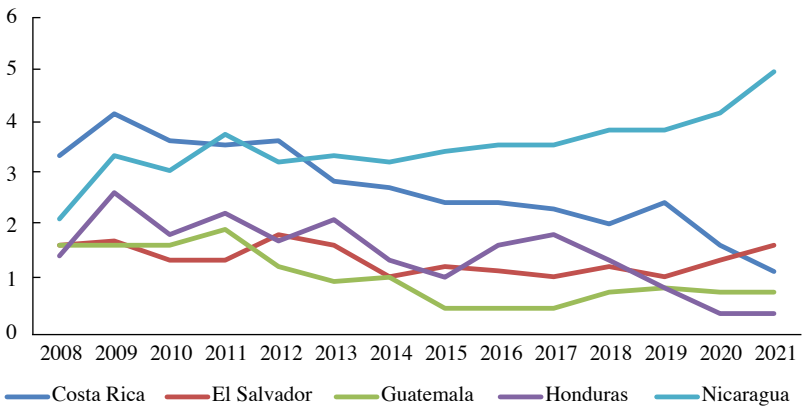
Total credit levels increased for these countries since 2001, with a dip in 2007-2010 due to the GFC. Since then, most countries, except Costa Rica and Nicaragua post-2018, have shown rising total credit in the economy.

Figure 15.
Public investment in economic infrastructure. As a percentage of GDP. 2008 - 2021



Source: own elaboration with information from INFRALATAM (2024).

Figure 16.
Total credit. As a percentage of the GDP. 2001-2022

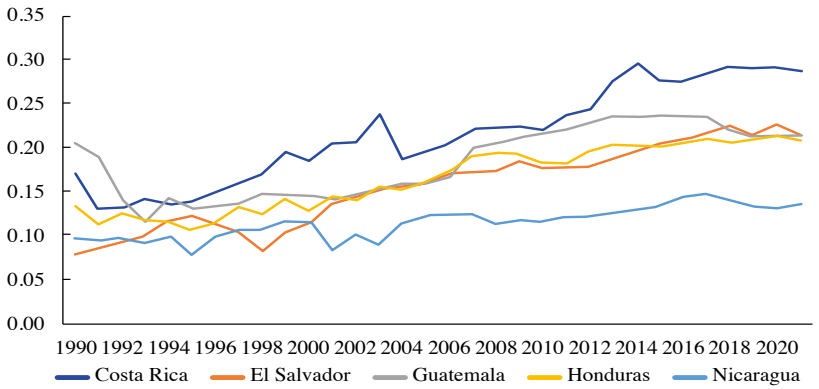


Source: own elaboration with information from SECMCA (2024) and World Bank (2024).

Until the Global Financial Crisis, El Salvador had the highest credit in the early 2000s but was surpassed by Honduras and Costa Rica since 2011. These three form the upper credit group, consistently above 45% of GDP since 2012. Guatemala and Nicaragua constitute the lower credit group, mostly below 40% of GDP. The increasing credit levels indicate financial advancement, supported by the IMF's Financial Development Index. Costa Rica leads with the highest and rising index, aligning with its top credit level. Guatemala, El Salvador, and Honduras show similar and converging levels, implying a comparable financial situation.

Nicaragua stands clearly below, diverging since the 2000s, aligning with its lower credit levels since 2001.

Figure 17.
Financial Development Index. 1990-2021



Source: Own elaboration with information from IMF (2024).

Growth model analysis of CA countries

We synthesise various characteristics previously examined to substantiate our taxonomy. Figure 18 illustrates our findings, focusing on the growth regime as the primary driver of economic growth (second column from left to right). Moreover, we delineate factors contributing to integration into the global economy in columns three to five, showcasing predominant exported goods, competitiveness factors, and financial profiles. Columns six and seven outline pertinent aspects of state intervention in the economy.

The figure serves as a summary for the period spanning 2000 to 2022, facilitating inter-country comparisons across variables. It delineates growth regimes, where prevalent trends observed across different time frames take precedence. Similarly, regarding main exports, we highlight dominant categories, as with other aspects. This broad approach allows us to emphasise the prevailing trends and dominant characteristics of each growth regime.

Moving forward, we emphasise that the region's predominant growth regimes are consumption financed by remittances (CRL) and export-led (EL). While these may appear distinct, we argue that they represent variants of the same regime. The EL regime relies on demand from non-domestic economies for goods and services, whereas CRL depends on inflows from foreign-based workers to their families. In other words, they can both be export led, since while EL exports goods and services, CRL exports workforce. Moreover, the key distinction lies in the allocation of inflows: in the EL, income flows to firms, whereas in CRL, income reaches families, primarily allocated towards basic goods, particularly among lower-in-

come groups (Segovia, 2022). Regime shifts often coincide with external shocks, such as altered demand patterns in core economies or economic crises such as the 2008 subprime crisis, impacting sectors reliant on migrant labour, such as the construction industry in the U.S. (OIM, 2017a; 2017b; 2023).

That said, we identify three variants of export-led regimes. In the first group, Costa Rica stands alone as an EL regime with upgraded technological content in its export basket. It is the only country significantly exporting capital goods. Maintaining both price and non-price competitiveness, Costa Rica attracts a substantial amount of Foreign Direct Investment (FDI) in the region. Despite a historically more active state, Costa Rica has pursued wage-moderation policies alongside tax incentives, resulting in decreased overall government intervention in the economy. Notably, remittances play a less crucial role in Costa Rica compared to the other countries.

The second group comprises Guatemala and El Salvador, where CRL initially dominated followed by EL. Both countries have seen a rise in consumer goods, particularly in the "maquiladora" sector. They maintain relatively stable external positions regarding the current account, with minimal government involvement and regressive fiscal systems.

The third group includes Honduras and Nicaragua, where EL is the dominant regime followed by CRL. Raw goods constitute the main exports, though consumer goods have gained prominence in recent years. Compared to other countries, their price and non-price competitiveness are weaker, and their external balance is more volatile. These countries are increasingly reliant on remittance-driven consumption, with a growing share of consumer goods in their export baskets and a reduced emphasis on raw goods. As Segovia (2022) points out, CA has become a platform supplier of low added-value goods and low-cost suppliers in the global value chains. Along with the international integration of the region migrations and remittances have reinforced the dependency of CA on the United States (p. 27).

In conclusion, by integrating the previous sections, we identify varieties of export-led regimes: the first group, exemplified by Costa Rica, represents an upgrading EL regime. The second group presents a focus on low-value-added manufacturing sectors along with the impact of remittances on the economy. The third group exhibits a commodity-export-related EL regime shifting towards characteristics of the second group.

The overall export-led leaning of the region underscores two distinctive factors across all countries: a convergence towards reduced government intervention and pro-capital sector policies (Jiménez, 2020). Second, efforts to maintain a stable external balance, as evidenced by reduced and stabilised foreign debt and relative reductions in current account deficits.

Figure 18.
Analysis of the economic and political structure of CA. 1990-2022

Country/ year	Growth regime	Type of Exports	Type of Competitiveness	International Financial Profile	Fiscal	Monetary
Guatemala	CRL-EL	Intermediate & consumer goods	Stable price & non-price competitiveness, with REER appreciation from 1990-2013, and relative stability onwards. Stagnant terms of trade.	Increasing FDI flows, (especially after 2010). Small deficit in the current account, with an average of 40% debt-to-GDP ratio. Increasing foreign exchange reserves.	Lower than average government revenues to GDP (mainly by indirect tax). Stagnant and relatively low gov. expenditure, low and stable public debt. Low public investment.	Decreasing real interest rate until 2008, after 2010 stabilises at a level around 10%. Steady increase of credit-to-GDP but below average, increasing finance development index
El Salvador	CRL-EL	Consumer goods	Price competitiveness (but deteriorating since 2018), with higher-than-average non-price competitiveness. REER stability. Stagnant terms of trade.	Volatile trend of FDI, small but increasing current account deficit, surge of debt-to-GDP ratio after 2002.	Increasing gov. revenues, mainly based on indirect tax. Stable gov expenditure (around 15% of GDP), stable sovereign debt. Very low public investment.	Lower than average real interest rate. Stable trend rate of total credit as % of GDP. Improving financial development index.
Honduras	EL-CRL	Raw & consumer goods	Deteriorating price competitiveness, low non-price competitiveness, REER appreciation, slightly declining but stable terms of trade.	Regional average FDI, higher currency account deficit, improving debt-to-GDP ratio (after 2005). High increase of foreign exchange holdings	Increasing gov. revenues, mainly based on indirect tax. Stable gov expenditure (fluctuates between 10 and 15% of GDP). Marked decreasing public debt-to-GDP until 2007, increases constantly until 2022.	Slightly higher than the average real interest rate. Constant increase in credit-to-GDP, surpassing other countries in 2019. Constantly improving Financial Development Index.

(*Continued*)

Country/ year	Growth regime	Type of Exports	Type of Competitiveness	International Financial Profile	Fiscal	Monetary
Nicaragua	EL-CRL	Raw & consumer goods	Low price and non-price competitiveness, and depreciation of REER thru all the periods. Volatile, declining until 2010, then improving terms of trade.	Significant reduction in debt-to-GDP ratio since 1990's, but still the highest rate. High increase in foreign exchange reserves, especially after 2010. Constant reduction in current account deficit, but still higher than other countries. Steady growth of FDI.	Sharp increase in gov. revenues-to-GDP after 2003. More balanced between direct, indirect, and social contributions. Reduction of gov. expenditure-to-GDP, similar level as other countries. Sharp reduction in public debt. Marked upward trend in public investment after 2011.	Generally lower than other countries' real interest rates. Increase in credits-to-GDP, but lower than other countries. Slightly improving financial development index, but less than other countries.
Costa Rica	EL	Capital, raw & intermediate goods	Highest price and non-price competitiveness than others. Decreasing terms of trade until 2008, increasing after it. REER stability until 2010, volatile behaviour after 2010, first appreciating and then depreciating after 2017.	Very stable current account balance, reducing debt-to-GDP ratio until 2011, when it starts increasing from 30 to 50% of GDP. Very high inflow of FDI after 2002. Comparatively lower foreign exchange holding reserves.	Comparatively higher than other countries, and balanced sources of revenues-to-GDP. Sharp reduction of gov-expenditures-to-GDP, until 2009, then still decline but steadily, convergence with other countries. Reduction of public investment since 2008.	Similar trend behaviour in real interest rate, and higher than other countries. Clear increasing credit-to-GDP rate. Higher than others Financial Development Index.

Although our approach differs from Stockhammer's (2023) more neo-Kaleckian perspective, we ensure consistency in the steps and dimensions analysed. This consistency stems from the understanding within the SSM framework that growth can be externally constrained and influenced by political factors, particularly the role of the state. Therefore, our methodology aligns with the chosen theoretical framework for analysing the GMA.

By delving further from GMA and integrating aspects that combine Structural-Keynesian approaches, we specify the structural characteristics of these five countries, presenting groups as varieties of export-led regimes. These can be considered more general or structural characteristics of each country. This approach lays the groundwork for a deeper analysis, contrasting this structural or long-term view with a conjunctural perspective by assessing the policy space available to left-leaning governments, given the structural characteristics.

We argue that there has been a structural change in CA regarding the international integration of the region because of changes in the type of exports, going from commodities to low-value manufactures. Segovia (2022) identifies a structural change also in the elites of the countries. Moreover, the elites that were previously related to the agriculture sphere have adapted to globalisation, creating what he calls a transnational-rentier capitalism. The elites' role is crucial not only because they determine the economic structure but also because they influence the policy space and the political structure that the left-leading governments faced.

A COMPARATIVE POLITICAL ANALYSIS

Since the 1980s and 1990s, CA has been shaped by neoliberalism, notably through Structural Adjustment Programmes (Bielschowsky et al., 2022; Segovia 2022). While this economic model influenced public policies, some governments in the region adopted progressive measures, particularly in the realm of social policies.

Álvaro Colom in Guatemala (2008-2012)

Due to the GFC Guatemala faced decreased exports, imports, and public revenue. The fiscal situation worsened, and the government's slow economic recovery until 2012 was compounded by the euro-zone crisis and natural disasters in 2010-2011. Congress blocked public financing initiatives, limiting the government's actions (Secretaria de Comunicación Social de la Presidencia, 2012).

Despite challenges, the government pursued a social-democratic approach, focusing on increasing public revenue and social expenditure, especially for the poorest. Policies aimed at free access to public health and education increased usage, particularly in rural areas. Public security policies saw a rise in police and military presence, alongside anti-corruption measures targeting public institutions (Secretaria de Comunicación Social de la Presidencia 2012).

These policies boosted public sector participation, improved living conditions—particularly for the poorest—and enhanced Guatemala's international perception. While impactful, they did not transform the country's economic structure. Public consumption led the recovery for the 2008 crisis, but public transfers had low impact. The dependance on external components such as remittances and exports continue.

The two governments of FMLN in El Salvador (2009-2019)

From 2009 to 2019, El Salvador's leftist party, FMLN, led consecutive governments. Under Mauricio Funes, key social policies aimed at transforming education, supporting production, and enhancing transparency. Initiatives included food programmes and school supplies, price regulations, "Ciudad Mujer" centres, income transfers, healthcare system transformation, and infrastructure investments (Gobierno de El Salvador, 2015).

Public security measures involved increased military and police presence. Infrastructure investments focused on highways, roads, bridges, and residential credit. Economic activity reactivation included modernising ports, expanding the airport, and boosting energy capacity. Sectoral policies supported industry, energy, innovation, science, technology, tourism, and competition (Gobierno de El Salvador, 2015).

During Salvador Sánchez Cerén's term, these policies continued and expanded. Free public health access, increased health facilities, student support programmes, school construction, and agricultural sector reactivation were notable. A 2018 pension system reform aimed at fiscal control, accompanied by the largest minimum wage increase. Infrastructure investments in energy, highways, roads, and the international airport were prioritised (Sánchez Cerén, 2019).

El Salvador's growth regime shifted between CRL and EL during the analysed period. Government policies supported productive capacity and living conditions but didn't transform the overall productive structure, still driven by external factors. Domestic factors' importance in growth remained unchanged, and policies enhanced the existing production structure. Public transfers (as the rest of public components) had low impact.

Manuel Zelaya in Honduras (2006-2009)

Manuel Zelaya's presidency marked a right-to-left policy shift in Honduras. Initially aligned with economic elites, his policies diverged, triggered by an energy crisis. Declaring an "energetic state of emergency," Zelaya took control of the national energy institution (ENEE) and proposed a USD 15.8 million emergency fund for oil. Attempts to confiscate ports and warehouses from international enterprises faced opposition (Guzmán Padilla & León Arraya, 2019).

Facing persistent energy issues, Honduras joined Venezuela-led initiatives: Petrocaribe (December 2007) and the Bolivarian Alliance for the Peoples of our Amer-

ica (ALBA, July 2008). Despite U.S. and elite opposition, Congress approved. Zelaya's government also raised the minimum wage by 60%, implemented anti-corruption measures, and fostered public participation channels (Guzmán Padilla & León Arraya, 2019). In November 2008, he proposed a Constituent Assembly to alter Honduras' participation structure (Cunha Filho et al., 2013). While Honduras's growth regime remained EL, Zelaya's leftward shift addressed the energy crisis without altering the economic structure. ALBA inclusion provided foreign financial resources and credit, fostering financial and credit conditions, especially for international agents. Public components were not relevant.

Daniel Ortega in Nicaragua (since 2017)

Upon assuming the presidency in 2007, Daniel Ortega aligned Nicaragua with the ALBA initiative and introduced free public health and education. Social policies included easy access to credit for residential construction, productive credit, and resources for food accessibility. Public investment projects covered roads, highways, energy, tourism, public spaces, and internet access (Duterme, 2018).

Nicaragua's economic growth has been mainly EL, benefiting from increased global demand for raw materials, especially by China. Major exports like meat, coffee, gold, sugar, and tobacco flourished. This export-oriented strategy led to sustained economic growth, averaging 5.3% annual GDP growth from 2011 to 2017. Nicaragua accessed multilateral financial resources, totaling USD 20,000 million between 2007 and 2015, combining IMF recommendations and ALBA funds (Duterme, 2018). While some policies aligned with neoliberal tendencies, such as wage bill containment and public expenditure adjustment for fiscal deficit control, the private banking sector still controlled credit and interest rates. Ortega's economic policies aimed to deepen the existing export-led growth regime, relying on cheap labour and the exploitation of natural resources and agriculture, rather than changing Nicaragua's economic structure. Public components were of little relevance.

Guillermo Solís in Costa Rica (2014-2018)

The government prioritised public investment in infrastructure, focusing on roads, highways, energy, water, railroads, schools, hospitals, and health facilities, alongside enhancements in public security and police facilities. Local development received attention with investments in rural credit and support for local production using public resources. The government increased the number of police officers and implemented measures to streamline bureaucracy and public processes, leading to improved financial situations for some institutions and increased public revenues. With low interest rates, low inflation, and improved credit conditions, Costa Rica's overall economic performance was positive (Costa Rica Gobierno de la República, 2018).

However, these economic policies aimed at enhancing conditions within Costa Rica's existing export-led growth regime rather than altering the country's productive structure. The regime, emphasising exports of higher value-added goods such as capital goods, remained consistent with the nation's economic approach compared to the rest of CA. Public transfers and investment were important to recover from the crisis, but presented low impact in the rest of the period.

CONCLUSIONS

We have compared five CA countries, based on a Structural-Keynesian perspective. We have implemented a decomposition along with the SSM lines, identified some GR. Also, we have depicted some data that shed light on the integration into international economy, also we have presented some economic policy and macroeconomic data that gets us close to perceiving the trend of economic policy and finally we have presented the main policies applied by progressist governments.

In conclusion, the prior analysis yields a crucial insight: Progressive governments in Central America proved ineffective in modifying the growth regime through domestic policy initiatives. This shortcoming can be ascribed to structural dependence on external factors and a conservative macroeconomic policy framework. Moreover, the emphasis on social policies by these progressive administrations failed to integrate essential components such as redistribution and demand-boosting measures, exacerbating their incapacity to effect substantial changes in the growth regime.

A notable contribution of our study is the introduction of the CRL regime, a crucial factor in understanding growth dynamics. While further investigation is warranted, it appears plausible that the CRL regime highlights not only the importance of remittances for the receiving families, but the need to finance their consumption by additional factors other than the domestic income. Moreover, given the low impact of credit in consumption in CA, families must depend on an external factor that can be very volatile under shocks such as the Global Financial Crisis (GFC) and the pandemic, in which these families' income and living conditions are vulnerable.

Additionally, our research merges the type of international economic insertion with the external constraint that hampers potential growth through the negative impact of imports on the Supermultiplier and the increased financial need to address current account deficits. The examination of each country's role in the international division of labour reveals that, except for Costa Rica, most continue to focus on commodities or low-value-added goods, with limited progress in upgrading or diversifying non-price factors. The impact of public factors on demand appears relatively insignificant with some exceptions, indicating a restrained use of public expenditures for consumption and investment. Persistent austerity policies are evident, resulting in fiscal deficits and escalating public debt. Economically, all

countries seem to adhere to a conservative monetary and fiscal policy, prioritising inflation stability.

During the GFC, progressive governments aimed to mitigate its impact, exposing the region's vulnerability to external factors. Despite an expanded state size and participation, policies lacked a focus on structural socioeconomic transformation. While public investments improved mobility, education, and health facilities, they did not drive growth in the public sector. Fiscal policies addressed deficits but fell short of implementing reforms for a more progressive fiscal structure. These policies, while enhancing services and investments, did not alter the growth regime in CA. The region's dependence on external factors remains crucial for economic growth. Progressive governments failed to shift the growth model, maintaining reliance on foreign resources. The absence of ALBA, previously influential, adds uncertainty to foreign financial channels. Future left alternatives must prioritise policies to transform the productive structure and reduce dependence on the foreign sector.

This analysis holds significance in both theoretical and practical dimensions as it explores the reciprocal influence of political and economic factors, delineating their impact on the configuration of economic regimes and the sustainability of distinct political factions. Numerous unexplored aspects persist, such as the assessment of crisis indicators within the region. An avenue for scholarly inquiry involves examining how the growth regime, relying significantly on remittances, may grapple with crises amidst increased migration constraints imposed initially by the United States and subsequently by Mexico. Additionally, a comprehensive exploration of the politics surrounding the growth regime, briefly outlined thus far, remains pending.

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